Bidders' Online Training

Auction Software Demonstration



Legal Disclaimer

This presentation is for information only. The policies and rules associated with the spectrum auction are set out in their entirety in the official Policy document and in any written amendments or supplements that may be issued by the Department.



Outline of Presentation



- Introduction to the Auction Management System (AMS)
- Bidder System Requirements
- Step by Step Instructions to Using AMS



Introduction to the Auction Management System (AMS)



AMS

- Auction Management System
- Runs electronically over the Internet
- User-friendly Web browser interface
- Entrust PKI encryption and digital signature
- Bid tracking system
- Posting end-of-round results



Secure Bidding



Public Key Infrastructure (PKI)

- Employs the latest Entrust PKI digital signature technology to ensure confidentiality and authenticity of electronic transactions
- This technology was used to secure the previous spectrum auctions in Canada

PKI Certification

- All bids will be encrypted and digitally signed
- Qualified bidders will receive instructions on how to configure their Entrust Security Profiles
- If the safekeeping of the password is compromised, bidders can change it online
 - Inform Industry Canada as soon as possible
- Entrust Security Profiles are valid only for the duration of the auction and are to be used only for auction and mock auction purposes



Simultaneous Multiple Round Auction – How does it Work?



- A related set of spectrum licences is offered at the same time
- Bidding is organized into a series of rounds
- Bidding is non-discretionary
- Results are posted after each round
- In each round, bidders will be allowed to withdraw bids made in previous rounds subject to a penalty

Simultaneous Multiple Round Auction – How does it Work? – cont'd

- Pace of the auction is established by activity rules
- The rounds continue until there is a round when no new bids/no withdrawals/no waivers are submitted during the last stage of the auction
- Provisional winners hold standing high bids at the auction's close



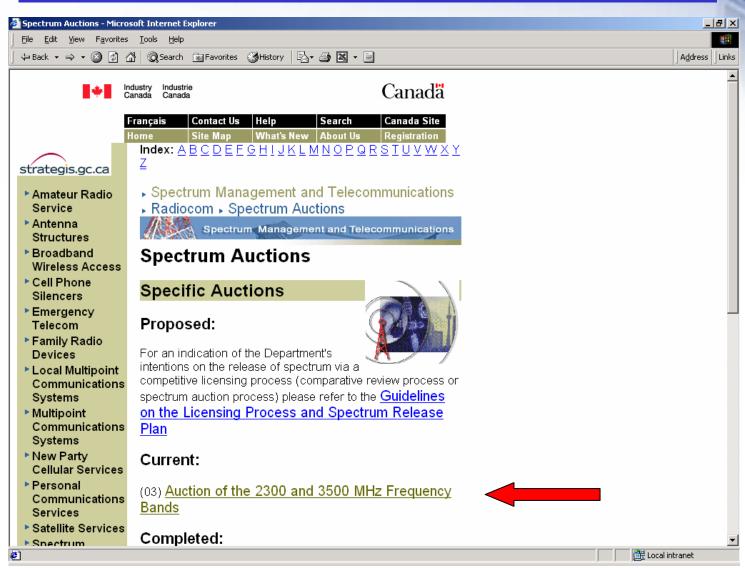
Tips for Auction Bidders

- Learn the auction rules
- Determine in advance your firm's objectives and values for the licences
- Perform your firm's due diligence on the spectrum being auctioned
- Obtain the financing
- Organize the bidding team
- Make use of the information available
- Run practice sessions and participate in the official mock auction
- Develop contingency plans



