



Renewal of Management Rights for Cellular Services

Discussion Paper

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Resources and Networks Branch
Ministry of Economic Development
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1. Executive Summary

- 1 In 2003, Cabinet agreed to a policy for the allocation of commercial spectrum rights at expiry. Subject to a case-by-case review, replacement rights will be offered to existing rightholders five years before expiry to provide certainty for investment and to ensure a seamless transition from one term to another. If a rightholder does not accept the renewal offer, the rights will be auctioned. The policy requires the offer price to approximate the market value of the rights and produce a fair return to the Crown. The offer price will be determined using a methodology that is transparent and simple to administer.
- 2 The management rights in the 800 MHz and 900 MHz spectrum bands, the main bands currently used for cellular services in New Zealand, will start to expire from November 2011. If the Government decides to renew the rights, offers to incumbent rightholders are due by November 2006.
- 3 This paper sets out the case-by-case review for the renewal of management rights for cellular services in the 800 MHz and 900 MHz bands. Issues being considered under the review include the future use of these bands, the level of spectrum-related investment, whether the spectrum has been used, whether the rights should be renewed, the appropriate renewal period, and the appropriate pricing approach.
- 4 This paper also describes an incremental optimised deprivation valuation (incremental ODV) approach, recommended by consultants, for the renewal of cellular rights. It is proposed as a more appropriate pricing approach, compared with the Covec formula that was used in the renewal of commercial AM/FM and UHF-TV licences, and with other approaches that were considered.
- 5 Incremental ODV determines the renewal price by calculating the incremental costs that a generic New Zealand cellular operator would incur to deliver the same quantity and quality of services if deprived of spectrum at the margin. The ODV-calculated value will be checked that it lies within reasonable range from New Zealand and overseas benchmark spectrum values.
- 6 This paper seeks the views of incumbent rightholders and other stakeholders on pricing and related issues under the case-by-case review for the renewal of cellular rights in the 800 MHz and 900 MHz bands.

2. Expiry of rights policy

- 7 Since 1989, the Crown has progressively allocated tradable rights to spectrum under the Radiocommunications Act 1989 (“the Act”). Spectrum rights have generally been allocated:
- a as privately-owned, nationwide management rights or spectrum licences for telecommunications services; or
 - b as spectrum licences under Crown-owned management rights for television and radio broadcasting. The Crown also manages two blocks of spectrum in the 3.5 GHz band for broadband wireless access delivery by local and regional providers.
- 8 The Act provides that rights, which have a maximum term of 20 years, revert to the Crown on expiry, but is silent as to how they should be reallocated. An amendment to the Act in 2000 allows the Crown to create a ‘succeeding management right’ ahead of expiry to provide certainty to investment and to ensure a seamless transition from one term to another. The current Communications Bill amends the Act so that the maximum term of 20 years can commence from the date of expiry rather than from the date of registration, as is currently the case.
- 9 In April 2003, Cabinet agreed to a policy for the reallocation of commercial spectrum rights at expiry [POL Min (03) 9/1], which provides:
- a that commercial spectrum rights be reallocated five years before expiry for a further 20 years, subject to review on a case-by-case basis to ensure consistency with New Zealand’s international radio obligations and the general objective of maximising the value of the spectrum to society as a whole;
 - b that, subject to the review outlined [in a, above], the Crown should receive a fair financial return for the use of the spectrum in the future period; and
 - c that spectrum rights be reallocated to existing rightholders based on price-setting formulae that estimate the market value of the rights, and that, if existing rightholders do not wish to pay this price, the respective rights will be reallocated by way of auction.
- 10 This discussion paper forms part of the case-by-case review for the renewal of cellular rights. It also seeks to confirm earlier views of stakeholders expressed in previous consultations on the renewal process, which may have remained consistent or may have changed over time.

Case-by-case review of commercial spectrum rights

- 11 The case-by-case review of commercial spectrum rights may consider such issues as the future use of the spectrum band, the level of spectrum-related investment, whether the spectrum has been used, whether the rights should be renewed, the appropriate renewal period, and the appropriate pricing approach.
- 12 Cabinet noted that in particular circumstances, it may be appropriate to offer renewal rights for a period shorter than 20 years [POL Min (04) 12/4]; for example, if a significant change is foreseen within the renewal period.

