

Document	Section	Number	Issue
POLDOC	Broadcasting	008	3
File Reference: RSM 1/4/1		Date of Issue: 10 October 1997	



RADIO SPECTRUM POLICY

INCREASES IN POPULATION COVERAGE - VARIATIONS TO EXISTING BROADCASTING LICENCES

1. Policy.

The licensee will have the option to either:

- pay 110% of the calculated increase in value according to the Ministry's formula,

OR

- have the varied licence auctioned through the following procedure:

- i The licensee would provide to the Ministry, pre signed cancellation forms for the original licence.
- ii The Ministry would agree to place the varied licence in an upcoming auction.
- iii The reserve auction price would be an agreed value of the original licence, determined by current market values or an original acquisition price.
- iv The licensee would bid at the auction, inherently allowing them to acquire the licence by bidding further. No pre-emptive rights would exist.
- v If the licence is sold for a price above the reserve price, the Ministry would cancel the original licence and issue the varied licence to the successful bidder.
- vi If the successful bidder was the licensee, the transaction would be completed for the amount that the purchase price exceeded the reserve price (the agreed value of the licence).
- vii If the successful bidder was not the licensee, the Ministry would pay the licensee the reserve price and a pre-agreed percentage (not exceeding 50%) of the amount that the purchase price exceeded the reserve price.
- viii If the varied licence does not sell (no bids are received at or above the reserve price) the Ministry will, at the discretion of the licensee, either return the original licence cancellation forms, or cancel the original licence and provide the varied licence to them at no additional cost. However, Administration and engineering services charges would still apply.

2. Specific Criteria.

- AM, FM, UHF TV Licences

Apply the formula as set out below.

Formula for Calculating Value of Increased Population Coverage

The increase in value is the product of (a) the increase in population coverage¹ and (b) the average price per capita for each comparable licence, where a “comparable licence” is one with the same or similar geographical area of coverage². In mathematical terms this is:

$$\text{Increase in Value} = (\text{Pop}^{\text{new}} - \text{Pop}^{\text{old}}) \times \text{Average} \left\{ \left(\frac{\text{Price}_1}{\text{Pop}_1} \right), \dots, \left(\frac{\text{Price}_N}{\text{Pop}_N} \right) \right\}$$

where,

Pop^{new} = population under new coverage area

Pop^{old} = population under old coverage area

N = the number of comparable licences

Pop_i (i = 1,...,N) = the population covered by each of the comparable licences

Price_i (i = 1,...,N) = the price paid at tender for each of the comparable licences

Where there are no comparable single licence values available to assess the amount payable for a licence variation, licence values derived from a per-capita breakdown of the packages of licences previously tendered or auctioned may be used.

- Increases in population coverage for VHF TV Licences

The amount payable for a variation to a VHF TV licence will be calculated using the formula for calculating value of increased population coverage, except that “comparable licences” shall include UHF TV licences with comparable power and the tender or auction values of those licences will be multiplied by a factor of three.

- Increases in population coverage for ‘daylight only’ licences

The formula for calculating the value of increased population coverage will be applied. The value will be calculated using the tender or auction prices that meet comparability criteria, with an operating assumption that one daylight hour is equal in value to one night-time hour. That is, if a comparable coverage licence is full time, the value of that licence for the purposes of the calculation will be multiplied by the fraction of day-light hours to total hours. Similar assumptions would apply where the application is to extend transmission hours from day-time to full time.

- Licences allocated under the “Low Value Broadcasting Licences” policy

Where a variation is sought to a licence allocated under the “Low Value Broadcasting Licences” policy, the varied licence shall go to auction without the alternative to pay the lump sum.

¹ Population coverages are estimated in accordance with the following:

- i Population data is obtained from the most recent census release by the Department of Statistics;
 - ii Topographical and cadastral information is obtained from the most recent DOSLI surveys;
 - iii The Ministry will use the most advanced and accurate software available at the time of each new application.
- Estimates of population coverage may therefore vary over time and over subsequent applications.

² The Ministry reserves the right to exclude from these calculations any tender price achieved through the second price bid system that, in the opinion of the Ministry, does not represent a fair and reasonable market value.

3. Background.

Under the previous policy the licensee had the option to either pay 110% of the calculated increase in value or to have the licence "re-tendered". The existing licensee was given the option to match the highest bid at tender or receive a pre-determined percentage of the increase in the tender price over and above the original tender price. This policy has now been updated to reflect the Ministry's policy of auctioning rather than tendering licences.

Approved By:

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