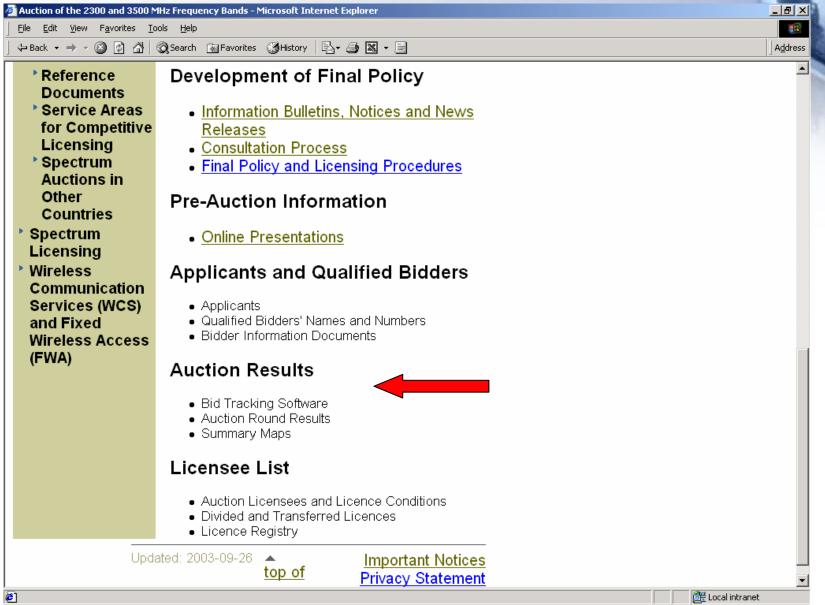
Round Results from Auction Web Site

http://strategis.gc.ca/spectrumauctions



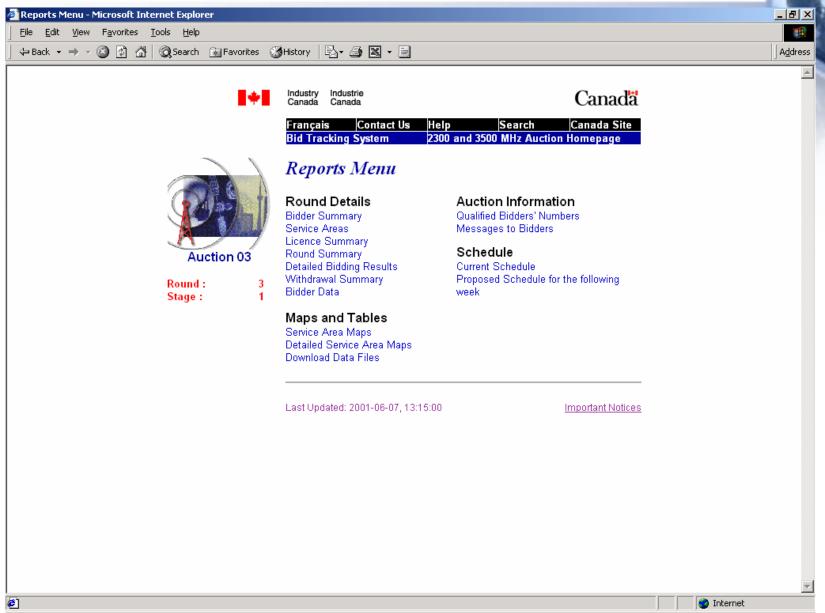


Round Results from Auction Web Site - cont 'd





Round Results from Auction Web Site – cont'd







Bidder System Requirements



Bidder System Requirements

- Pentium III, 450 MHz microprocessor or better
- At least 256 MB of RAM
- CD-ROM drive
- Minimum of 50 MB free disk space
- Supported Operating Systems: Windows 98, Windows 2000 and Windows XP
- Internet Explorer version 5.5
- Internet access with a reliable connection to the Canadian Internet backbone by a 56 Kbps modem (or faster) or a high-speed Internet connection



Bidder System Requirements – cont'd



- The Department suggests applicants use
 - A freshly installed PC so that the Entrust PKI software does not conflict with other applications or previously installed versions
 - Dial-up or cable ISP rather than LAN access to minimize potential difficulties with network configurations, firewalls, proxies, etc.

Back-up Procedures

- Bidders are advised to
 - Prepare back-up facilities and locations, and have multiple means of accessing the Internet
 - Have up to three individuals designated to place bids on their behalf
 - Use waivers judiciously in the event of technical difficulties
- The Department will provide a limited back-up service
 - As a <u>last resort</u>, bidders can call the Auction Centre to have Departmental staff submit bids on their behalf
 - Rounds will <u>not</u> be extended to provide extra time for the submission of bids
 - Bidders must call early enough in the round to ensure that their bids are submitted on time



