

## **CHAPTER 4**

# **SPECTRUM PRICING AND AUCTIONS**



## 4.1 ADMINISTRATIVE PRICING

**4.1.1** Administrative pricing is likely to be the means of setting fees for the great majority of licences. In setting these fees under the powers in Section 2 of the Wireless Telegraphy Act 1998 the Secretary of State is required to have regard in particular to the availability of and demand for spectrum for the service in question and the desirability of promoting spectrum efficiency, economic benefits, innovation and competition.

**4.1.2** It is planned to introduce administrative pricing on a rolling programme and after full consultation. There has been extensive consultation on these changes, beginning with the consultative document "Implementing Spectrum Pricing", published in May 1997 and the consultative process is continuing as described below. The Agency is committed to continuing openness and transparency in its spectrum pricing plans. A Compliance Cost Assessment was published for Stage 1; under the new central government procedures, a Regulatory Impact Assessment was published for Stage 2 and will be updated as policy develops.

- **Stage 1**, in July 1998, started to address the worst distortions caused by cost-based fees and created a new licence class of on-site private business radio (PBR). Fee increases were introduced, to be staged over several years, for the four operators of public mobile telecommunications networks.
- **Stage 2**, in July 1999, introduced a fee per channel factor to the on-site PBR class, and created a new class of wide-area PBR, and new

national and regional PBR classes. New fee scales were introduced for common base stations, a second increase for the public mobile networks, and introduction of increases, again over several years, for national data networks and paging services. New fee scales were also introduced for Fixed Links point-to-point links as the first stage to be implemented over several years. The fees for each of these classes have been adjusted to take into account factors such as congestion and exclusivity of spectrum use. The Regulation also consolidated all previous fees Regulations and defined two licence classes which had not previously been specified in Regulations, Radio Fixed Access and Remote Meter Reading.

- **Stage 3**, consultation on stage 3 took place in the autumn of 1999 and the results are currently being assessed. It is proposed to commence Stage 3 in July 2000.

## 4.2 AUCTIONS

**4.2.1** Another of the measures introduced by the WT Act 1998 gives Ministers the power to hold auctions for WT Act licences. Auctions have a number of important advantages for spectrum management: securing openness, transparency, and economic efficiency while providing valuable market information. The main aim of auctions is not to raise revenue but to ensure the efficient use of scarce spectrum over future years. Firms will choose whether to enter an auction and their bids will be based on the value they place on the spectrum. The price paid at auction will replace any fees based upon administrative pricing for the duration of a licence and must be

seen in that light as well as in the context of the investment required to bring the spectrum into use. Auctions however may not be suitable in all circumstances, for example where the number of bidders is equal to or less than the number of licences available. Ministers have made clear that existing operators will not be required to enter auctions to continue to provide their existing services within their existing spectrum assignments.

**4.2.2** The Government issued an Information Memorandum on 1 November 1999 for an auction of licences for third generation spectrum. 13 applications were received by 12 January 2000.