

Spectrum Auctions

Lessons Learned From Around the World

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Creating A Competitive Telecom Marketplace



Spectrum auctions are just a piece of the spectrum management process. They're not the beginning of the process, in fact they are closer to the end of process. Everything starts with a spectrum allocation and the development of appropriate service rules that include technical and eligibility rules. After licenses are assigned, the regulator must enforce the provisions set out in the service rules.

Approaches to Spectrum Management

Command
And Control



"Property-like" Rights
with Flexibility and
Trading



Regulator Goals in Spectrum Assignment



Typical Spectrum Assignment Mechanisms

First Come,
First Served



Beauty
Contests



Auctions



"lite"
licensing



Unlicensed



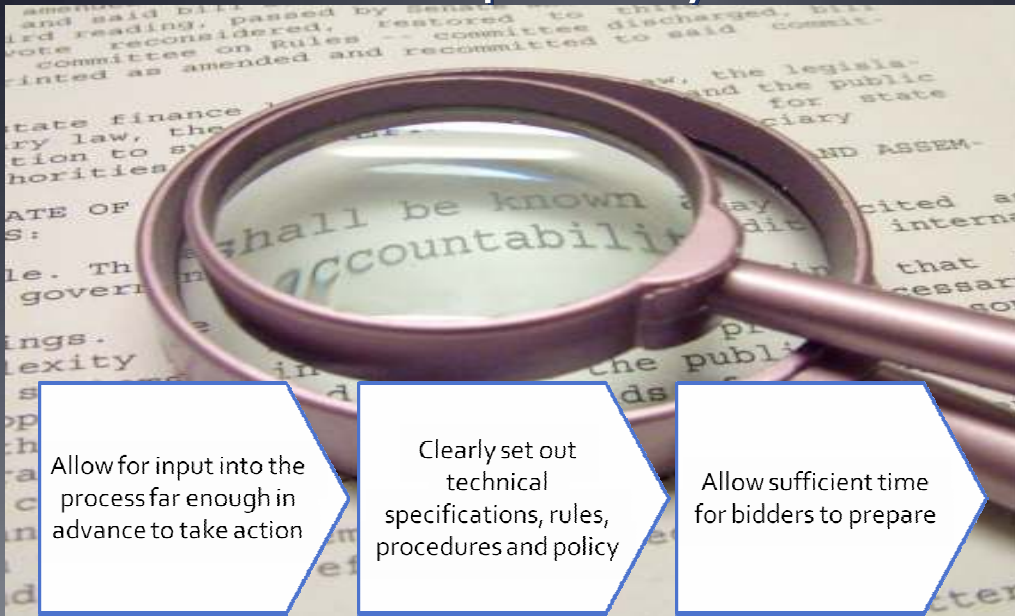
"Lite Licensing" is a novel and progressive frequency allocation and assignment model where licensees pay a relatively small fee for a nationwide, non-exclusive license. The licensees then pay an additional nominal fee for each base station they deploy. All base stations must be clearly identifiable and in the event that these stations cause interference which cannot be mediated by technical means and licensees are required to resolve the dispute between themselves.

The Problems with Beauty Pageants



- Problems with beauty pageants: difficult to create objective criteria, long administrative process, subject to litigation
- It is part of a command and control regime -- regulator controlling all aspects instead of letting the market make decisions –

The Importance of Transparency



Auctions are generally more transparent than beauty contests because of the objective criteria, but transparency also refers to making clear the specifics of the licenses and auction rules well in advance of the auction