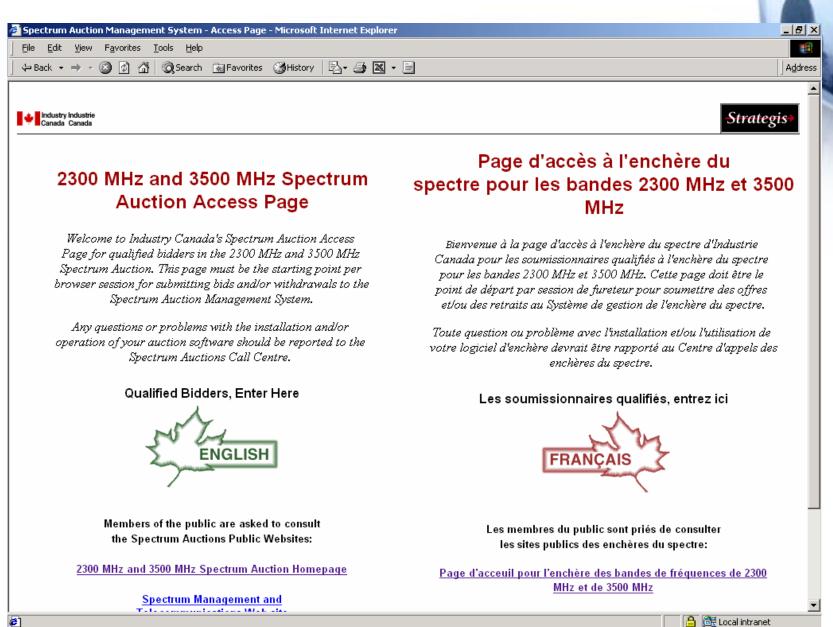


Step by Step Instructions to Using AMS



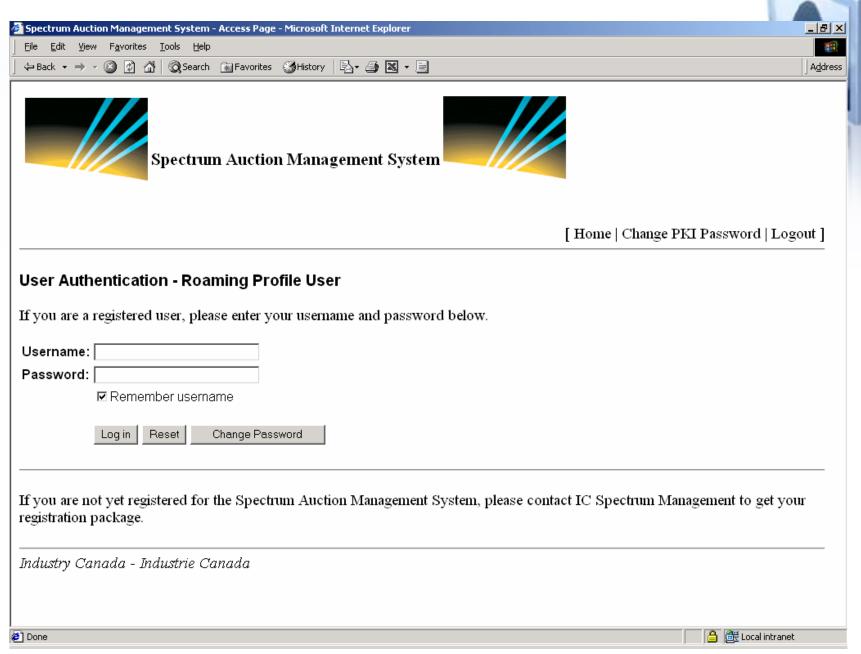
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Spectrum Auction Access Page