The Covec formula

- 13 The Ministry of Economic Development (“the Ministry”) commissioned Covec Limited to develop a price-setting formula for the renewal of commercial spectrum rights that is simple to administer and would use publicly available data as much as possible.
- 14 The formula developed by Covec (“the Covec formula”), in its simplest form, calculates an offer price for a spectrum right by applying a growth factor (z) to the price originally paid for the rights (V1) to obtain a price at which the right will be offered (V2). For rights allocated for ‘n’ years, the formula would be:

$$V2 = (1+z)^n \times V1$$

- 15 The growth factor (z) represents an estimate of how net cash flows from the use of rights in the renewal period compare with net cash flows from the current period. It is calculated by collecting data on industry revenues, identifying revenue drivers, and forecasting revenues to the end of the renewal period.
- 16 The Covec report is available at: http://www.med.govt.nz/pbt/rad_spec/rights-at-expiry/formulae/covec/index.html.

Decisions on AM/FM, UHF-TV and MDS

- 17 Under the case-by-case review, Cabinet has agreed, following consultations with industry and other stakeholders, to offer renewal prices for commercial AM/FM licences [POL Min (04) 12/4] and UHF-TV licences [CAB Min (04) 41/24] based on the Covec formula, in its original or amended form.
- 18 Cabinet has decided not to renew rights for Multipoint Distribution Systems, which have not had any significant use, to date [CAB Min (04) 41/24]. This band will be reallocated in due course, following the outcome of the current consultation process on spectrum allocation opportunities for Broadband Wireless Access.

3. Case-by-case review of cellular rights

- 19 The management rights in the 800 MHz and 900 MHz spectrum bands, the main bands currently used for cellular services in New Zealand, will expire in 2011 and 2012. The current holders of management rights to these bands are Telecom and Vodafone. Telecom's management rights represent all of their spectrum holdings for cellular services in the 800 MHz band. Vodafone's rights for possible renewal account for approximately 66 percent of their holdings in the 900 MHz band.

The non-scarcity of cellular spectrum in New Zealand

- 20 In conformance with International Telecommunications Union (ITU) designations, the Government has made available to the market at least as much spectrum as that available in most European countries. New Zealand's population and population densities, however, are significantly lower than most of these countries.
- 21 It appears that despite the physical limits on the available quantum of spectrum, cellular spectrum in New Zealand is, in fact, in surplus relative to what is technically needed to operate networks in the country. It can, therefore, be assumed that cellular spectrum in New Zealand is 'not scarce'. This implies that the value of a marginal piece of spectrum to an operator is likely to be low, all things remaining equal. While likely, this cannot be determined with certainty as there had been sufficient demand at previous sales to lift prices well above zero.

Current usage

- 22 Spectrum licences that cover the entire 800 MHz and 900 MHz band have been issued under existing management rights. Telecom uses the 800 MHz band for all of its existing cellular operations. Vodafone uses the 900 MHz band as its core network for 2G services but also uses the 1.8 GHz and 2.1 GHz bands for 2G and 3G services, respectively.

Likely future use

- 23 Recent work by the ITU study group on future cellular technologies suggests that the 800 MHz and 900 MHz bands will continue to be used for cellular services until at least 2025. These bands are currently used for 2G and 3G services and are candidate bands for 4G services, anticipated to be implemented from 2015.
- 24 It should be noted that, following the conclusion of the regulatory stocktake of the telecommunications sector, the Commerce Commission decided to commence a review of the mobile sector to determine the reasons for the lack of new entry into the mobile market. Ministry officials will take into account the outcome of the review and any potential implications concerning the allocation of spectrum.

Length of the renewal period

- 25 Under the case-by-case review of commercial spectrum rights, an appropriate length of the renewal period can be considered. This paper presents three options with respect to the length of the renewal period:
- a renew the management rights for 20 years, with a renewal price determined up front;
 - b renew the management rights for 20 years but recalculate the renewal price using the approved methodology; or
 - c renew the management rights for a period shorter than 20 years. In May 2004, Cabinet noted that in particular circumstances, it may be appropriate to make renewal offers for a term shorter than 20 years [POL Min (04) 12/1].

