

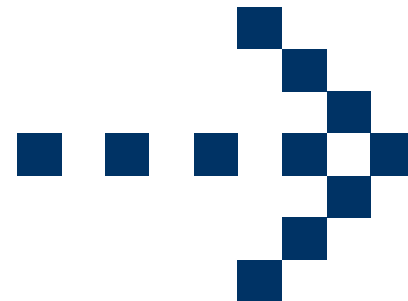
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Improving spectrum management through
economic or other incentives

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‘International Experiences in Market-Based
Approaches – the UK’

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The UK Strategy

- ❑ Introduce secondary trading as widely as possible
- ❑ Auction substantial holdings from stock
- ❑ 'Liberate' public spectrum via administered pricing
- ❑ Expand the commons a little

Extending the scope of the market

	Year 2000 (%)	Year 2010 (%)
Command and control	96	22
Market	0	71
Commons	4	7

Movement to secondary trading graduated: change of ownership, then change of use

Defining Rights

Pre-flexibility

- Apparatus licencing
- Interference modelling
- Local adjustments by barter

Post-flexibility

- Establish boundary emission standards
- Compatible users will cluster
- Trades at boundaries will improve efficiency

Competition issues

Should spectrum trades be subject to *ex ante* regulation?

How are spectrum market defined? (Widening as liberalisation (occurs))

How plausible is abuse of dominance?

Is competition law adequate? (Ofcom says 'yes')

Do merger regulations apply? (Only mergers in downstream markets)

Transition issues

Government committed to maintaining exists licensees' rights. (cf. Australian approach)

Windfall gains could be mitigated by annual charges, a capital gains tax, other means

The Public Sector

-is potentially a market player

Independent audit proposes that it can sell/lease spectrum in the market (and keep the proceeds up to eg \$180 m pa), and must buy additional spectrum

C&C allocation only permissible under tight conditions.

Market involvement by public sector depends heavily on negotiable licences, clarification of obligations and better information

What's happened in the UK?

Few trades to date, most of them mergers

One operator now unloading spectrum holdings

Antipodean experience suggests annual turnover of about 6% of holdings (about the same as commercial property).

Can one country go it alone?

Pessimistic views:

- Lack of scale prevents profitable investment in new services OR
- Premature commitment of resources will leave them stranded OR
- Subsequent modified regulation will transfer rents

Optimistic view:

- Short term gains will grow as more countries join in

The European Commission to the rescue?

Communication of September 2005

- Favours market methods
- Sets target of tradability and flexibility of communications and terrestrial broadcasting spectrum by 2010
- Harmonisation of spectrum management tools replaces harmonisation of spectrum