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ORIGINAL **PAC\*TEL**<sup>®</sup>

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Corporation

A Pacific Telesis Company

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January 10, 1994

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**EX PARTE**

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, NW, Room 222  
Washington, DC 20554

RE: PP Docket 93-253

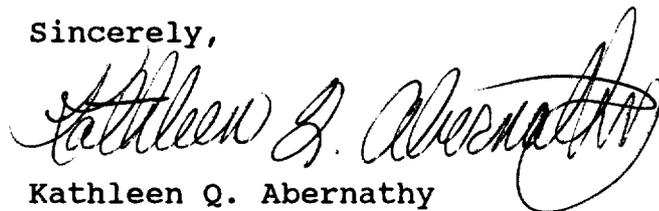
Dear Mr. Caton:

On Friday, January 7, 1994, on behalf of PacTel Corporation, R. Preston McAfee, Professor, University of Texas, Michael Williams, Vice President, Analysis Group, and I met with Brian Fontes, Senior Advisor to Commissioner Quello; Renee Licht, Senior Legal Advisor to Chairman Hundt; Byron Marchant, Senior Legal Advisor to Commissioner Barrett; and James Coltharp, Special Advisor to Commissioner Barrett, to discuss the proceeding indicated above. The attached document was provided during the presentation. Please associate this material with the above-referenced proceeding.

Two copies of this notice were submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me at 202-383-6437 should you have any questions or require additional information concerning this matter.

Sincerely,

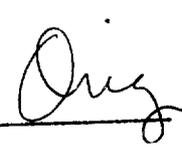


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Managing Director

Attachment

cc: Brian Fontes  
Renee Licht  
Byron Marchant  
James Coltharp

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List A B C D E



## **Alternative Penalty for Bid Withdrawal in PCS Auctions**

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- In some instances in PCS auctions, winning bidders may choose to withdraw their bids
- A penalty for such bid withdrawals should balance the need to discourage bid withdrawals against the risk of discouraging firms from bidding aggressively
- Given these two goals, a reasonable penalty would equal the difference between the dollar value of the bid withdrawn and the dollar amount at which the license is finally sold
- License reverts to second highest bidder, who may withdraw without penalty, as first withdrawing bidder insures government against lower final price
- Maximum penalty is the total upfront fee submitted by bidder
- This penalty protects the government against withdrawn bids
- If the license sells for more than the withdrawn bid, no penalty is assessed
- An efficient auction design should result in few penalties being assessed

AUCTION DESIGN  
FOR  
PERSONAL COMMUNICATIONS SERVICES

PACTEL CORPORATION

January 1994

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## Summary of PacTel Auction Design

This document provides a manual with which to run auctions that follow the design proposed by PacTel Corporation. With the PacTel auction design, license rights for given spectrum blocks are auctioned simultaneously with several rounds of sealed bids. The ending rule specifies that auctions for particular licenses end when an insufficient number of new bids are received.

The PacTel auction design provides a number of desirable features.

- o It is extremely simple to operate. No computers or software are required as the entire auction can be performed with only a pencil and paper.
- o Simultaneous auctions can be completed more quickly than a sequence of auctions and will generate more revenue.
- o Simultaneous auctions permit the market rather than an auction design with an arbitrary sequence of licenses to determine which aggregations of licenses make good business sense.
- o Bidders will find it easier to bid with simultaneous auctions because this design provides information about the value of many or all licenses. In contrast, bidders in a sequential auction have no information about the values of licenses not yet auctioned, and so must guess at their values.
- o The auction design permits bidders to carefully consult with senior management and consortium partners.
- o The identity of the bidders can be kept secret, reducing the likelihood of collusion.

