

Media Release

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Telecom granted clearance to acquire previously unsold radio spectrum block

The Commerce Commission has today granted a clearance to Telecom New Zealand Limited (Telecom) that will enable it to acquire the management rights for the final block of 5MHz radio spectrum in the 700MHz range from the Crown.

Spectrum in the 700MHz range is expected to be used in the provision of fourth generation (4G) mobile services. There are 45MHz available in the 700MHz range, which the Crown has sold management rights to by auction.

In the first round of the auction in October, Telecom acquired 15MHz, Vodafone 15MHz (the limit under first round auction rules) and 2degrees 10 MHz, leaving one block of 5MHz unsold. The auction rules provided for the Crown to sell the unsold block in a second round. Telecom won the second round of the auction over Vodafone in January this year.

In clearing this purchase the Commission had to be satisfied that Telecom's acquisition of the spectrum will be unlikely to substantially lessen competition.

Commerce Commission Chairman Dr Mark Berry says the proposed placement of the unsold block (if not sold to Telecom), in a position that is not adjacent to 2degrees' other spectrum holdings, was key to the Commission clearing Telecom's acquisition.

"Current technology is unable to fully utilise non-adjacent blocks. Given the blocks are non-adjacent, it reduced the prospect of the Crown and 2degrees reaching an agreement on a sale. Even if 2degrees was to acquire the 5MHz block, 2degrees' competitiveness in this space is not likely to be materially enhanced since the block is not adjacent," said Dr Berry.

“Based on the proposed placement of the unsold 5MHz block, the Commission considers it unlikely that competition would be any greater if another mobile network operator bought the final block instead of Telecom, so we have cleared the purchase,” said Dr Berry.

A public version of the written reasons for the decision will be available shortly on the Commission’s website: <http://www.comcom.govt.nz/business-competition/mergers-and-acquisitions/clearances/clearances-register/>

Information on the assignment options/outcomes can be found at the following link: <http://www.rsm.govt.nz/cms/pdf-library/policy-and-planning/current-projects/digital-dividend-auction-700mhz/700-mhz-auction-combinatorial-assignment-round-options-outcomes>

Background

The Crown has auctioned the management rights to radio spectrum freed up by the switchover to digital television. Spectrum in the 700 MHz band is expected to assist with the development of fourth generation (4G) mobile networks. The auction comprised nine blocks of 5 MHz paired spectrum in the 700 MHz band.

As part of the auction rules, there were limits on the amount of spectrum each bidder could acquire. At the start of the auction, each bidder was limited to acquiring up to 15 MHz (or three blocks) of spectrum. In the first round of the auction, Telecom and Vodafone both bid for 15 MHz, while 2degrees bid for 10 MHz. The Crown subsequently decided to increase the acquisition limit to 20 MHz and sell the final 5 MHz block in a further phase of the auction. Telecom and Vodafone both bid for this final block, with Telecom ultimately being the winning bidder.

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