

FEDERAL COMMUNICATIONS COMMISSION

[DA 98-1469; Report No. AUC-98-20-A (Auction No. 20)]

156-162 MHz Public Coast Station Spectrum Auction Scheduled for December 3, 1998; Comment Sought on Reserve Prices or Minimum Opening Bids and Other Auction Procedural Issues

AGENCY: Federal Communications Commission.

ACTION: Notice seeking comment.

SUMMARY: The Commission announces the auction of 42 VHF public coast station licenses scheduled for December 3, 1998, and seeks comment on a proposed formula for calculating minimum opening bids and other auction procedural issues.

DATES: Comments are due on or before August 14, 1998. Reply comments are due on or before August 21, 1998.

ADDRESSES: To file formally, parties must submit an original and four copies to the Office of the Secretary, Federal Communications Commission, Room 222, 1919 M Street N.W., Washington, D.C. 20554. In addition, parties must submit one copy to Amy Zoslov, Chief, Auctions and Industry Analysis Division, Wireless Telecommunications Bureau, Federal Communications Commission, Room 5202, 2025 M Street N.W., Washington, D.C. 20554. Comments and reply comments will be available for public inspection during regular business hours in the FCC Public Reference Room, Room 239, 1919 M Street N.W., Washington, D.C. 20554.

FOR FURTHER INFORMATION CONTACT: Bob Reagle, Jeff Garretson, or Anne Napoli, Auctions and Industry Analysis Division, Wireless Telecommunications Bureau, at (202) 418-0660.

SUPPLEMENTARY INFORMATION: This public notice was released on July 23, 1998 and is available in its entirety for inspection and copying during normal business hours in the FCC Reference Center (Room 239), 1919 M Street, N.W., Washington, D.C., and also may be purchased from the Commission's copy contractor, International Transcription Services, (202) 857-3800, fax (202) 857-3805, 1231 20th Street, N.W., Washington, D.C. 20036.

Synopsis of the Public Notice

1. By this Public Notice, the Wireless Telecommunications Bureau ("the Bureau") announces the auction of 42 VHF public coast station licenses, to begin on December 3, 1998. These licenses encompass the United States,

the Northern Mariana Islands, Guam, American Samoa, the United States Virgin Islands and Puerto Rico. Specifically, one license will be available in each of 42 geographic areas known as VHF Public Coast Areas (VPCs). There are two categories of VPCs, maritime VPCs and inland VPCs. Maritime VPCs, of which there are nine, are roughly equivalent to U.S. Coast Guard Districts, and include geographic areas any part of which is within 100 miles of a major waterway. Inland VPCs, of which there are 33, are smaller geographic areas identical to the Commerce Department's Economic Areas, no part of which is within 100 miles of a major waterway.

2. Future public notices will include further details regarding application filing and payment deadlines, seminars, and other pertinent information. In this Public Notice, the Commission seeks comment on procedural issues relating to the VHF public coast station auction.

I. Reserve Price or Minimum Opening Bid

3. The Balanced Budget Act of 1997 calls upon the Commission to prescribe methods by which a reasonable reserve price will be required or a minimum opening bid established when FCC licenses are subject to auction (*i.e.*, because they are mutually exclusive), unless the Commission determines that a reserve price or minimum bid is not in the public interest. Consistent with this mandate, the Commission has directed the Bureau to seek comment on the use of a minimum opening bid and/or reserve price prior to the start of each auction. The Bureau was directed to seek comment on the methodology to be employed in establishing each of these mechanisms. Among other factors the Bureau should consider is the amount of spectrum being auctioned, levels of incumbency, the availability of technology to provide service, the size of the geographic service areas, issues of interference with other spectrum bands, and any other relevant factors that reasonably could have an impact on valuation of the spectrum being auctioned. The Commission concluded that the Bureau should have the discretion to employ either or both of these mechanisms for future auctions.

4. Normally, a reserve price is an absolute minimum price below which an item will not be sold in a given auction. Reserve prices can be either published or unpublished. A minimum opening bid, on the other hand, is the minimum bid price set at the beginning of the auction below which *no bids* are accepted. It is generally used to accelerate the competitive bidding

process. Also, in a minimum opening bid scenario, the auctioneer generally has the discretion to lower the amount later in the auction.