## TIMELINE OF EVENTS IN AUCTION DESIGN

- STEP 1                    Bidders submit short-form applications and upfront payments
- STEP 2                    FCC/Contractor provides bidders with auction rules, Uniform Bid Forms, code numbers, and non-binding minimum suggested bids for each license
- STEP 3                    Bidders submit Uniform Bid Forms
- STEP 4                    FCC/Contractor announces high bids
- (Steps 3 and 4 could occur more or less than once a day at the Commission's discretion)
- (Repeat Steps 3 and 4 until auctions complete according to flowchart)
- STEP 5                    FCC/Contractor announces winning bidders
- STEP 6                    Winning bidders submit 20 percent down payment









FCC BID DATA COMPILATION SHEET

MTA No. \_\_\_\_\_  
 Channel Block A

	Round 1	Round 2	Round 3	Round 4	Round 5	Round 6
Minimum Valid Bid						
Suggested Minimum Bid						
Bidder 1						
Bidder 2						
Bidder 3						
Bidder 4						
Bidder 5						
Bidder 6						
Bidder 7						
Bidder 8						
Maximum Bid						

FCC BID DATA COMPILATION SHEET

MTA No. \_\_\_\_\_  
Channel Block B

	Round 1	Round 2	Round 3	Round 4	Round 5	Round 6
Minimum Valid Bid						
Suggested Minimum Bid						
Bidder 1						
Bidder 2						
Bidder 3						
Bidder 4						
Bidder 5						
Bidder 6						
Bidder 7						
Bidder 8						
Maximum Bid						

FCC BID DATA COMPILATION SHEET

BTA No. \_\_\_\_\_  
 Channel Block C

	Round 1	Round 2	Round 3	Round 4	Round 5	Round 6
Minimum Valid Bid						
Suggested Minimum Bid						
Bidder 1						
Bidder 2						
Bidder 3						
Bidder 4						
Bidder 5						
Bidder 6						
Bidder 7						
Bidder 8						
Maximum Bid						

FCC BID DATA COMPILATION SHEET

BTA No. \_\_\_\_\_  
Channel Block D

	Round 1	Round 2	Round 3	Round 4	Round 5	Round 6
Minimum Valid Bid						
Suggested Minimum Bid						
Bidder 1						
Bidder 2						
Bidder 3						
Bidder 4						
Bidder 5						
Bidder 6						
Bidder 7						
Bidder 8						
Maximum Bid						

FCC BID DATA COMPILATION SHEET

BTA No. \_\_\_\_\_  
Channel Block E

	Round 1	Round 2	Round 3	Round 4	Round 5	Round 6
Minimum Valid Bid						
Suggested Minimum Bid						
Bidder 1						
Bidder 2						
Bidder 3						
Bidder 4						
Bidder 5						
Bidder 6						
Bidder 7						
Bidder 8						
Maximum Bid						

FCC BID DATA COMPILATION SHEET

BTA No. \_\_\_\_\_  
Channel Block F

	Round 1	Round 2	Round 3	Round 4	Round 5	Round 6
<b>Minimum Valid Bid</b>						
<b>Suggested Minimum Bid</b>						
<b>Bidder 1</b>						
<b>Bidder 2</b>						
<b>Bidder 3</b>						
<b>Bidder 4</b>						
<b>Bidder 5</b>						
<b>Bidder 6</b>						
<b>Bidder 7</b>						
<b>Bidder 8</b>						
<b>Maximum Bid</b>						

FCC BID DATA COMPILATION SHEET

BTA No. \_\_\_\_\_  
 Channel Block G

	Round 1	Round 2	Round 3	Round 4	Round 5	Round 6
Minimum Valid Bid						
Suggested Minimum Bid						
Bidder 1						
Bidder 2						
Bidder 3						
Bidder 4						
Bidder 5						
Bidder 6						
Bidder 7						
Bidder 8						
Maximum Bid						

FCC AUCTION RESULTS SHEET

DATE:

