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RADIO SPECTRUM POLICY

TEMPORARY PENDING TENDER BROADCASTING LICENCES

1. Policy.

- If the date of the tender is uncertain, licences may be issued for a fixed period and further “roll-over” licences issued following expiry. First priority for any “roll-over” licences will be afforded to the first temporary pending tender licensee. However irrespective of the expiry date of the last licence issued, use of the frequency must cease from the date when the tendered right becomes effective. The requirement that the licensee sign cancellation papers will be incorporated into the contract granting the temporary pending tender licence.
- A monthly resource rental will be payable for each temporary pending tender licence (see table).
- A monthly resource deposit will be payable (either by cheque or by Banker’s Certificate) prior to the issue of the first licence and subsequent roll-over licences, for an amount equal to the total number of months that the licence is in force (see table).
- Normal licence requirements, including payment of the annual fee, must be complied with.

2. Specific Criteria.

The following table will be used to calculate the resource rental.

Resource Rental Table

Term of licences to be tendered (years)	Monthly resource rental (ie. % of tender price)
18-20	0.55
16-18	0.60
14-16	0.65
12-14	0.75
10-12	0.90
8-10	1.10
6-8	1.45
5-6	1.75
4-5	2.20
3-4	2.90
2-3	4.35
1-2	8.75
0-1	17.90

The following table will be used to calculate the resource deposit.

Resource Deposit Table

Population coverage	Monthly resource deposit (FM, VHF TV)	Monthly resource deposit (AM, UHF TV)
> 150,000	\$2,250	\$750
150,000 - 100,001	\$1,500	\$500
100,000 - 50,001	\$1,000	\$400
50,000 - 25,001	\$750	\$300
25,000 - 5,000	\$500	\$200
< 5,000	\$250	\$100

3. Background.

These resource rental figures were obtained by obtaining the discounted monthly equivalent of a long term right at current interest rates (10%) while making allowance for the fact that the commercial value of a short term right is likely to be less than a long term right¹. The percentages increase as the length of the long-term tendered licence becomes shorter. This is a reflection of the greater value of one month in the term of a temporary licence as a proportion of the overall term of the combined temporary and long-term licence.

To approximate the market value as closely as possible, the percentage of the final tender price payable each month should reflect the discounted monthly equivalent of the value of a long term right at current interest rates, while recognising that the value of a short term right is likely to be less than the value of a long term right.

Resource deposits are required as a surety against the eventual amount payable for a temporary licence. However this amount cannot be determined until after any temporary licences have expired and a long-term licence has been tendered. On one hand the deposit should substantively minimise the risk to the Crown of default on payments of resource rentals, while being sufficiently restrained so as the licence applicant can reasonably obtain finance for such deposit. The previous policy, whereby the amount payable was dependent on the general location of the frequency, was problematic in that location is not always an accurate measure of tender values. It was therefore proposed that the amount of the resource deposit be based instead on population coverage, this being a more accurate indicator of value.

These figures in the resource deposit table have been calculated on the basis of past tender prices. They also relate to the percentage figure of the final tender price used to calculate the resource rental. As this figure will change over time, the resource deposits will be reviewed regularly, and may be subject to revision where appropriate.

Approved By:

**Manager
Radio Spectrum Policy**

¹ The assumption applied was that:

- a temporary right of one month has half the value of one month in the term of a twenty year right;
- a temporary right of one month has equal value to one month in the term of a one year right;
- where the length of rights is between one and twenty years, the divisor was established by assuming a linear scale between one and two.