5. In anticipation of this auction and in light of the Balanced Budget Act, the Bureau proposes to establish minimum opening bids for the VHF public coast station auction, and retain discretion to lower the minimum opening bids. The Bureau believes a minimum opening bid, which has been utilized in other auctions, is an effective bidding tool. A minimum opening bid, rather than a reserve price, will help to regulate the pace of the auction and provides flexibility.

6. Specifically, the Commission proposes the following formula for calculating minimum opening bids on a license-by-license basis in Auction No. 20:

a. Maritime VPC Licenses: $\$.001 * \text{MHz} * \text{Pop}$ (rounded up to the nearest dollar) with a minimum of no less than \$2,500 per license.

b. Inland VPC Licenses: $\$.011 * \text{MHz} * \text{Pop}$ (rounded up to the nearest dollar) with a minimum of no less than \$2,500 per license.

Comment is sought on this proposal. If commenters believe that the formula proposed above for minimum opening bids will result in substantial numbers of unsold licenses, or is not a reasonable amount, or should instead operate as a reserve price, they should explain why this is so, and comment on the desirability of an alternative approach. Commenters are advised to support their claims with valuation analyses and suggested reserve prices or minimum opening bid levels or formulas. In establishing the formula for minimum opening bids, the Commission particularly seeks comment on such factors as, among other things, the amount of spectrum being auctioned, levels of incumbency, the availability of technology to provide service, the size of the geographic service areas, issues of interference with other spectrum bands and any other relevant factors that could reasonably have an impact on valuation of the VHF public coast station spectrum. Alternatively, comment is sought on whether, consistent with the Balanced Budget Act, the public interest would be served by having no minimum opening bid or reserve price.

II. Other Auction Procedural Issues

7. The Balanced Budget Act of 1997 requires the Commission to "ensure that, in the scheduling of any competitive bidding under this subsection, an adequate period is allowed * * * before issuance of bidding rules, to permit notice and

comment on proposed auction procedures * * * Consistent with the provisions of the Balanced Budget Act and to ensure that potential bidders have adequate time to familiarize themselves with the specific provisions that will govern the day-to-day conduct of an auction, the Commission directed the Bureau, under its existing delegated authority, to seek comment on a variety of auction-specific issues prior to the start of each auction. The Commission therefore seeks comment on the following issues.

A. Auction Sequence and License Groupings

8. Because it is most administratively appropriate, and allows bidders to take advantage of any synergies that exist among licenses, we propose to award the 42 VHF public coast station licenses in a single, simultaneous multiple-round auction. The Commission seeks comment on this proposal.

B. Structure of Bidding Rounds, Activity Requirements, and Criteria for Determining Reductions in Eligibility

9. The Commission proposes to divide the auction into three stages: Stage One, Stage Two and Stage Three. The auction will start in Stage One. The Commission proposes that the auction will generally advance to the next stage (*i.e.*, from Stage One to Stage Two, and from Stage Two to Stage Three) when the auction activity level, as measured by the percentage of bidding units receiving new high bids, is below ten percent for three consecutive rounds of bidding in each Stage. However, the Commission further proposes that the Bureau retain the discretion to change stages unilaterally by announcement during the auction. In exercising this discretion, the Bureau will consider a variety of measures of bidder activity including, but not limited to, the auction activity level, the percentages of licenses (as measured in bidding units) on which there are new bids, the number of new bids, and the percentage increase in revenue. The Commission seeks comment on these proposals.

10. In order to ensure that the auction closes within a reasonable period of time, an activity rule requires bidders to bid actively on a percentage of their maximum bidding eligibility during each round of the auction rather than waiting until the end to participate. A bidder that does not satisfy the activity rule will either lose bidding eligibility in the next round or use an activity rule waiver.