MTA		CHANNEL BLOCKS	
		A	B
1	High Bid		
	Suggested Minimum Bid for Next Round		
	Auction Closed Except to Tied Bidders		
	Auction Over		
	20% Down Payment Due (Date)		
	20% Down Payment Received (Date)		
	Winning Bidder		
2	High Bid		
	Suggested Minimum Bid for Next Round		
	Auction Closed Except to Tied Bidders		
	Auction Over		
	20% Down Payment Due (Date)		
	20% Down Payment Received (Date)		
	Winning Bidder		
3	High Bid		
	Suggested Minimum Bid for Next Round		
	Auction Closed Except to Tied Bidders		
	Auction Over		
	20% Down Payment Due (Date)		
	20% Down Payment Received (Date)		
	Winning Bidder		
4	High Bid		
	Suggested Minimum Bid for Next Round		
	Auction Closed Except to Tied Bidders		
	Auction Over		
	20% Down Payment Due (Date)		
	20% Down Payment Received (Date)		
	Winning Bidder		
5	High Bid		
	Suggested Minimum Bid for Next Round		
	Auction Closed Except to Tied Bidders		
	Auction Over		
	20% Down Payment Due (Date)		
	20% Down Payment Received (Date)		
	Winning Bidder		
6	High Bid		
	Suggested Minimum Bid for Next Round		
	Auction Closed Except to Tied Bidders		
	Auction Over		
	20% Down Payment Due (Date)		
	20% Down Payment Received (Date)		
	Winning Bidder		

FCC AUCTION RESULTS SHEET

DATE:

BTA		CHANNEL BLOCKS	
		C	D
1	High Bid		
	Suggested Minimum Bid for Next Round		
	Auction Closed Except to Tied Bidders		
	Auction Over		
	20% Down Payment Due (Date)		
	20% Down Payment Received (Date)		
	Winning Bidder		
2	High Bid		
	Suggested Minimum Bid for Next Round		
	Auction Closed Except to Tied Bidders		
	Auction Over		
	20% Down Payment Due (Date)		
	20% Down Payment Received (Date)		
	Winning Bidder		
3	High Bid		
	Suggested Minimum Bid for Next Round		
	Auction Closed Except to Tied Bidders		
	Auction Over		
	20% Down Payment Due (Date)		
	20% Down Payment Received (Date)		
	Winning Bidder		
4	High Bid		
	Suggested Minimum Bid for Next Round		
	Auction Closed Except to Tied Bidders		
	Auction Over		
	20% Down Payment Due (Date)		
	20% Down Payment Received (Date)		
	Winning Bidder		
5	High Bid		
	Suggested Minimum Bid for Next Round		
	Auction Closed Except to Tied Bidders		
	Auction Over		
	20% Down Payment Due (Date)		
	20% Down Payment Received (Date)		
	Winning Bidder		
6	High Bid		
	Suggested Minimum Bid for Next Round		
	Auction Closed Except to Tied Bidders		
	Auction Over		
	20% Down Payment Due (Date)		
	20% Down Payment Received (Date)		
	Winning Bidder		

FCC AUCTION RESULTS SHEET

DATE:

BTA		CHANNEL BLOCKS		
		E	F	G
1	High Bid			
	Suggested Minimum Bid for Next Round			
	Auction Closed Except to Tied Bidders			
	Auction Over			
	20% Down Payment Due (Date)			
	20% Down Payment Received (Date)			
	Winning Bidder			
2	High Bid			
	Suggested Minimum Bid for Next Round			
	Auction Closed Except to Tied Bidders			
	Auction Over			
	20% Down Payment Due (Date)			
	20% Down Payment Received (Date)			
	Winning Bidder			
3	High Bid			
	Suggested Minimum Bid for Next Round			
	Auction Closed Except to Tied Bidders			
	Auction Over			
	20% Down Payment Due (Date)			
	20% Down Payment Received (Date)			
	Winning Bidder			
4	High Bid			
	Suggested Minimum Bid for Next Round			
	Auction Closed Except to Tied Bidders			
	Auction Over			
	20% Down Payment Due (Date)			
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	Suggested Minimum Bid for Next Round			
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