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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

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

RE: PP Docket 93-253

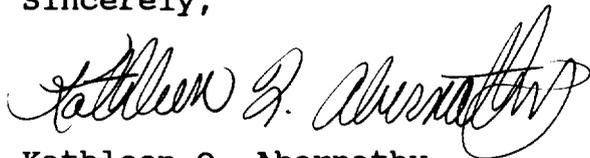
Dear Mr. Caton:

On Monday, January 24, 1994, on behalf of PacTel Corporation, Dr. Preston McAfee and I met with Donald Gipps, Evan Kwerel, Jonathan Cohen, Jonathan Levy, Kent Nakamura, and John Williams, all of the Office of Plans and Policy, 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,



Kathleen Q. Abernathy  
Managing Director

Attachment

cc: Donald Gipps  
Evan Kwerel  
Jonathan Cohen  
Jonathan Levy  
Kent Nakamura  
John Williams

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### **The Commission Should Contract With an Outside Vendor to Run PCS Auctions**

- o The mechanics of running PCS auctions, following the auction design recommended by PacTel, are not complicated but may require a substantial number of individuals, especially for narrowband auctions since the anticipated number of bidders is larger than for broadband auctions.
- o The required number of individuals will vary according to the number of bidders received and the number of auctions run simultaneously. A private firm would have the ability to rapidly increase or decrease the number of individuals involved in collecting, recording, and checking the bids.
- o Private firms, such as large accounting firms, have substantial experience in managing large sets of data with a minimum of error. They also are equipped with a large infrastructure that can provide:
  - o computers
  - o facsimile machines
  - o telephones
  - o staff

## **Auction Design Recommendations for Narrowband PCS Licenses**

- o Narrowband licenses provide an opportunity to demonstrate the integrity of simultaneous auction designs
  - o Show that simultaneous auctions can be completed rapidly and without breakdown
- o The first narrowband licenses to be auctioned should be the ten nationwide licenses. This is desirable because:
  - o These licenses likely have the highest values
  - o The number of auctions to be run simultaneously is not large
  - o The anticipated number of bidders should be quite manageable
- o After the nationwide licenses are complete, all thirteen MTA-level licenses should be auctioned simultaneously
  - o Narrowband has important interdependencies among the spectrum blocks within a given geographic area
- o Finally, the two “50-12.5” BTA licenses and the eight “0-12.5” BTA licenses would be auctioned last

## **Similarities and Differences Between Narrowband and Broadband Licenses**

- o Similarities between narrowband and broadband include:
  - o Interdependencies between spectrum blocks
  - o Interdependencies between geographic areas
  
- o Interdependencies necessitate the use of simultaneous auctions
  
- o Differences between narrowband and broadband include:
  - o Narrowband has lower value
  - o Narrowband likely to have more bidders than broadband
  - o Narrowband auctions have a greater possibility of speculative bidders
  - o Spectrum aggregation may be even more important in narrowband than in broadband
  - o Because the values of many of the narrowband licenses may be quite modest, the importance of careful and deliberate consultation with senior management, boards of directors, and consortium partners will be attenuated relative to broadband licenses

## Nationwide Licenses

- o The nationwide narrowband licenses consist of five licenses with 50 kHz inbound and 50 kHz return; three licenses with 50 kHz inbound and 12.5 kHz return; and two licenses with 50 kHz outbound and zero kHz return
  
- o These ten licenses should be auctioned simultaneously in three auctions
  - o The first auction would be for the five “50-50” licenses
  - o With these five licenses, the auction would be competed when five or fewer bids are received that exceed the “suggested minimum bid,” where the suggested minimum bid is the high bid in the prior round plus a specified increment
  - o The five highest bids win the five licenses, note that one bidder may win more than one license
  - o The five licenses could be allocated to the five winning firms in several manners: (1) in a subsequent auction; (2) allowing the firms to pick in descending order of their winning bids; or (3) allowing the firms to negotiate among themselves
  
- o The three nationwide “50-12.5” and the two nationwide “50-0” licenses would be auctioned in the same manner simultaneously with the five “50-50” licenses

## MTA-Level Licenses

- o The MTA-level narrowband licenses consist of four “50-50” licenses, seven “50-12.5” licenses, and two “50-0” licenses
  
- o Not critical to auction all thirteen MTA-level licenses in the nation simultaneously
  - o Eleven nationwide licenses present
  - o To facilitate experimentation, MTAs should be divided into groups
  
- o The 51 MTAs should be divided into two groups, e.g., East and West, consisting of approximately 25 MTAs
  - o Auction simultaneously all MTA-level licenses in one region first
  - o Simultaneous auctions for different spectrum blocks in a given region are important because the values of the licenses are highly interdependent
  - o As with the nationwide licenses, the four “50-50” licenses in an MTA would be sold in one auction with the highest four bidders winning the license rights

- o Similarly, the seven “50-12.5” licenses in an MTA would be sold in one auction to the seven highest bidders, while the two “50-0” licenses in an MTA would be sold in one auction to the two highest bidders
- o The net result is a total of 75 separate, simultaneous auctions for approximately 325 licenses in each of the two regions
- o Each of the two regional auctions is large enough to test the robustness of simultaneous auctions
- o The Commission may want to use different simultaneous auction designs, and different outside contractors, in the two regions
  
- o After the completion of the nationwide and MTA-level auctions, the Commission should be in a position to begin the broadband auctions

### **BTA-Level Licenses**

- o The BTA-level licenses consist of two “50-12.5” licenses and eight “0-12.5” licenses
- o The Commission should consider aggregating the proposed narrowband BTA licenses into larger areas, e.g., MTAs
- o Finally, many narrowband licenses may require no auctions because the number of qualified bidders may be less than the number of licenses. This may be the case for many of the 3,936 BTA “0-12.5” unpaired mobile-to-base licenses