11. For the VHF public coast station auction, the Commission proposes that, in each round of Stage One of the

auction, a bidder desiring to maintain its current eligibility is required to be active on licenses encompassing at least 60 percent of its current bidding eligibility. Failure to maintain the requisite activity level will result in a reduction in the bidder's bidding eligibility in the next round of bidding (unless an activity rule waiver is used). During Stage One, reduced eligibility for the next round will be calculated by multiplying the current round activity by five-thirds (5/3). In each round of the second stage of the auction, a bidder desiring to maintain its current eligibility is required to be active on at least 80 percent of its current bidding eligibility. During Stage Two, reduced eligibility for the next round will be calculated by multiplying the current round activity by five-fourths (5/4). In each round of Stage Three, a bidder desiring to maintain its current eligibility is required to be active on 98 percent of its current bidding eligibility. In this final stage, reduced eligibility for the next round will be calculated by multiplying the current round activity by fifty forty-ninths (50/49). The Commission seeks comment on these proposals.

C. Minimum Accepted Bids

12. Once there is a standing high bid on a license, a bid increment will be applied to that license to establish a minimum acceptable bid for the following round. For the VHF public coast station auction, the Commission proposes, as described immediately below, to use an exponential smoothing methodology to calculate minimum bid increments. The Bureau retains the discretion to change the minimum bid increment if it determines that circumstances so dictate. The exponential smoothing methodology has been used in previous auctions, including the LMDS auction, and will be used in the upcoming 220 MHz auction. The Commission seeks comment on this proposal.

Exponential Smoothing

13. The exponential smoothing formula calculates the bid increment based on a weighted average of the activity received on each license in the current and all previous rounds. This methodology will tailor the bid increment for each license based on activity, rather than setting a global increment for all licenses. For every license that receives a bid, the bid increment for the next round for that license will be established as a percentage increment that is determined using the exponential smoothing formula.

14. Using exponential smoothing, the calculation of the percentage bid increment for each license will be based on an activity index, which is calculated as the weighted average of the current activity and the activity index from the previous round. The activity index at the start of the auction (round 0) will be set at 0. The current activity index is equal to a weighting factor times the number of new bids received on the license in the current bidding period plus one minus the weighting factor times the activity index from the previous round. The activity index is then used to calculate a percentage increment by multiplying a minimum percentage increment by one plus the activity index with that result being subject to a maximum percentage increment. The Commission will initially set the weighting factor at 0.5, the minimum percentage increment at 0.1, and the maximum percentage increment at 0.2.

Equations

$$A_i = (C * B_i) + ((1 - C) * A_{i-1})$$

$$I_i = \text{smaller of } ((1 + A_i) * N) \text{ and } M$$

Where,

A_i = activity index for the current round (round i)

C = activity weight factor

B_i = number of bids in the current round (round i)

A_{i-1} = activity index from previous round (round $i-1$), A_0 is 0

I_i = percentage bid increment for the current round (round i)

N = minimum percentage increment

M = maximum percentage increment

Under the exponential smoothing methodology, once a bid has been received on a license, the minimum acceptable bid for that license in the following round will be the new high bid plus the dollar amount associated with the percentage increment (variable I_i from above times the high bid). This result will be rounded to the nearest thousand if it is over 10,000 or to the nearest hundred if it is under 10,000.

Examples

License 1

$$C=0.5, N = 0.1, M = 0.2$$

Round 1 (2 new bids, high bid = \$1,000,000)

a. Calculation of percentage increment using exponential smoothing:

$$A_1 = (0.5 * 2) + (0.5 * 0) = 1$$

The smaller of $I_1 = (1 + 1) * 0.1 = 0.2$ or 0.2 (the maximum percentage increment)

b. Minimum bid increment using the percentage increment (I_1 from above)
 $0.2 * \$1,000,000 = \$200,000$

c. Minimum acceptable bid for round 2 =
 1,200,000

Round 2 (3 new bids, high bid = 2,000,000)

a. Calculation of percentage increment using exponential smoothing:

$$A_2 = (0.5 * 3) + (0.5 * 0) = 1.5$$

The smaller of $I_2 = (1 + 1.5) * 0.1 = 0.25$ or 0.2 (the maximum percentage increment)