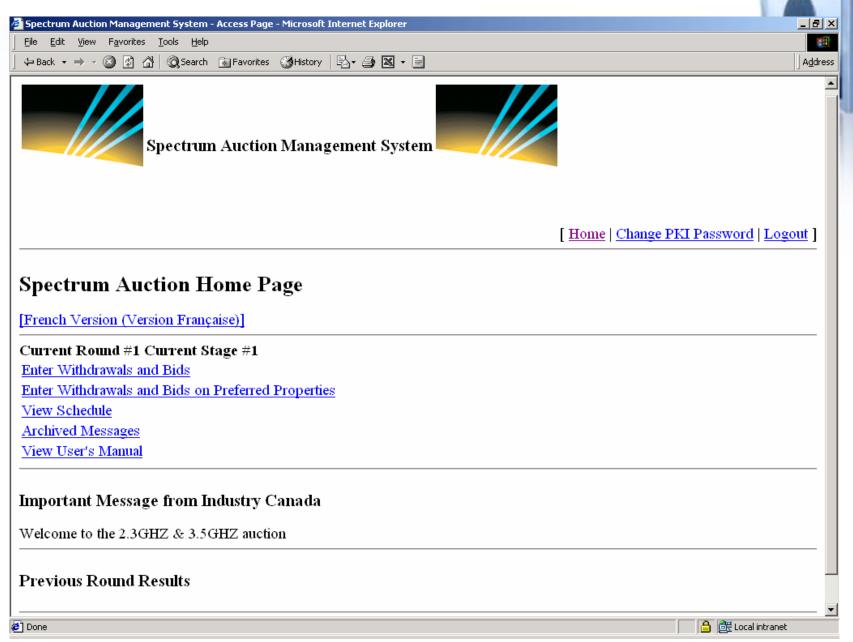


User Authentication



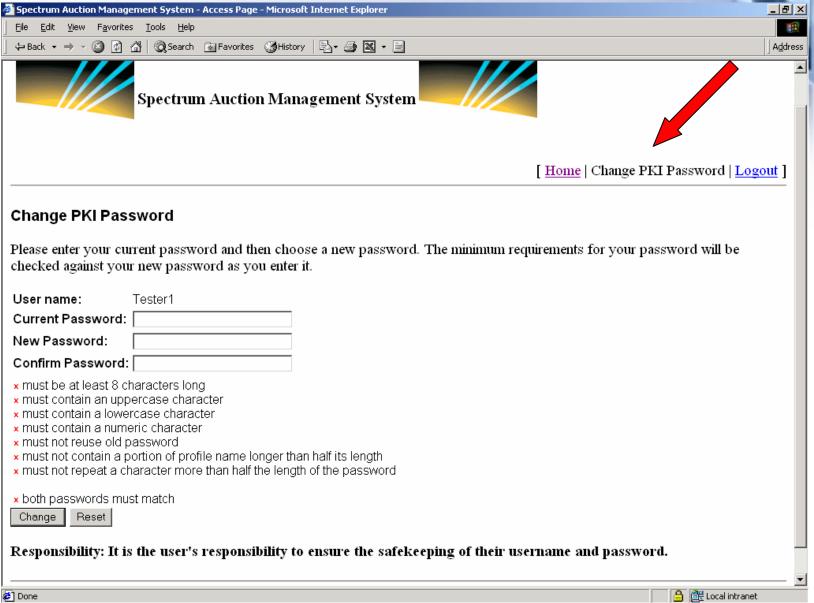


Spectrum Auction Home Page





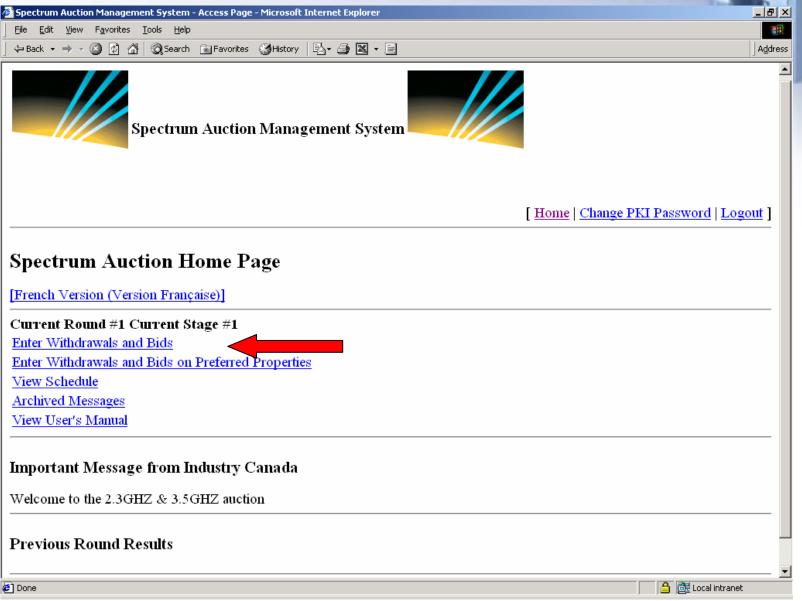
Easy Steps for Changing your PKI Password





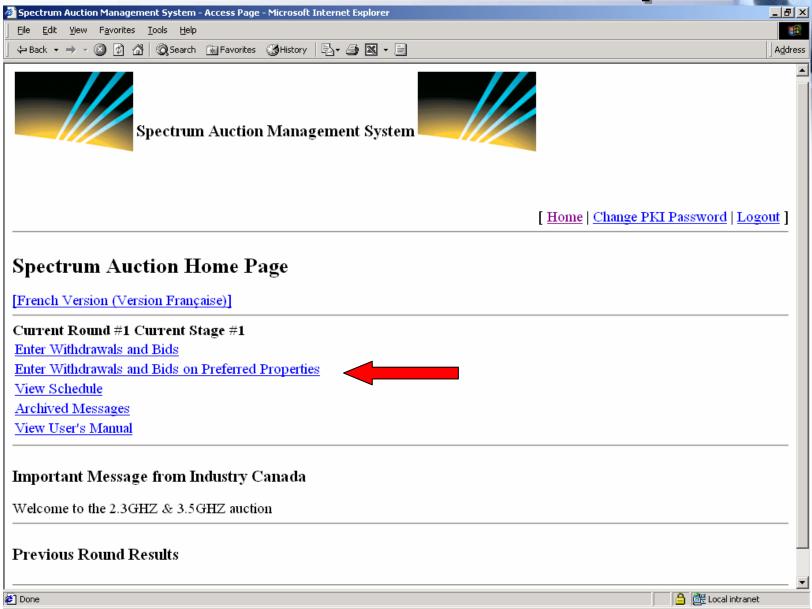
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Enter Withdrawals and Bids – Option 1 – View All Properties





Enter Withdrawals and Bids -Option 2 – View Preferred Properties

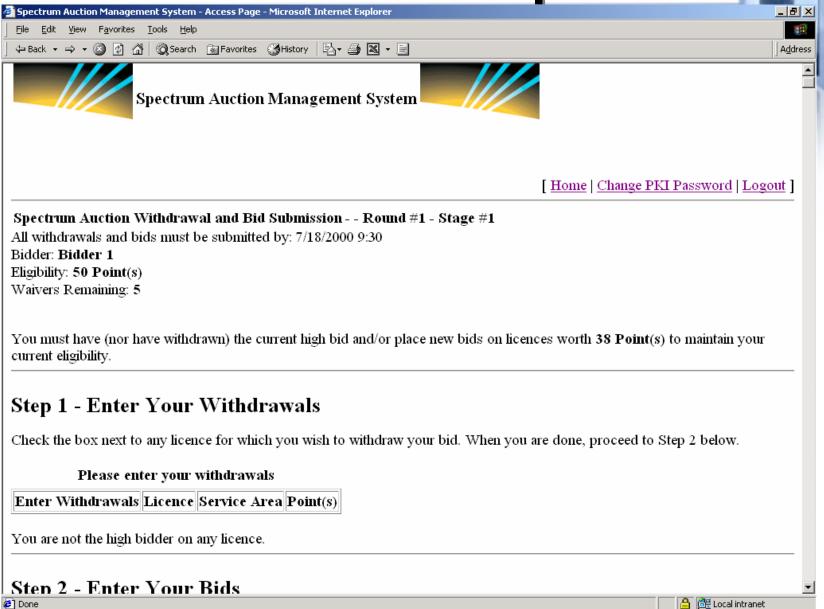




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Step 1 Submitting Withdrawals - Click on the Selected Properties

