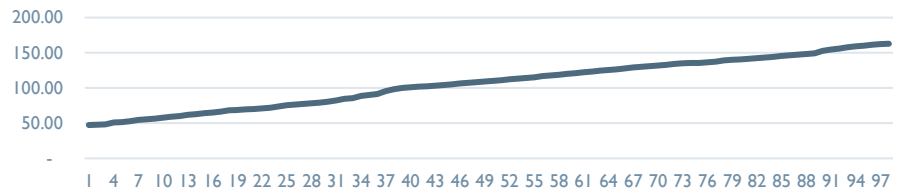


5G: AUCTION RULES AMENDED

Portugal is one of the three countries in the EU that still does not have commercial 5G offers. ANACOM recognised the need to speed up the 5G Auction and proposed changes in the bidding rules, extending the length of each daily session and hinting it may propose further measures.

Almost 100 days and over 500 bids into the main bidding phase of the Portuguese 5G auction, on May 31, 2021, ANACOM proposed an amendment to the auction's regulation (Regulation 987-A/2020 of November 5).

According to available data, bidding in the 700MHz, 900MHz, 2,1GHz and 2,6GHz bands stalled as of the 24th day, with an aggregated price of 154,58 million euros. However, in the forty available 3,6GHz blocks (frequency blocks H1 to J30), a furious bidding contest is still ongoing with bids reaching 162,89 million euros, i.e., a 244% increase over the reserve price of 44,86 million euros.



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Daily Bidding evolution in the 3,6GHz in million euros (source: ANACOM, analysis MACEDO VITORINO)

Although the bidder's identities are yet to be confirmed, the increase in the current bid average price per MHz (in the 3,6GHz band) from 0,38 million euros to 0,61 million euros and an unusually vocal dispute in the media, suggest an undergoing bidding war among new entrants and incumbents. With the total amount reaching 317,47 million euros, mixed reactions are heard throughout the market with the Government simultaneously expressing satisfaction with the unexpected tax windfall and concern over the consequences of the delay, and incumbent operators voicing concerns over the detrimental impact that mounting spectrum costs might have on network rollout investment.

The proposed amendments will extend the length of the rounds, which will now take place daily between 9:00 and 19:00. Also, each round duration will be halved from the current 60 to 30 minutes, thus allowing 12 rounds to occur.

With these changes, ANACOM expects to prevent the excessive extension of the 5G Auction. If approved, as of June, bidders are expected to form more robust and refined expectations about the spectrum they are most likely to win and the maximum amount they are willing to bid for it, which should lead to a reduction in the time needed for bidders to complete their bids. An important feature in the draft Regulation, ANACOM recognized that the unexpected extension of the Auction already affected short-term investment in commercial offers and hinted that further action may be taken in the near future.

Bidders will now have five working days to comment on these proposed changes. One question remains: are these too little too late?

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