b. Minimum bid increment using the percentage increment is (I_2 from above)
 $0.2 * \$2,000,000 = \$400,000$

c. Minimum acceptable bid for round 3 = 2,400,000

Round 3 (1 new bid, high bid = 2,400,000)

a. Calculation of percentage increment using exponential smoothing:

$$A_3 = (0.5 * 1) + (0.5 * 0.5) = 0.75$$

The smaller of $I_3 = (1 + .75) * 0.1 = 0.175$ or 0.2 (the maximum percentage increment)

b. Minimum bid increment using the percentage increment (I_3 from above)
 $0.175 * \$2,400,000 = \$420,000$

c. Minimum acceptable bid for round 4 = 2,820,000

D. Initial Maximum Eligibility for Each Bidder

15. The Bureau has delegated authority and discretion to determine an appropriate upfront payment for each license being auctioned, taking into account such factors as the population in each geographic license area, and the value of similar spectrum. With these guidelines in mind, the Commission proposes to calculate upfront payments on a license-by-license basis for maritime VPC licenses and inland VPC licenses using the following formulae:

a. Maritime VPC Licenses: $\$.0007 * \text{MHz} * \text{Pop}$ (rounded up to the nearest dollar) with a minimum upfront payment of \$2,500 per license.

b. Inland VPC Licenses: $\$.0075 * \text{MHz} * \text{Pop}$ (rounded up to the nearest dollar) with a minimum upfront payment of \$2,500 per license.

The Commission seeks comment on these proposals.

16. The Commission further proposes that the amount of the upfront payment submitted by a bidder will determine the initial maximum eligibility (as measured in bidding units) for each bidder. Upfront payments will not be attributed to specific licenses, but instead will be translated into bidding units to define a bidder's initial maximum eligibility, which cannot be increased during the auction. Thus, in calculating the upfront payment amount, an applicant must determine the *maximum* number of bidding units it may wish to bid on (or hold high bids on) in any single round, and submit an upfront payment covering that number of bidding units. The Commission seeks comment on this proposal.

E. Activity Rule Waivers and Reducing Eligibility

17. Use of an activity rule waiver preserves the bidder's current bidding eligibility despite the bidder's activity in the current round being below the required minimum level. An activity rule waiver applies to an entire round of bidding and not to a particular license. Activity waivers are principally a mechanism for auction participants to avoid the loss of auction eligibility in the event that exigent circumstances prevent them from placing a bid in a particular round.

18. The FCC auction system assumes that bidders with insufficient activity would prefer to use an activity rule waiver (if available) rather than lose bidding eligibility. Therefore, the system will automatically apply a waiver (known as an "automatic waiver") at the end of any bidding period where a bidder's activity level is below the minimum required unless: (1) there are no activity rule waivers available; or (2) the bidder overrides the automatic application of a waiver by reducing eligibility thereby meeting the minimum requirements.

19. A bidder with insufficient activity that wants to reduce its bidding eligibility rather than use an activity rule waiver must affirmatively override the automatic waiver mechanism during the bidding period by using the reduce eligibility function in the software. In this case, the bidder's eligibility is permanently reduced to bring the bidder into compliance with the activity rules as described above. Once eligibility has been reduced, a bidder will not be permitted to regain its lost bidding eligibility.

20. A bidder may proactively use an activity rule waiver as a means to keep the auction open without placing a bid. If a bidder submits a proactive waiver (using the proactive waiver function in the bidding software) during a bidding period in which no bids are submitted, the auction will remain open and the bidder's eligibility will be preserved. An automatic waiver invoked in a round in which there are no new valid bids will not keep the auction open.

21. The Commission proposes that each bidder in the VHF public coast station auction will be provided five activity rule waivers that may be used in any round during the course of the auction as set forth above. The Commission seeks comment on this proposal.

F. Information Regarding Bid Withdrawal and Bid Removal

22. For the VHF public coast station auction, the Commission proposes the

following bid removal and bid withdrawal procedures. Before the close of a bidding period, a bidder has the option of removing any bids placed in that round. By using the remove bid function in the software, a bidder may effectively "unsubmit" any bid placed within that round. A bidder removing a bid placed in the same round is not subject to withdrawal payments.