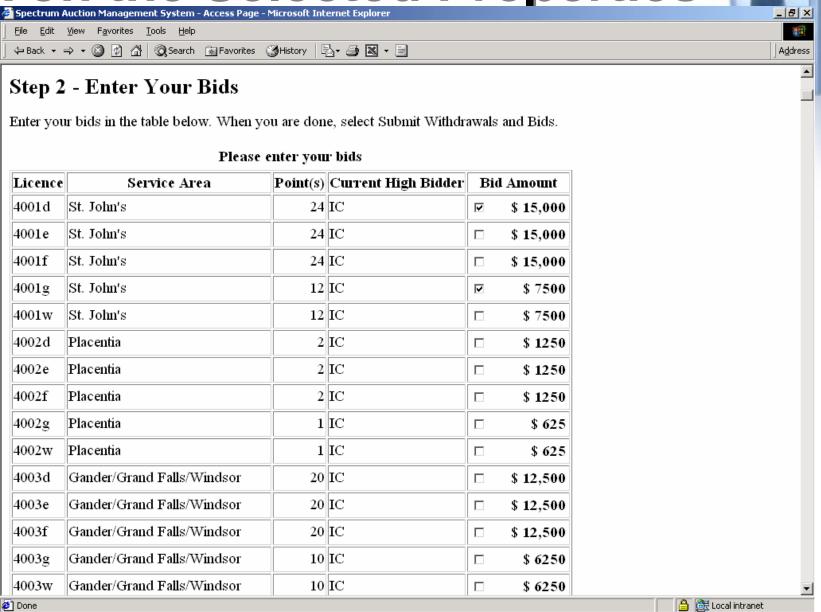




Bid Withdrawals and Related Penalties

- Bidders have the opportunity to withdraw their standing high bids
- High standing bidders may be penalized for their withdrawals if the final selling price is less than that of the withdrawn bid, then the penalty will be the difference between the two
- If the ultimate selling price of the licence is greater than the withdrawn bid then generally there is no penalty
- To deter the potential misuse of withdrawals, the Department will impose additional penalties on a bidder who uses withdrawals in more than 5 rounds of the auction

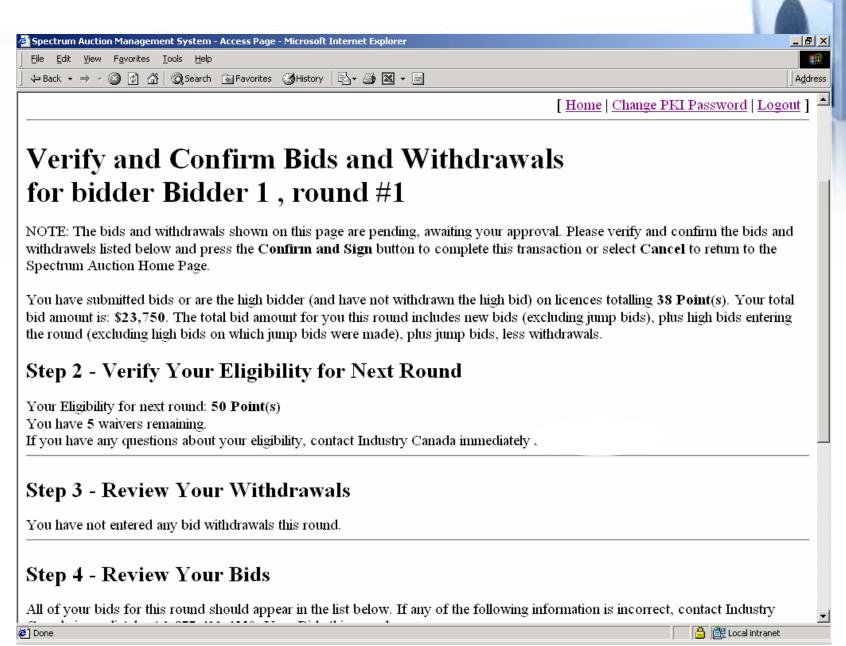
Step 2 Submitting Bids -Click on the Selected Properties



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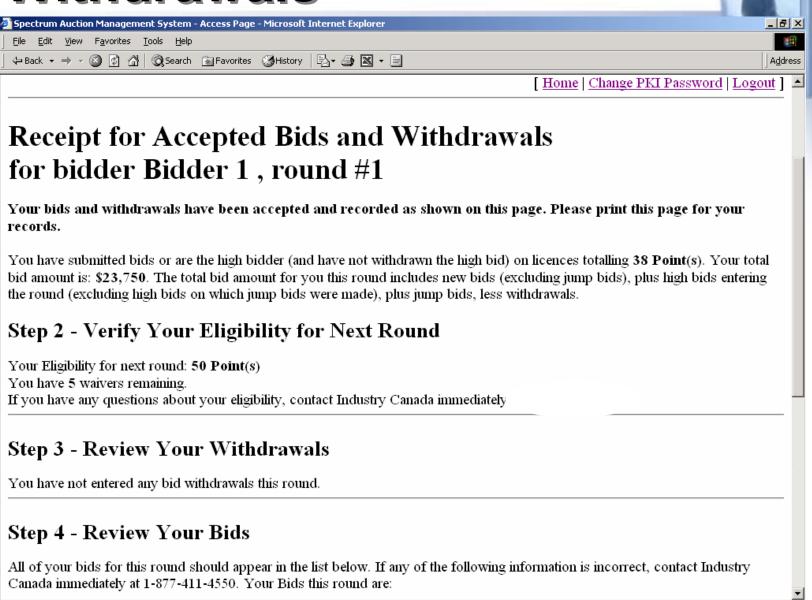
Confirmation of Bids/Withdrawals





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Receipt for Accepted Bids/Withdrawals





document and in any written amendments or supplements that may be issued by the Department.