Pricing of renewal offers for cellular spectrum

- 26 The case-by-case review of commercial spectrum rights will also consider whether direct application of a price-setting formula meets policy objectives. Where it is inappropriate, such other options as an auction or valuation may be proposed.
- 27 The policy objectives are to approximate market value and use a methodology that is transparent and simple to implement. It must be recognised that there is a trade-off between these objectives (of accuracy and simplicity) and a balance needs to be struck between them. There is a level of uncertainty as to the extent to which any methodology would predict the outcome of an actual market transaction. A methodology that is relatively practical to implement and also has a strong underlying logic as to how it approximates market value is, therefore, desirable.
- 28 Covec expressed reservations on the suitability of applying the Covec formula to the cellular market. This is due to the difficulty of determining a value for the growth factor (z) with confidence for the following reasons.
- a The Covec formula requires robust industry data on historical revenues. Unlike the broadcasting industry, where revenue data as far back as 1985 is readily available, there is limited publicly available data on the revenues of cellular operators in New Zealand for the 1990s. For example, Vodafone entered the market only in 1998.
 - b In using the Covec formula, it is important that the original auction prices reflected expectations that have proven to be reasonably correct. When the rights were initially allocated, the cellular market was immature compared to the current environment.

- c The formula is suited to an industry that is not subject to dramatic technological or other changes so that revenues can be expected to follow a relatively stable growth path over the longer term. The cellular industry faces significant future uncertainty, with the convergence of technologies and the introduction of high speed and high data rate services.
- 29 PricewaterhouseCoopers (PwC), who peer reviewed the Covec report, supported this view.
- 30 The Ministry decided that such concerns on the applicability of the Covec formula to the cellular market offered a reasonable ground to explore alternative approaches. The Ministry engaged PwC and the New Zealand Institute of Economic Research (NZIER) jointly to re-examine the Covec formula and assess alternative pricing approaches.
- 31 PwC and NZIER re-confirmed their agreement with Covec’s view that the same level of confidence on the formula’s applicability to the mature and relatively stable broadcast market could not be applied to the cellular market, for the same reasons stated above.
- 32 The standard definition of market value is the price that is struck between knowledgeable, willing but not anxious buyers and sellers, acting at arm’s length. This is reflected by the price paid at auction. Market value could also be estimated by forecasting future cash flows, discounted to present value. Simulating an auction and adopting forward-looking approaches, such as a Total Service Long Run Incremental Cost approach, were initially identified but were not considered further. CRA International, the peer reviewers, advised the Ministry that, based on their international experience in asset pricing, the assumptions underlying forward-looking approaches are frequently challenged and results are established only after years of adversarial proceedings.
- 33 The pricing approaches examined by PwC and NZIER are listed in Table 1.

Table 1. Comparative assessment of options

	Transparent	Simple	Market Value
Benchmarking (against NZ and overseas values)	x	x	✓
Earnings valuation			
- Simplified earnings (developing a proxy for net cash flow, discounted to present value)	✓	✓	✓/x
- Full earnings (full discounted cash flow analysis, involving detailed financial projections, taking into consideration the company’s strategy,	x	x	✓

	Transparent	Simple	Market Value
and assessment of risk)			
- Covec (scales original auction prices using a factor that takes into account past and expected trends in revenues and costs)	✓	✓	x
- Market capitalisation (apportioning the market value that relates to the spectrum component of the business)	x	x x	✓
Deprival valuation			
- Full ODV (the cost of migrating the entire business to another spectrum band)	✓	x	✓
- Incremental ODV (the cost of maintaining quantity and service levels if deprived of spectrum at the margin)	✓	✓	✓

Source: PwC and NZIER (2006)

- 34 Based on a comparative assessment of options against policy objectives [Table 1], the consultants considered incremental ODV to be the most suitable approach for the cellular market. Each of these approaches is detailed in the PwC-NZIER report, which is released with this paper and can be found at: <http://www.med.govt.nz/radio/cellular-rights/>.
- 35 There are several accepted methodologies in determining the market price, which could be at any point in a wide range of possible values. Incremental ODV may not approximate market price in the way that other methodologies do. However, given the difficulty of implementing alternative approaches, including the Covec formula, incremental ODV represents the best compromise and most practical methodology of forming an estimate of market value for cellular rights.
- 36 The ODV-calculated value will be checked that it is within reasonable range from New Zealand and overseas benchmark spectrum values.

Question of the case-by-case review of cellular rights

1. Case-by-case review of cellular rights

Issue 1.1

What significant changes in cellular technology and in the cellular market do you foresee within the next 10-20 years? How might these changes affect the future use of the 800 MHz and 900 MHz bands?