23. Once a round closes, a bidder may no longer remove a bid. However, in the next round, a bidder may withdraw standing high bids from previous rounds using the withdraw bid function. A high bidder that withdraws its standing high bid from a previous round is subject to the bid withdrawal payment provisions. The Commission seeks comment on these bid removal and bid withdrawal procedures.

24. In the *Part 1 Third Report and Order*, 63 FR 2315 (January 15, 1998), the Commission recently explained that allowing bid withdrawals facilitates efficient aggregation of licenses and the pursuit of efficient backup strategies as information becomes available during the course of an auction. The Commission noted, however, that in some instances bidders may seek to withdraw bids for improper reasons, including to delay the close of the auction for strategic purposes. The Bureau, therefore, has discretion, in managing the auction, to limit the number of withdrawals to prevent strategic delay of the close of the auction or other abuses. The Commission stated that the Bureau should assertively exercise its discretion, consider limiting the number of rounds in which bidders may withdraw bids, and prevent bidders from bidding on a particular market if the Bureau finds that a bidder is abusing the Commission's bid withdrawal procedures.

25. Applying this reasoning, the Commission proposes to limit each bidder in the VHF public coast station auction to withdrawals in no more than two rounds during the course of the auction. To permit a bidder to withdraw bids in more than two rounds would likely encourage insincere bidding or the use of withdrawals for anti-competitive strategic purposes. The two rounds in which withdrawals are utilized will be at the bidder's discretion; withdrawals otherwise must be in accordance with the Commission's rules. There is no limit on the number of standing high bids that may be withdrawn in either of the rounds in which withdrawals are utilized. Withdrawals will remain subject to the bid withdrawal payment provisions specified in the Commission's rules.

The Commission seeks comment on this proposal.

G. Stopping Rule

26. For the VHF public coast station auction, the Bureau proposes to employ a simultaneous stopping approach. The Bureau has discretion "to establish stopping rules before or during multiple round auctions in order to terminate the auction within a reasonable time." The Commission therefore has the discretion to adopt an alternative stopping rule to the simultaneous stopping rule if we deem appropriate. Thus, unless circumstances dictate otherwise, bidding would remain open on all licenses until bidding stops on every license. The auction would close for all licenses when one round passes during which no bidder submits a new acceptable bid on any license, applies a proactive waiver, or withdraws a previous high bid.

27. The Commission proposes that the Bureau retain the discretion to keep an auction open even if no new acceptable bids or proactive waivers are submitted and no previous high bids are withdrawn. In this event, the effect will be the same as if a bidder had submitted a proactive waiver. The activity rule, therefore, will apply as usual and a bidder with insufficient activity will either lose bidding eligibility or use a remaining activity rule waiver.

28. Finally, the Commission proposes that the Bureau, reserve the right to declare that the auction will end after a specified number of additional rounds ("special stopping rule"). If the Bureau invokes this special stopping rule, it will accept bids in the final round(s) only for licenses on which the high bid increased in at least one of the preceding specified number of rounds. The Bureau proposes to exercise this option only in circumstances such as where the auction is proceeding very slowly, where there is minimal overall bidding activity, or where it appears likely that the auction will not close within a reasonable period of time. Before exercising this option, the Bureau is likely to attempt to increase the pace of the auction by, for example, moving the auction into the next stage (where bidders would be required to maintain a higher level of bidding activity), increasing the number of bidding rounds per day, and/or increasing the amount of the minimum bid increments for the limited number of licenses where there is still a high level of bidding activity. The Commission seeks comment on these proposals.

H. Information Relating to Auction Delay, Suspension or Cancellation

29. For the VHF public coast station auction, the Commission proposes that, by public notice or by announcement during the auction, the Bureau may delay, suspend or cancel the auction in the event of natural disaster, technical obstacle, evidence of an auction security breach, unlawful bidding activity, administrative or weather necessity, or for any other reason that affects the fair and competitive conduct of competitive bidding. In such cases, the Bureau, in its sole discretion, may elect to: resume the auction starting from the beginning of the current round; resume the auction starting from some previous round; or cancel the auction in its entirety. Network interruption may cause the Bureau to delay or suspend the auction. The Commission emphasizes that exercise of this authority is solely within the discretion of the Bureau, and its use is not intended to be a substitute for situations in which bidders may wish to apply their activity rule waivers. The Commission seeks comment on this proposal.

