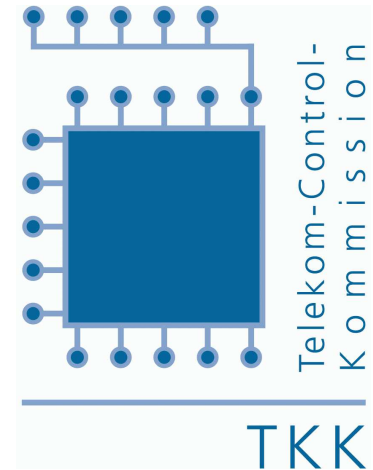


Telekom-Control Commission

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F 6/04



Vienna, December, 20th, 2005

**Tender Documentation
for Frequency Allocations
in the 450 MHz Frequency Range**

NON-BINDING TRANSLATION

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1 Introduction

The Telekom-Control Commission plans to carry out a procedure in order to allocate frequencies in the 450 MHz frequency range in accordance with Art. 55 of the Austrian Telecommunications Act of 2003. In this procedure, three frequency packets will be allocated.

1.1 General conditions under Austrian law

This invitation to tender is being carried out on the basis of the Austrian Telecommunications Act of 2003 (TKG 2003, BGBl. I No. 70/2003 as amended by BGBl. I No. 178/2004). In addition, Austrian regulations regarding procedure are also applicable, especially the General Administrative Procedures Act of 1991 (AVG; BGBl. No. 51 as amended by BGBl. I No. 10/2004).

The Telekom-Control Commission's responsibility for allocating frequencies under Art. 55 TKG 2003 is set forth in Art. 54 Par. 3 No. 2 in conjunction with Art. 117 No. 10 TKG 2003. Under Art. 54 Par. 3 No. 2, the regulatory authority is responsible for frequency allocation as well as changing and revoking allocations for those frequencies which are subject to a determination in the frequency usage plan under Art. 52 Par. 3.

This determination was made in the Ordinance of the Federal Minister of Transport, Innovation and Technology in an amendment to the Frequency Utilization Ordinance (BGBl. II No. 134/2004). The Telekom-Control Commission's responsibility is based on this determination.

The frequency allocation procedure carried out by the regulatory authority is governed by Art. 55 TKG 2003.

1.1.1 Frequency allocation procedure

Under Art. 55 Par. 1 TKG 2003, the regulatory authority is to allocate the frequencies placed under its authority to the applicant which fulfills the general prerequisites under Par. 2 No. 2 (Art. 55 Par. 2 No. 2 TKG 2003) and ensures the most efficient use of frequencies. This will be determined by the amount of the frequency license fee offered. The frequency allocation procedure is divided into two stages:

1. Once the applications have been submitted, the regulatory authority will check whether the prerequisites have been met in accordance with Art. 55 Par. 2 No. 2 TKG 2003 (cf. Section 5). In accordance with Art. 55 Par. 8 TKG 2003, those applicants who do not fulfill the prerequisites will be excluded from the frequency allocation procedure.
2. The second part of the frequency allocation procedure will be carried out in the form of a sealed bid auction with combinatorial bids. In this auction procedure, applicants are to submit bids along with their applications (cf. Section 2.7).

1.2 Allocation procedure schedule

The table below contains the most important dates in the allocation procedure.

Activity	Date	Reference
Publication of invitation to tender	Dec. 20 th , 2005	
Submission of questions to the Telekom-Control Commission		Section 6.4
Deadline for questions	January 16 th , 2006, 10:00 am (CET)	
Questions to be answered by:	February 7 th , 2006	
End of tender submission period	February 27 th , 2006 / 12:00 noon (CET)	
Announcement of decision	Scheduled for end of March, 2006	
Date of frequency allocations	Within 14 days of decision date	Section 2.8

TABLE 1: ALLOCATION PROCEDURE SCHEDULE

2 Frequency allocation procedure

2.1 Steps in the procedure

As mentioned in Section 1.1, the frequency allocation procedure is divided into 2 stages. In the first stage, the regulatory authority will check whether the applications fulfill the criteria stipulated in Art. 55 Par. 2 No. 2 TKG 2003 (in accordance with Art. 55 Par. 1 and Par. 2 No. 2 TKG 2003). Those applicants who do not fulfill the prerequisites pursuant to Art. 55 Par. 2 No. 2 TKG 2003 will be excluded from the frequency allocation procedure pursuant to Art. 55 Par. 8 TKG 2003. In addition, the first stage will involve a review of the applicants to determine whether they are affiliated with each other through groups of companies. In cases where affiliated companies submit applications, only the company that submitted its application first will be admitted to the frequency auction.