The Importance of Fairness



Canada: Removing Hurdles for New Entrants

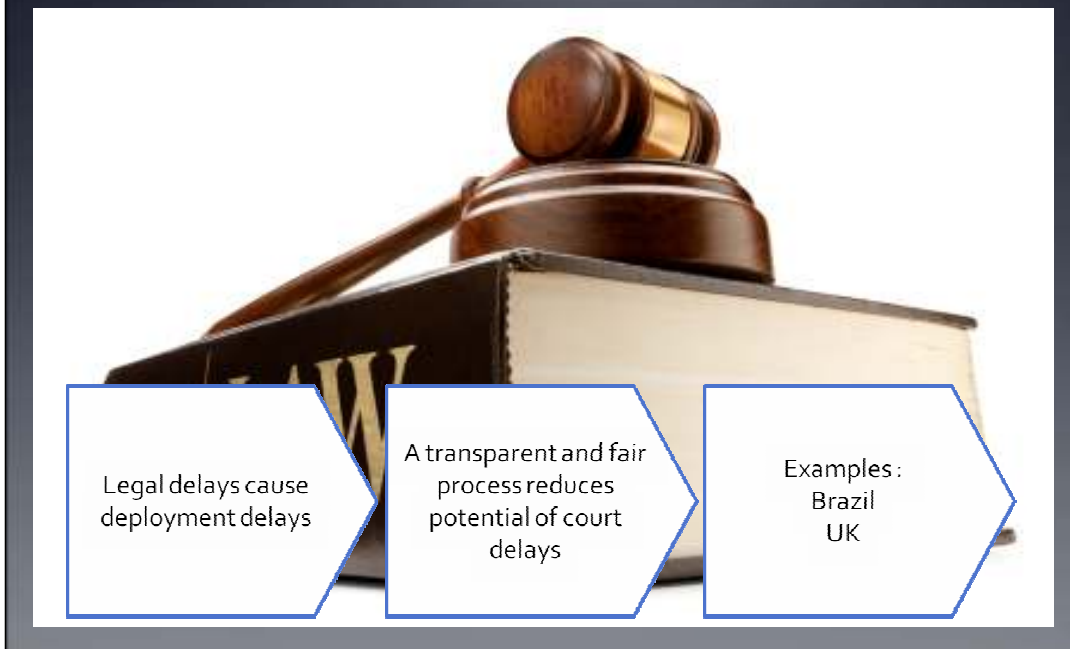


Canada is, at best, a duopoly

For AWS auction, Canada set-aside spectrum for new entrants

Spectrum was coupled with mandatory roaming policies

Auctions and the Wrong Kind of Gavel



Unfair or unclear rules just result in legal delays – Brazil, auction delayed by courts because of flawed study for setting reserve prices, then later because of court challenges by wireline carriers who were barred from the wimax auction. The EU has threatened to take Germany to court over a planned auction that may favor incumbents:

Germany: October 15, 2009 BRUSSELS (Dow Jones)--The European Commission may take legal action against the German telecoms regulator over concerns its planned auction of digital frequency licenses may harm competition, the commission's telecoms spokesman Martin Selmayr said Tuesday.

The commission "is deeply concerned" about the Bundesnetzagentur's decision to ignore the commission's advice on how to ensure fair competition in allocating digital frequency in Germany, Selmayr said.

If the commission finds European Union laws aren't respected by the German plan it "will not shy away from enforcing the E.U.'s competition and single market rules in this important context," Selmayr added.

The German regulator plans a second-quarter 2010 auction of licenses for frequencies to supply rural areas with mobile Internet access. New entrants to the market E-Plus and O2 have both complained the planned auction will benefit the incumbent mobile operators, the commission said.

Under E.U. law national regulators have to allocate radio frequencies for mobile services in an objective and transparent way. They shouldn't try to freeze the competitive situation on the market for the benefit of incumbent operators.

The commission takes issue with the regulator's argument that how the digital frequencies are divided "is outside the scope of the E.U.'s competence," Selmayr said.

Brazil: Tuesday, September 05, 2006

The ongoing saga of Brazil's auction of 3.5GHz and 10GHz spectrum licences for WiMAX services took a fresh twist yesterday when the federal accounts court (TCU) ordered a halt to the process citing 'inconsistencies' in the tender. Although the regulator Anatel had received 100 preliminary bids from interested parties, the TCU ruled that an economic feasibility study carried out before the auction contained several flaws, not least in using an out of date exchange rate to set the minimum price for spectrum blocks in some regions. According to the TCU's statement Anatel

Europe's BIG Auctions



Big revenue doesn't always mean a big success.

High prices paid in early Germany and UK auctions caused concern about ability to build out.

Appears to be a success ultimately, but high prices coupled with bad markets delayed deployment.

Things To Avoid



Untested methods

Moving too fast

Not having clear policy goals

Summary

