



Commission for
Communications Regulation

Information Notice

Liberalising the Future Use of the 900 MHz and 1800 MHz Spectrum Bands

Clarification on the calculation of the Reserve Price and Spectrum Usage Fees proposed in ComReg Consultation Document 09/99.

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Information Notice – Clarification on the Calculation of the Reserve Price and
Spectrum Usage Fees Proposed in ComReg 09/99.

On 21 December 2009, the Commission for Communications Regulation (ComReg) published its response to consultation and further consultation document (ComReg Document 09/99) on the future use of the 900 MHz and 1800 MHz spectrum bands (“Consultation 09/99”).

On 5 January 2010, ComReg received a request for clarification regarding how the reserve prices and Spectrum Usage Fees (SUFs) had been derived from the minimum price of €30m (using the discount rate of 10.2%).

This Information Notice sets out ComReg’s calculations and the Annex to this Information Notice provides an explanatory spreadsheet calculation.

In Consultation 09/99, the assumed minimum price of €30m is calculated for a hypothetical 15 year licence for 2×5 MHz of 900 MHz spectrum, starting from the time of the auction (i.e. the 2011 to 2026 time period).

In Consultation 09/99, ComReg proposes an auction for a 4 year licence for the 2011-2015 time period and a 15 year licence for the 2015-2030 time period. It follows that it is necessary to calculate the price associated with each of these two time periods when referring to the €30m minimum price.

These calculations are outlined in the Annex and are based on the following assumptions:

- the cashflows from licences are constant over the lifetime of the licence, discounted at 10.2% per annum, implying that:
 - the corresponding minimum price for a 4 year licence (2011 – 2015 is €12.6m;
 - the corresponding minimum price for a 15 year licence (2015 – 2030) is €20.3m when discounted to 2010; and
- the reserve price and the first annual SUF payment are made at the same time and so no discounting is attached to either of these payments (though subsequent annual payments are discounted).

Based upon these assumptions, ComReg’s calculations result in:

- €1.8m SUF per year;
- €6.3m reserve price for the 4 year licence (2011-2015); and
- €10.2m reserve price for the 15 year licence (2015-2030).