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Tie Bids



- When two or more bids are submitted on the same licence in the same round, the "standing high bidder" will be determined by a random selection process
- All bidders who submitted a bid on that licence will be considered active on that licence for that round

Non-discretionary Bidding

- New bid amounts for a licence are non-discretionary
 - i.e. the Department will state the exact level of an acceptable new bid
 - Bidders provide a yes/no response to an offered price
- Advantages
 - Reduces chances of signaling through bidding amounts
 - Reduces possibility of erroneous bid amounts
 - Allows for controlled and predictable advancement of bidding activity



Bid Increments

- If a licence receives a bid in a given round, then its price will rise in the next round by a predetermined bid increment
- This pacing mechanism ensures that
 - Bidders actively participate in the auction and submit serious bids
 - Auction closes within a reasonable period of time
- Refer to the Policy document and any amendments or supplements for details on bid increments



Activity Rules

- This pacing mechanism ensures that
 - Bidders actively participate in the auction and submit serious bids
 - Auction closes after a reasonable period of time
- If bidders wish to maintain their eligibility points from the previous round, their activity level must correspond to a certain percentage of their eligibility points



Activity Rules – cont'd

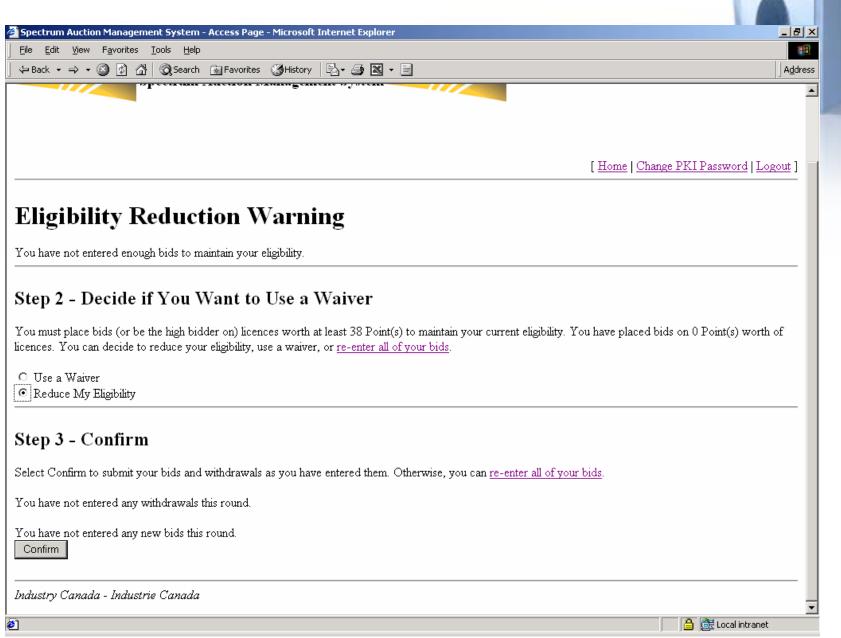
- This percentage will range from
 - 60%-80% in the first stage
 - 80%-90% in the second stage
 - 100% of their eligibility points in the third stage
 - Activity cannot exceed a bidder's eligibility level
- Bidders are considered active on a licence if they have submitted a bid on that licence in the current round or if they are the standing high bidder on that licence from the previous round

Failure to Meet Required Activity Level

- Failure to meet the minimum required activity level will result in either
 - An automatic waiver being submitted on the bidder's behalf if the bidder has any waivers remaining, or
 - If the bidder has no waivers remaining or selects to override the automatic waiver, the number of eligibility points will decrease proportionately in the next round
- Bidders cannot add to their activity level by topping their own standing high bids since they are already considered active by being the standing high bidder on these licences
- There is no mechanism for increasing or reinstating eligibility points once reduced