The second part of the frequency allocation procedure will be carried out in the form of a sealed bid auction with combinatorial bids. In this auction procedure, applicants are to submit bids along with their applications (cf. Section 2.7).

2.2 Objects of the auction

Three frequency packets will be allocated (see Section 3). The frequencies will be auctioned off in the form of concrete frequency packets.

Frequency packet *)	Frequency range / MHz
1	451.300-452.900 461.300-462.900
2	452.900-454.150 462.900-464.150
3	454.150-455.740 464.150-465.740

TABLE 2: FREQUENCY PACKETS

*) See Section 3 for specific information on the terms of frequency use.

2.3 Submission of bids

Bids in the auction procedure are to be submitted along with the applications. The maximum number of frequency packets a bidder can acquire is as follows:

- 1 packet for holders of GSM and/or UMTS frequency allocations or their affiliated companies (as specified in Section 2.6.1)

- 3 packets for other applicants.

2.4 Bank guarantees

All applicants are to secure their bids (which must be submitted along with their applications) by means of an abstract bank guarantee payable at first demand from a bank in good credit standing. The amount of the bank guarantee should equal the highest bid submitted. Bids which are not secured in full by a bank guarantee will not be considered valid under the auction rules in Section 2.7.

The bank guarantee's sole purpose provision must be the allocation of frequencies to the applicant in the course of this tender procedure. The guarantee must name the Federal Government of the Republic of Austria as beneficiary and be valid from the date of application until at least May 15th, 2006. The bank guarantee is to be enclosed with the application.

Once the procedure has been completed, bank guarantees will be returned to those applicants to whom the frequency packets applied for were not allocated. The bank guarantees will be returned to those applicants who do acquire frequencies in this procedure once the frequency license fee has been paid in full.

2.5 Minimum bids in the auction

Under Art. 55 Par. 4 TKG 2003, the tender documents can also include information on the minimum frequency license fee to be offered.

This information is to be based on the amount of the spectrum fees which are likely to be charged for the frequencies allocated. Under Art. 6 of the Mobile Fees Ordinance (BGBl II No. 210/2004), the frequency allocation fees amount to EUR 982.00 for every multiple of 25 kHz (or part thereof) of spectrum allocated in telephone networks under Art. 3 No. 18 TKG 2003 for the provision of public mobile radio communications services, and for the allocation of frequencies in radio communications networks under Art. 7 by the Telecommunications Authority (Art. 54 Par. 3 No. 3 TKG 2003) for deployment throughout Austria. On the basis of the fees set in the Mobile Fees Ordinance, the minimum bid for each packet is shown below (in EUR):

Frequency packet	Minimum bid (EUR)
1	125,000
2	100,000
3	125,000

TABLE 3: MINIMUM BID PER FREQUENCY PACKET

2.6 Terms of participation

The applicant must be a physical person or legal entity who/which is fully capable of entering into legally binding contracts as specified in Art. 9 of the Austrian General Administrative Procedures Act (AVG). Applicants must have their main residence (for legal entities: place of incorporation) in a country belonging to the European Economic Area.

2.6.1 Affiliated companies

In this invitation to tender, only one application to participate in the frequency auction will be accepted from multiple companies which are affiliated with one another through a group of companies pursuant to Art. 244 HGB, Art. 15 AktG or Art. 115 GmbHG, or in the form described under Art. 41 KartG 1988 (directly or indirectly). The same applies when applicants are affiliated with each other in another way which could lead to one applicant directly or indirectly exercising influence over another applicant in a manner which has a substantial effect on competition (e.g., by syndicate agreements, etc.). For the purposes of this invitation to tender, "influence which has a substantial effect on competition" is considered to exist where significant stakes (as specified in Art. 91ff. BörseG) are held, with the exception of purely financial stakes.

