



700 MHz Auction: Combinatorial Assignment Round Options/Outcomes

22 May 2014

To facilitate the timely deployment of 700 MHz cellular networks, the government has made decisions about which placement options/outcomes will be offered in the Combinatorial Assignment Round.

Clause 8.20 of the Auction Catalogue allows the Auction Manager to identify options for contiguous Lots that will be offered in the Assignment Round, and states that not all options may be offered. This document presents these decisions, pursuant to clause 8.19 of the Auction Catalogue.

The Lots available will be dependent on the Commerce Commission's decision on Telecom's application for clearance under section 66 of the Commerce Act to acquire four lots (2x20 MHz).

Two tables are presented below and on the following page. Table 1 shows the possible Assignment Round outcomes if Telecom is granted clearance. Table 2 shows the possible outcomes if Telecom is not granted clearance. In both these tables, Telecom's possible placements (TC) are shown in blue, Vodafone's (VF) in red, and 2degrees' (2D) in green. In Table 2, the unsold lot is shown in yellow.

TABLE 1. POSSIBLE ASSIGNMENT ROUND OUTCOMES IF CLEARANCE IS GRANTED

Lower MHz	703-708	708-713	713-718	718-723	723-728	728-733	733-738	738-743	743-748
Upper MHz	758-763	763-768	768-773	773-778	778-783	783-788	788-793	793-798	798-803
Option A	2x20 MHz (TC)				2x15 MHz (VF)			2x10 MHz (2D)	
Option B	2x20 MHz (TC)				2x10 MHz (2D)		2x15 MHz (VF)		
Option E	2x10 MHz (2D)		2x15 MHz (VF)			2x20 MHz (TC)			
Option F	2x15 MHz (VF)			2x10 MHz (2D)		2x20 MHz (TC)			

The practical effect of this is that Telecom will hold spectrum at one end of the band, with the other two operators next to each other. This will allow 2degrees and Vodafone to develop commercial arrangements if they wish, recognising that up to four contiguous lots can be deployed under current technology specifications.



TABLE 2. POSSIBLE ASSIGNMENT ROUND OUTCOMES IF CLEARANCE IS NOT GRANTED

Lower MHz	703-708	708-713	713-718	718-723	723-728	728-733	733-738	738-743	743-748
Upper MHz	758-763	763-768	768-773	773-778	778-783	783-788	788-793	793-798	798-803
Option A1	2x15 MHz (TC)		2x5 MHz (Crown)	2x15 MHz (VF)			2x10 MHz (2D)		
Option C1	2x10 MHz (2D)	2x15 MHz (TC)			2x5 MHz (Crown)	2x15 MHz (VF)			
Option D1	2x15 MHz (VF)		2x5 MHz (Crown)	2x15 MHz (TC)			2x10 MHz (2D)		
Option E1	2x10 MHz (2D)	2x15 MHz (VF)			2x5 MHz (Crown)	2x15 MHz (TC)			

The practical effect of this is that the unsold lot will be placed between Telecom and Vodafone. This means the government can fulfil its commitments under the auction rules by ensuring that it will be able to provide 2x20 MHz of contiguous spectrum to Telecom or Vodafone, should either bidder ultimately be successful in its clearance application. Telecom is able to appeal the Commission’s decision, which could take considerable time. If Telecom’s makes an unsuccessful appeal, Vodafone as the next highest bidder is entitled to seek clearance to acquire this lot (pursuant to clause 8.16.1 of the Addendum No. 1 to 700 MHz Auction Catalogue), provided it meets the requirements of the Commerce Act.

Bidding Practicalities

Bidders will not be offered the opportunity to bid on the full range of outcomes. Instead, they will be able to bid for their own particular placement options, i.e. they will not be able to bid to directly choose the placement of other bidders. For example, in Table 1, Telecom will only be offered two options constituting outcomes A/B (bottom position) and E/F (top position), and in Table 2, 2degrees will only be offered two options constituting outcomes A1/D1 (top position) and C1/E1 (bottom position).

The Assignment Round is expected to begin shortly after the Commerce Commission has made a decision. Bidders will be notified at least five working days in advance, and provided with bidding forms in due course.