Issue 1.2

What is the current level of spectrum-related investment in the 800 MHz and 900 MHz bands? How might the use of these bands be optimised?

What are your intentions in the next few years with respect to this spectrum?

Issue 1.3

Should rights to unused spectrum be renewed? Why or why not?

Issue 1.4

Which of the three options with respect to the length of the renewal period is appropriate?

If you do not agree with any of these options, what alternative timeframes do you suggest? Why?

Issue 1.5

Do you have any comments on the appropriateness of applying the Covec formula to the New Zealand cellular market?

Issue 1.6

Do you have any comments on the approaches that were examined as alternatives to the Covec formula in valuing spectrum for the New Zealand cellular market?

Are there any other approaches that should have been considered and why?

4. The incremental ODV-based approach

- 37 PwC and NZIER recommended incremental ODV as a primary pricing approach for the renewal of cellular rights and benchmarking as a way of verifying the ODV value.

Incremental ODV – the core approach

- 38 Incremental ODV determines the renewal price by calculating the incremental costs that a generic New Zealand cellular operator, operating an optimal network, would incur to maintain the quantity and quality of services to its customers if deprived of spectrum at the margin (maintaining the same revenue). This calculation is based on scenarios of expected levels of network traffic and service quality levels, by year, up to the end of the renewal period. It impacts on an operator's future cash flows from the cost side of its operations.
- 39 Incremental ODV is akin to the Administered Incentive Pricing (AIP) approach or the SmithNERA methodology, pioneered in the U.K. and where it is applied to spectrum for mobile and fixed link services. The AIP approach calculates the costs that an operator would incur to maintain the same quantity and quality of services if a unit of spectrum is added to its holdings. PwC and NZIER recommended depriving, instead of adding, spectrum at the margin as this is the business situation being considered in the renewal process.
- 40 Calculating the incremental ODV value is a feasible engineering exercise, where costs can be transparently determined, unlike a simulated auction, where inputs are mostly speculative in nature.
- 41 There is a trade-off between spectrum and network configuration (simply thought as the number of cell sites); they may be substituted for each other to maintain a given level of service. The network configuration required to substitute for a marginal decrease in spectrum for a given level of service depends on the technical rate of substitution between these two inputs.
- 42 For periods shorter than say, 20 years, ODV estimates may not be available if optimum spectrum is less than one increment more than the minimum bandwidth required to operate a network. In such cases, the optimum spectrum will need to be 'constrained' to be no less than a certain number of MHz so a value for incremental ODV can be calculated.

Benchmarking the ODV value

- 43 The incremental ODV value will be benchmarked against New Zealand and overseas spectrum values. Benchmarking is not considered simple and transparent and therefore, would not be suitable as a primary pricing approach. It can, however, add value by being able to provide greater confidence that the incremental ODV value will be a good proxy for actual spectrum prices.

Benchmarking will take account of differences in the relevant markets, geographical differences, exchange rates, and dates of the transactions.

- 44 If the ODV value significantly deviates from actual spectrum values, it may then be adjusted, to the extent judged necessary, based on the outcomes of the benchmarking exercise.
- 45 The overall approach is detailed in Table 1.

Table 1. The proposed pricing approach (incremental ODV, benchmarked against New Zealand and overseas spectrum values)

<p><u>Step 1</u></p> <p>Determine the marginal value of the radio spectrum, as calculated by an incremental ODV methodology, based on deprivation of the marginal unit of spectrum.</p> <ol style="list-style-type: none">1) Specify scenarios for expected levels of network traffic, by year - break the country down into bands of traffic density (and hence, network/spectrum requirements).2) Specify service quality levels (call blocking rate).3) Determine the optimal, modern-equivalent network technology (this also specifies the minimum spectrum package).4) Determine the optimal network configuration (lowest cost to deliver given service quality).5) Determine the spectrum package required to support the optimal network configuration.6) Scope the deprivation scenario.<ul style="list-style-type: none">- Specify the incremental spectrum package of which the operator will be deprived (based on the characteristics of the optimal technology).- Specify the optimal (lowest cost) network configuration for the reduced spectrum holding.7) Determine the difference between the two scenarios.<ul style="list-style-type: none">- Determine the change in number and/or type of sites required and any other changes in assets.- Determine the change in operating and maintenance activity.8) Apply average or standard costs to each quantified change to determine the change in costs; hence, the marginal cost of the unit of spectrum.9) Apply probabilities against the scenarios and perform an expected value calculation on these, discounting the change in costs to the time of renewal at a generic operator's cost of capital.
<p><u>Step 2</u></p> <p>Analyse precedents from New Zealand and overseas to benchmark the incremental ODV result.</p> <p>Possible approach:</p> <ol style="list-style-type: none">1) Gather 2G auction prices.2) Adjust to per MHz price.3) Adjust for population.4) Adjust for population density.5) Adjust for the intensity of competition and regulation in the market.6) Convert to New Zealand dollars.7) Identify a trend/range in pricing over time.