Reduced Eligibility





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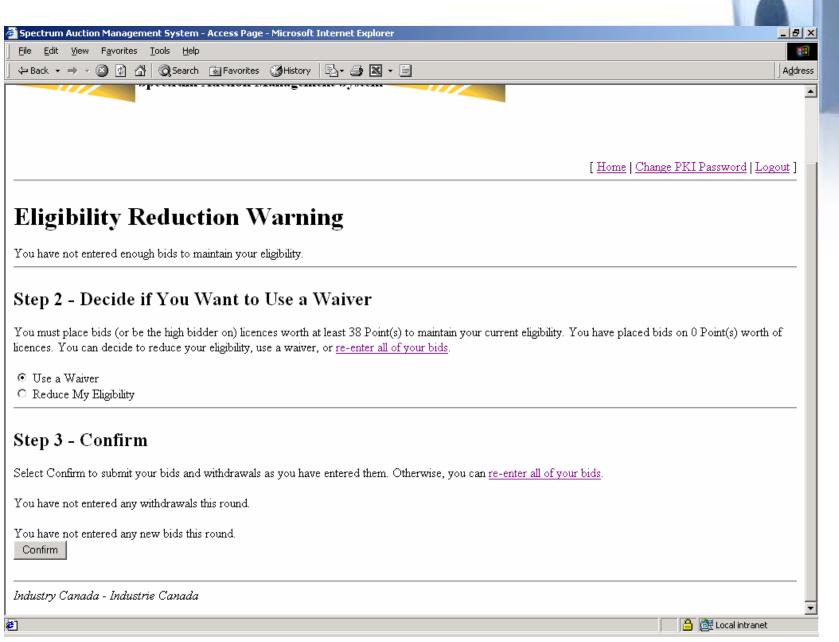
Activity Rule Waivers

- A "safety net" to preserve a bidder's eligibility points when bidders make mistakes during bidding or in case of technical or communication problems
- Bidders have 5 waivers initially but, as the auction progresses and the number of rounds per day increases, the Department may, at its discretion, award additional waivers
- Bidders will be notified if their activity is less than the minimum required to maintain full eligibility and offered the choice of
 - submitting a waiver (to maintain eligibility) or
 - not submitting a waiver (i.e. losing eligibility in next round)
- Use of a waiver is the default setting in the software system in case of technical problems

Bidders are advised to use waivers judiciously



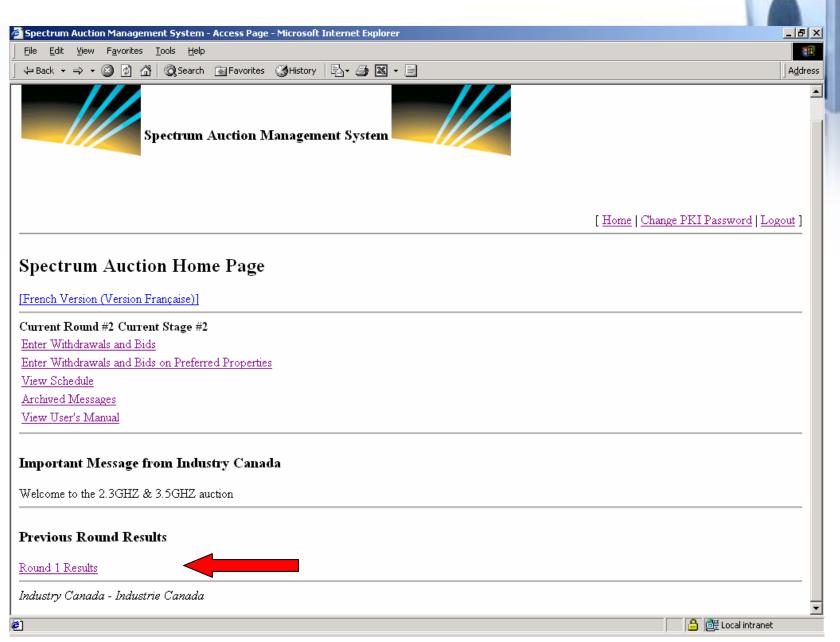
How to Use a Waiver





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Round Results via AMS



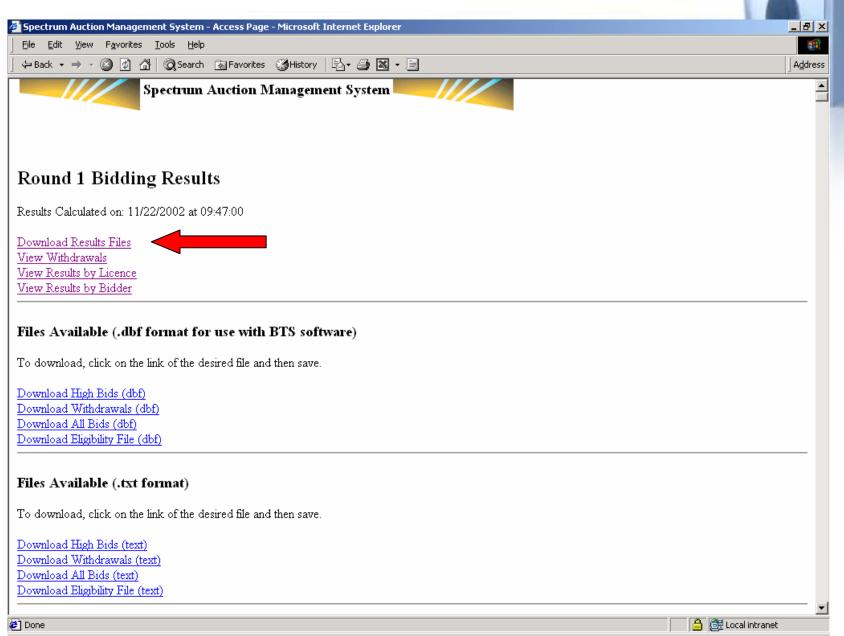


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Round Results via AMS – cont'd

