

„Information Channels for the Audiovisual
Industry in the Digital Era“

Athens, December 15, 1999



Auctioning of Frequencies

Andreas Grünwald

Institute for Information, Telecommunications
and Media Law (ITM)

University of Münster, Germany



Table of Contents

- Background and Terminology
- Spectrum Auctions in Selected Countries
 - Sweden, United Kingdom, U.S.A.
- Initiatives on a European Level
- Future Perspectives



Dividing the Radio Spectrum

- Allocation
 - Different Categories of Services
- Allotment
 - Different Geographical Regions
- Assignment
 - Individual Users



Frequency Assignment

- First Come, First Served
- „Beauty Contest“
- Lottery
- Auction



Spectrum Auctions (1)

- Advantages
 - Market based
 - Objective criterion
 - Economically efficient
 - Easy to handle
 - Cheap to administrate



Spectrum Auctions (2)

- Disadvantages
 - Only „financially strong“ can get licences
 - High risk of ownership concentration
 - Difficult to implement quality standards
 - Difficult to ensure pluralism in content and ownership



Sweden (1)

- Subject to Auctions
 - Local radio licences
- Legal Framework
 - Radio and Television Act
 - Parliamentary Decision of 1993
- Swedish Radio and Television Authority



Sweden (2)

- The Auctioning Process
 - Auction is held when more than one qualified applicant for a licence
 - Multiple-round, open proceeding
 - Some ownership-restrictions to prevent networking
 - Very little content restrictions
 - Highest bidder wins



Sweden (3)

- Outcomes of Auction
 - 84 local radio stations were licenced
 - Extensive trade of licences, only a few stations are independently owned
 - Two government investigations concerning ownership structure
 - Proposal to abandon auctioning system in 2001



United Kingdom (1)

- Subject to Auctions
 - Channel 3 licences (regional analogue TV)
 - Channel 5 licence (nationwide analogue TV)
 - National radio licences
- Legal Framework
 - Broadcasting Act 1990
 - (Broadcasting Act 1996)
- Independent Television Commission (ITC)



United Kingdom (2)

- The Channel 3 Auction (1991)
 - Sealed Bid
 - Content Threshold
 - „Wide variety of tastes and interests“
 - News, current affairs, „high quality“, regional, religious and childrens programmes
 - Proper proportion of programmes of European origin
 - Independent productions



United Kingdom (3)

- Highest Bidder wins, if...
 - (1) Applicant meets content threshold
 - (2) Bid is judged „sustainable“
 - (3) No other bids of „exceptional“ quality
- Outcome of Channel 3 Auction
 - Total amount raised: £ 230 million
 - 40 bidders, 27 passed content threshold, 3 highest bids judged not sustainable
 - Only 4 of 16 licences changed hands



U.S.A. (1)

- Subject to Auctions
 - All licences except digital television
- Legal Framework
 - Balanced Budget Act 1993
 - Telecommunications Act 1996
 - Balanced Budget Act 1997
 - FCC Rulemaking
- Federal Communications Commission



U.S.A. (2)

- Auction Procedures for Broadcast Licences
 - Electronic simultaneous multiple-round auction
 - „New entrant“ bidding credit for applicants with no or very little media interest



U.S.A. (3)

- September 1999: First Auction of Broadcast Station Construction Permits
 - FM Broadcast, FM TV, Low Power TV
 - 118 broadcast construction permits auctioned in 35 rounds
 - \$ 58 million raised for U.S. Treasury
 - 91 winning bidders



EU Radio Spectrum Policy (1)

- Directives Harmonising Frequency Allocation for Specific Services
 - GMS, ERMES, DECT, UMTS
- December 1998: „Green Paper on Radio Spectrum Policy“
- Public Consultation
- November 1999: „Next Steps in Radio Spectrum Policy“



EU Radio Spectrum Policy (2)

- Key Issues of Spectrum Green Paper
 - Strategic planning of the use of radio frequencies
 - Harmonisation of spectrum allocation
 - Spectrum assignment and licensing
 - Radio equipment and standards
 - Institutional framework for spectrum co-ordination



EU Radio Spectrum Policy (3)

- „Next Steps in Spectrum Policy“
 - Establishment of Spectrum Policy Expert Group on EC level
 - Establishment of a comprehensive regulatory framework for European radio spectrum policy
 - EC will strengthen its role in preparations for World Radio Conference 2000



Future Perspectives (1)

- European Initiatives
 - Probably increasing impact on national regulatory frameworks
- Convergence
 - Borderline between broadcasting and telecommunications sector is shifting
 - Use of radio spectrum will change



Future Perspectives (2)

- Analogue Switch-Off
 - Transition from analogue to digital broadcasting by 2010
 - Major parts of the radio spectrum will have to be re-assigned
 - Opportunity to re-consider current spectrum policy / implement auctioning system