- 8) Multiply back up to the New Zealand market size.
- 9) Apply to spectrum holdings.
- 10) Identify a trend in pricing.

Secondary market transactions:

- 1) Identify secondary market transactions.
- 2) Value adjustment for stake (controlling? minority?).
- 3) Estimate proportion of price paid applicable to spectrum licences.
- 4) Calculate price per subscriber.
- 5) Adjust for market sizes, competition and regulation, and exchange rates.
- 6) Identify applicably trend/range.
- 7) Multiply back up to New Zealand market size.
- 8) Apply to spectrum holdings.
- 9) Identify a trend in pricing.

Step 3

Check that the incremental ODV result is within reasonable range from benchmark values.

Peer review

- 46 CRA International, the peer reviewers, supported the use of incremental ODV as a primary valuation approach and benchmarking as a means of verifying the ODV result, given the inherent difficulties and speculative nature of alternative approaches.
- 47 The peer reviewers' report is released together with this paper and the PwC-NZIER report. It is available at: <http://www.med.govt.nz/radio/cellular-rights/>.

Questions on the incremental ODV-based pricing approach

2. The recommended pricing approach

Issue 2.1

Is the proposed incremental ODV approach, benchmarked against New Zealand and overseas spectrum values, a reasonable and appropriate approach in calculating a market value for the renewal of management rights in the 800 MHz and 900 MHz bands? Why or why not?

Does this approach meet all policy objectives (fair market value, fair return to the Crown, transparent and simple to administer)? Why or why not?

Issue 2.2

Are there factors or inputs that should or should not be considered in the proposed methodology? Why or why not?

Issue 2.3

Do you have any comments on the benchmarking to be applied to the ODV-calculated value?

Issue 2.4

Do you have any other comments on the recommended approach?

Do you have any other comments on the consultants' report and peer reviewers' feedback?

Issue 2.5

If you do not agree with the proposed approach, what alternative approach would best meet all policy objectives?

5. Process and terms of renewal

Publication of summary of submissions

48 A summary of submissions will be released publicly following the consultation.

Timing of offer

49 Renewal offers are due by November 2006, five years before the first of the cellular rights for renewal expire. The offer price will be open for a limited period, probably no more than six months, from the offer date and its terms will likely be non-negotiable.

Terms of offer

50 Offers will be made to the person currently recorded in the Register of Radio Frequencies as the relevant rightholder of a management right at the date of expiry. A binding offer document will be provided to each management rightholder, which will specify the management right and terms being offered. The rightholder may accept in full, accept in respect of only some rights, or reject the offer.

Settlement

51 The Ministry's preferred approach in previous renewals is not to require early payment for rights or to accept annualised payments during the term of the new right, although the Crown would be happy to receive early payment (with no discount).

52 Pre-settlement requirements may apply, such as confirmation of use and any Commerce Act requirements.

53 The latest date for settlement, usually six months prior to expiry, would be specified in the original offer. This would allow time for the rights to be auctioned before expiry if the purchaser fails to settle. Since auctioning the rights would mandate a tight time frame, the timing of the settlement thus, will be of the essence.

54 Penalties will apply for failure to settle on time.

Assignment and transfer

55 In previous renewal processes, the Ministry has allowed purchasers to transfer contractual rights and obligations prior to settlement, subject to Commerce Act limitations.