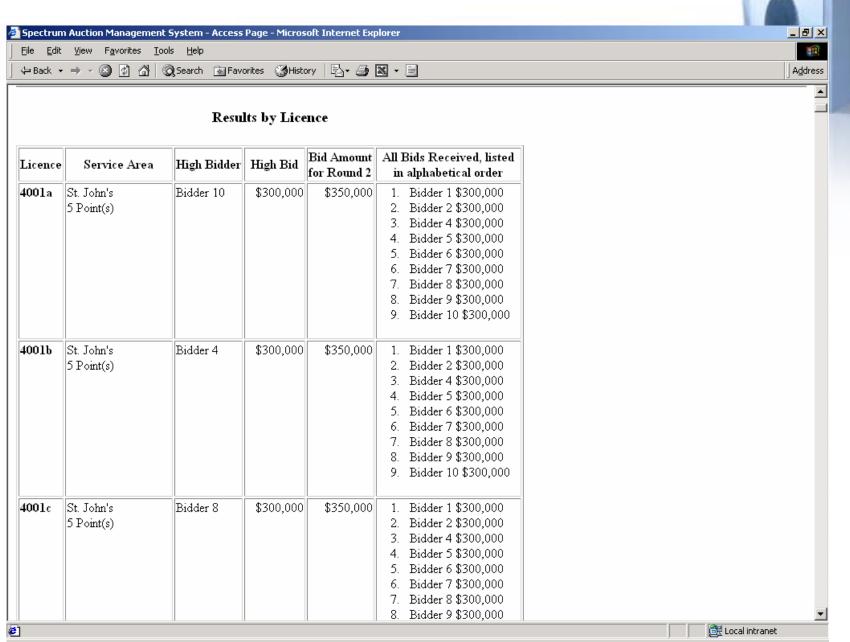




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Round Results via AMS – cont'd





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Stage Changes

- Auction is divided into three stages
 - Each stage contains an unspecified number of rounds
 - Each stage has a minimum required activity level
- Department will announce stage changes in advance
 - Stage changes occur when bidding activity declines to a low level as determined by the Department
- Bidders should check their required minimum activity levels after every round and especially after a stage change has occurred



Pro-Active Waivers

- When a round during stage 3 goes by without any bids having been submitted on any licences, pro-active waivers can be used to keep the auction open
- After such a round, bidders will be advised that the auction will close unless a proactive waiver is submitted
- Bidders who have waivers remaining may submit a proactive waiver by calling a specified telephone number within a specified time period
- All bidders who call will have one of their waivers deducted and the auction will continue
- If no pro-active waivers are submitted, the auction will close

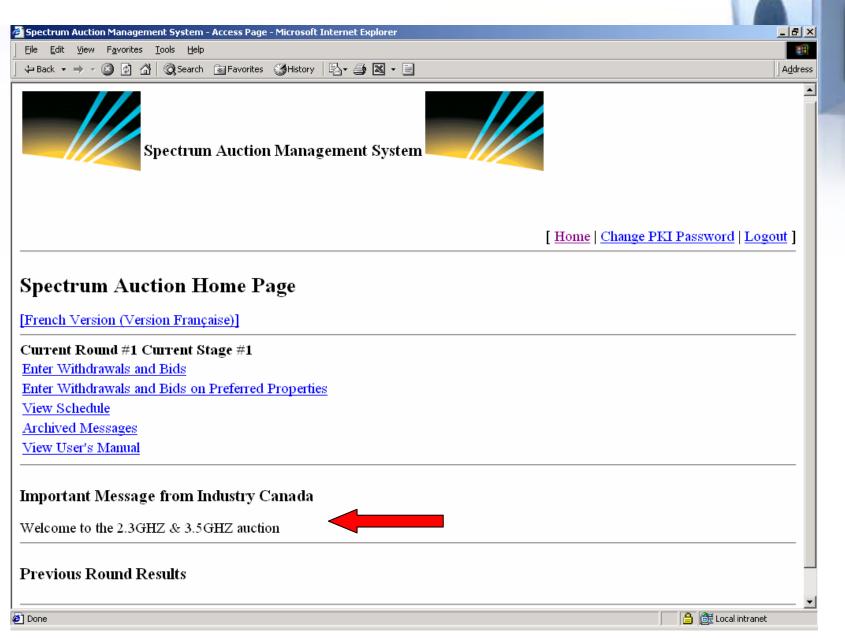


End of Auction



- The rounds continue until there is a round in the third stage in which no new bids, withdrawals, or pro-active waivers are submitted
- The standing high bidders on each licence at the auction's close will be deemed the provisional winners of those licences

Important Messages





For More Information

 All information and documentation regarding past and upcoming auctions is available online at

http://strategis.gc.ca/spectrumauctions

 If you have any comments or suggestions on how to improve our training materials, please send us an e-mail to

spectrum.auctions@ic.gc.ca