When assessing individual cases, the regulatory authority will also take into consideration whether the applicants are currently in the process of a demerger. In such cases, previous decisions made by competition authorities (on both the national and EU levels) are to be taken into special consideration (e.g., restrictions imposed in permits regarding the execution of a demerger, etc.).

Should two or more companies that are affiliated in the manner described above apply for frequencies, the applicant who submitted the application first will be admitted to the frequency auction.

2.6.2 Changes in ownership structure

Changes in the person submitting an application, or any and all – direct or indirect – substantial changes in the stakes held in a company submitting an application at any point in this procedure require the permission of the regulatory authority. Permission will be granted in cases where the company's full competitive independence is maintained even after the changes are effected. In all cases, a substantial change is regarded as a change in ownership (exceeding the percentage limits set forth in Art. 91ff. BörseG) or the initial acquisition of a significant stake as defined in Art. 91ff. BörseG, with the exception of purely financial stakes.

The previous paragraph does not apply to changes in ownership structure ordered by authorities for monopoly/cartel affairs or required by the proceedings of such authorities. All applicants are required to inform the Telekom-Control Commission of any proceedings of authorities for monopoly/cartel affairs (both pending and to be expected) pertaining to their ownership structure and to include in their applications any and all decisions made in this regard. All changes in ownership structure carried out in order to fulfill such obligations are to be reported to the Telekom-Control Commission immediately, even after submission of the application.

Art. 56 Par. 2 TKG 2003 shall be applied with regard to changes in the ownership structure of companies allocated frequency use rights in a procedure under Art. 55.

2.7 Auction procedure

In the auction, bids will only be accepted from applicants who were not excluded from the frequency allocation procedure under Art. 55 Par. 8 TKG, nor from the frequency auction (by official decision) in the case of affiliated companies applying for frequency packets.

The auction will be carried out in the form of a combinatorial first-price sealed bid auction. Bids are to be submitted with the application. For this purpose, the attached Excel sheet "Gebotsabgabe.xls" is to be used, and a signed printout is to be enclosed with the application (cf. Annexes A and B). Bids (or changes) which are submitted later will be disregarded.

In addition to submitting alternative bids on individual frequency packets, bidders can also place alternative combinatorial bids for predefined combinations of frequency packets. The permitted bid variations are shown in the table below. Companies which have been allocated GSM and/or UMTS frequencies (or their affiliated companies) are only allowed to submit bids on the variations involving one frequency packet.

Possible bid variations	Minimum bid (EUR)	Restrictions
Packet 1	125,000	
Packet 2	100,000	
Packet 3	125,000	
Packets 1 and 2	225,000	
Packets 1 and 3	250,000	
Packets 2 and 3	225,000	
Packets 1, 2 and 3	350,000	

TABLE 4: POSSIBLE BID VARIATIONS

The frequency packets will be awarded for that combination of bids which allocates each frequency packet to a maximum of one bidder, which includes a maximum of one bid per bidder, and which yields the maximum total bid amount (referred to as the "revenue-maximizing feasible allocation"). The individual bids of a bidder are to be interpreted as mutually exclusive. Accordingly, the bids shall be placed for Packet 1 OR Packet 2 OR Packet 3 OR (Packets 1 and 2) OR ... OR (Packets 1, 2 and 3). This means that no more than one of a bidder's bids will be successful. The award will be made at the price named in the bid.

The rules for determining the revenue-maximizing allocation are described below; a formal description of the rules as well as examples and notes on bid submissions are provided in Annex A.

In the first step, all feasible allocations will be determined. A feasible allocation refers to a subset of the bids submitted which fulfills the following three conditions:

- A feasible allocation contains valid bids only. A bid is considered valid if it at least equals the minimum bid for the corresponding combination of frequency packets and is fully secured by a bank guarantee.
- Each feasible allocation contains a maximum of one bid from each included bidder.
- A frequency packet can be allocated to only one bidder, meaning that a feasible allocation contains only one bid for each frequency packet.

In the second step, that feasible allocation which yields the highest total bid amount (= revenue-maximizing feasible allocation) is determined among all possible allocations. If more than one

feasible allocation yields the same maximum amount, the allocation will be determined by random drawing.