Commerce Act

- 56 Acquisition of management rights is subject to the Commerce Act 1986. Purchasers need to assure themselves and the Ministry that acquisition, through the pricing approach that will eventually be adopted, or by auction, is consistent with the Commerce Act and that any necessary clearances or authorisations have been obtained. The procedure for providing Commerce Act assurance is likely to be based on the rules used in Radio Spectrum Auction 6.
- 57 The Auction 6 rules are available at:
<http://www.rsm.govt.nz/auctions/auction06/catalogue/index.html>.

Questions on process and terms of renewal

3. Process and terms of renewal

Issue 3.1

Do you have any comments on the proposed timing of the renewal offers?

What would be a reasonable period for incumbent rightholders to consider whether to accept or reject the renewal offers? Why?

Issue 3.2

Do you have any comments on the terms of offer?

Issue 3.3

Do you have any comments on the terms of settlement?

Would you prefer an early one-off payment or annualised payments? Why?

What should be the latest date for settlement? Why?

What should be the penalty for failure to settle on time? Why?

Issue 3.4

Do you have any comments on allowing purchasers to assign and transfer contractual rights and obligations prior to settlement?

Issue 3.5

Do you have any other comments on the process and terms of renewal?

6. Auction alternative

- 58 The rightholder may decline the offer for any reason. The Crown will then offer the rights at auction, with the eventual purchaser paying the market (auction) value for the rights.
- 59 There has been no decision as to what auction methodology would be used if rightholders reject the renewal offers but the design would need to meet the policy objectives of approximating a market value for the rights and producing a fair return to the Crown.
- 60 In recent allocations of large commercial spectrum rights, the Ministry adopted an open simultaneous multiple round auction design. The rules are those adopted for Auction 6, conducted in 2003, which can be found at <http://www.rsm.govt.nz/auctions/auction06/catalogue/index.html>. The final price is determined at the point at which the highest losing bidder withdraws from the auction.
- 61 Reserve prices at previous auctions have been set to recover the costs of running the auction.

Questions on the auction alternative

4. The auction alternative

Issue 4.1

What would be the most appropriate design of auctioning spectrum, following a rejection by incumbent rightholders of renewal price offers from the Government?

Issue 4.2

Do you have any comments on the use of an open, simultaneous multiple round auction design previously adopted by the Ministry for large commercial rights and licences (e.g. Auction 6 rules)?

Issue 4.3

Do you have any other comments on auction as an alternative to the renewal process?

7. Request for comments

Summary of questions

- 62 Submissions are invited from interested parties in response to each of the questions outlined in this paper, which are summarised below. To assist with their submissions, respondents may wish to refer to the PwC-NZIER report and the feedback from CRA International released with this paper, which is available at: <http://www.med.govt.nz/radio/cellular-rights/>.

1. Case-by-case review

Issue 1.1

What significant changes in cellular technology and in the cellular market do you foresee within the next 10-20 years? How might these changes affect the future use of the 800 MHz and 900 MHz bands?

Issue 1.2

What is the current level of spectrum-related investment in the 800 MHz and 900 MHz bands? How might the use of these bands be optimised?

What are your intentions in the next few years with respect to this spectrum?

Issue 1.3

Should rights to unused spectrum be renewed? Why or why not?

Issue 1.4

Which of the three options with respect to the length of the renewal period is appropriate?

If you do not agree with any of these options, what alternative timeframes do you suggest? Why?

Issue 1.5

Do you have any comments on the appropriateness of applying the Covec formula to the New Zealand cellular market?

Issue 1.6

Do you have any comments on the approaches that were examined as alternatives to the Covec formula in valuing spectrum for the New Zealand cellular market?

Are there any other approaches that should have been considered and why?

2. The recommended pricing approach

Issue 2.1

Is the proposed incremental ODV approach, benchmarked against New Zealand and overseas spectrum values, a reasonable and appropriate approach in approximating a market value for management rights in the 800 MHz and 900 MHz bands? Why or why not?

Does this approach meet all policy objectives (fair market value, fair return to the Crown, transparent and simple to administer)? Why or why not?

Issue 2.2

Are there factors or inputs that should or should not be considered in the proposed methodology? Why or why not?

Issue 2.3

Do you have any comments on the benchmarking to be applied to the ODV-calculated value?

Issue 2.4

Do you have any other comments on the recommended approach?

Do you have any other comments on the consultants' report and peer reviewers' feedback released with this discussion paper?

Issue 2.5

If you do not agree with the proposed approach, what alternative approach would best meet all policy objectives?