Amy Zoslov,

Chief, Auctions and Industry Analysis Division, Wireless Telecommunications Bureau.

[FR Doc. 98-20524 Filed 7-30-98; 8:45 am]

BILLING CODE 6712-01-P

FEDERAL DEPOSIT INSURANCE CORPORATION

Sunshine Act Meeting

Pursuant to the provisions of the "Government in the Sunshine Act" (5 U.S.C. 552b), notice is hereby given that at 2:26 p.m. on Tuesday, July 28, 1998, the Board of Directors of the Federal Deposit Insurance Corporation met in closed session to consider (1) matters relating to the Corporation's corporate, supervisory, and resolution activities; and (2) reports of the Office of Inspector General.

In calling the meeting, the Board determined, on motion of Vice Chairman Andrew C. Hove, Jr., seconded by Director Ellen S. Seidman (Director, Office of Thrift Supervision), concurred in by Director Joseph H. Neely (Appointive), Director Julie L. Williams (Acting Comptroller of the Currency), and Chairman Donna Tanoue, that Corporation business required its consideration of the matters unless than seven days' notice to the public; that no earlier notice of the meeting was practicable; that the public interest did not require consideration of

the matters in a meeting open to public observation; and that the matters could be considered in a closed meeting by authority of subsections (c)(2), (c)(4), (c)(6), (c)(8), (c)(9)(A)(ii), (c)(9)(B), and (c)(10) of the "Government in the Sunshine Act" (5 U.S.C. 552b(c)(2), (c)(4), (c)(6), (c)(8), (c)(9)(A)(ii), (c)(9)(B), and (c)(10)).

The meeting was held in the Board Room of the FDIC Building located at 550 17th Street, N.W., Washington, DC.

Dated: July 29, 1998.

Federal Deposit Insurance Corporation.

James D. LaPierre,

Deputy Executive Secretary.

[FR Doc. 98-20591 Filed 7-29-98; 10:54 am]

BILLING CODE 6714-01-M

FEDERAL EMERGENCY MANAGEMENT AGENCY

[FEMA-1230-DR]

Iowa; Amendment No. 5 to Notice of a Major Disaster Declaration

AGENCY: Federal Emergency Management Agency (FEMA).

ACTION: Notice.

SUMMARY: This notice amends the notice of a major disaster for the State of Iowa, (FEMA-1230-DR), dated July 2, 1998, and related determinations.

EFFECTIVE DATE: July 20, 1998.

FOR FURTHER INFORMATION CONTACT:

Madge Dale, Response and Recovery Directorate, Federal Emergency Management Agency, Washington, DC 20472, (202) 646-3260.

SUPPLEMENTARY INFORMATION: The notice of a major disaster for the State of Iowa, is hereby amended to include the following areas among those areas determined to have been adversely affected by the catastrophe declared a major disaster by the President in his declaration of July 2, 1998:

Allamakee and Harrison Counties for Individual Assistance (already designated for Public Assistance).

Benton, Black Hawk, Buchanan, Butler, Calhoun, Clarke, Crawford, Davis, Fayette, Jefferson, Linn, Madison, Mahaska, Monona, Ringgold, Sac, Story, Warren, and Winneshiek for Individual Assistance.

(The following Catalog of Federal Domestic Assistance Numbers (CFDA) are to be used for reporting and drawing funds: 83.537, Community Disaster Loans; 83.538, Cora Brown Fund Program; 83.539, Crisis Counseling; 83.540, Disaster Legal Services Program; 83.541, Disaster Unemployment Assistance (DUA); 83.542, Fire Suppression Assistance; 83.543, Individual and Family Grant (IFG) Program; 83.544, Public Assistance Grants; 83.545, Disaster Housing