3. Process and terms of renewal

Issue 3.1

Do you have any comments on the proposed timing of the renewal offers?

What would be a reasonable period for the incumbent rightholders to consider whether to accept or reject the renewal offers? Why?

Issue 3.2

Do you have any comments on the terms of offer?

Issue 3.3

Do you have any comments on the terms of settlement?

Would you prefer an early one-off payment or annualised payments? Why?

What should be the latest date for settlement? Why?

What should be the penalty for failure to settle on time? Why?

Issue 3.4

Do you have any comments on allowing purchasers to assign and transfer contractual rights and obligations prior to settlement?

Issue 3.5

Do you have any other comments on the process and terms of renewal?

4. The auction alternative**Issue 4.1**

What would be the most appropriate design of auctioning cellular spectrum, following a rejection by incumbent rightholders of renewal price offers from the Government?

Issue 4.2

Do you have any comments on the use of an open, simultaneous multiple round auction design previously adopted by the Ministry for large commercial rights and licences (e.g. Auction 6 rules)?

Issue 4.3

Do you have any other comments on auction as an alternative to the renewal process?

Submission process

63 The Ministry prefers written comments to be provided by email to radiospectrum@med.govt.nz. If you would like to meet directly with officials, please make your request at an early date. Comments are requested by 25 August 2006.

64 You may also submit your comments to:

Cellular Rights Comments
Attn: Brian Miller
Cc: Luz Rose
Radio Spectrum Policy and Planning
Resources and Networks Branch
Ministry of Economic Development
PO Box 1473
WELLINGTON
Fax: (04) 499 0969

65 Should you have any questions, please contact:

Brian Miller Ph (04) 462 4221
Luz Rose Ph (04) 474 2695

Posting and Release of Submissions

66 The Ministry may post all or parts of any written submission on its website at www.med.govt.nz. The Ministry will consider you to have consented to posting by making a submission, unless you clearly specify otherwise in your submission.

67 In any case, content of submissions provided to the Ministry are likely to be subject to public release under the Official Information Act 1982, following requests to the Ministry (including via e-mail). Please advise if you have any objection to the release of any information contained in a submission, and in particular, which part(s) you consider should be withheld, together with the reason(s) for withholding the information. The Ministry will take into account all such objections when responding to requests for copies and information on submissions to this document under the Official Information Act 1982.

Privacy Act

68 The Privacy Act 1993 establishes certain principles with respect to the collection, use and disclosure of information about individuals by various agencies, including the Ministry. It governs access by individuals to information about themselves held by agencies. Any personal information you supply to the Ministry in the course of making a submission will be used by the Ministry only in conjunction with the matters covered by this document. Please clearly indicate in your submission if you do not wish your name to be included in any summary of submissions that the Ministry may publish.

Appendix 1: Management rights for cellular services that will expire in 2011 and 2012

Frequency range (MHz)	Management rightholder	Commencement date	Expiry Date	MR number
825.015 – 835.005	Telecom Mobile Ltd	9 September 1992	8 September 2012	21
835.005 – 845.000	Telecom Mobile Ltd	30 October 1992	29 October 2012	23
870.015 – 880.005	Telecom Mobile Ltd	9 September 1992	8 September 2012	22
880.005 – 890.000	Telecom Mobile Ltd	30 October 1992	29 October 2012	24
890.000 - 897.500	Vodafone Mobile NZ Ltd	7 November 2002	29 June 2012	176 ^a
897.500 – 907.400	Vodafone Mobile NZ Ltd	3 April 2003	28 November 2011	188 ^b
907.400 – 915.000	Vodafone Mobile NZ Ltd	21 October 1994	29 June 2012	39
939.000 - 942.500	Vodafone Mobile NZ Ltd	22 November 2002	29 June 2012	181 ^c
942.500 – 952.400	Vodafone Mobile NZ Ltd	31 March 2003	28 November 2011	187 ^d
952.400 – 960.000	Vodafone Mobile NZ Ltd	21 October 1994	29 June 2012	40

^a To be replaced by MR No. 178 (registered; will expire in November 2022).

^b To be partly replaced by MR No. 179 (897.500 – 899.800 MHz; registered; will expire in November 2022).

^c To be replaced by MR No. 183 (registered; will expire in November 2022).

^d To be partly replaced by MR No. 184 (942.500 – 944.800 MHz; registered; will expire in November 2022).