The frequency packets will go to the bidders in the revenue-maximizing feasible allocation. The packets will be awarded for the amount of the bids placed.

The Telekom-Control Commission plans to publish the results of the auction on RTR's web site (www.rtr.at/frequenzen) in March 2006.

2.8 Frequency allocation

Frequencies will be allocated by the Telekom-Control Commission within 14 days after publication of the auction results.

3 Frequency spectrum

3.1 Frequency spectrum allocated

In the course of the frequency allocation procedure, frequencies in the 450 MHz range which have been assigned to the regulatory authority by the Austrian Federal Minister of Transport, Innovation and Technology pursuant to Art. 51 Par. 3 TKG will be allocated to the applicants.

The available spectrum will be allocated in three frequency packets (see Table 5).

Frequency packet	Frequency range / MHz
1	451.300-452.900
	461.300-462.900
2	452.900-454.150
	462.900-464.150
3	454.150-455.740
	464.150-465.740

TABLE 5: FREQUENCY PACKETS

3.1.1 Broadband use (1.25 MHz channels)

The terms of use indicated in Section 3.2 allow for use of the allocated frequency packets for broadband services.

In this context, however, it is necessary to note that guard bands must be observed due to adjacent narrowband usage at the lower end of Packet 1 and the upper end of Packet 3. It is generally possible to use these guard bands, but it is necessary to ensure that this does not cause harmful interference (protection of radio stations operating in adjacent frequency ranges, analogous to Section 3.3.4).

One *possible* use of the frequency packets is shown in Figure 1 for illustration purposes.

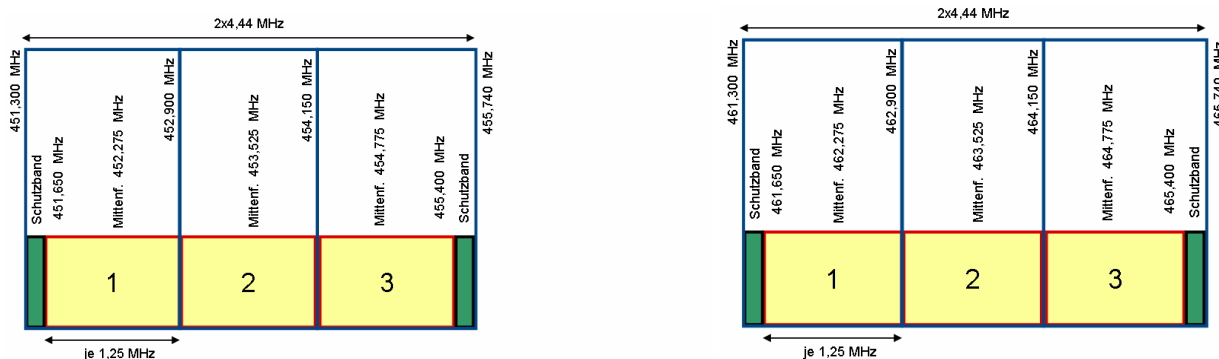


FIGURE 1: POSSIBLE BROADBAND USE

As defined in the terms of use below, the usability of the frequencies can be negatively affected by both domestic and foreign usage, meaning that covering individual regions with certain packets may not be possible (or only possible at greater expense). In order to avoid mutual interference between the adjacent broadband channels of different operators, the operators must coordinate their radio network planning.

3.1.2 Narrowband use

In principle, the regulatory authority aims to allocate frequencies in as technology-neutral a manner as possible. As the consultation carried out showed that the primary interest is in using the spectrum for broadband purposes, and as the international coordination procedure for narrowband use of the frequency range has not yet been completed, only broadband use is possible at this time.

However, narrowband use of the frequency packets allocated will be enabled in the future, but no specific statements as to the time and terms of narrowband use can be made at this time.

3.2 Purpose of use

The frequency spectrum is intended for terrestrial mobile radio communications.

These frequency packets are intended for the wireless connection of subscribers for the purpose of providing public telecommunications services. The use of these frequencies to connect base stations is only permissible in cases where subscribers are provided with service via such base stations using the frequencies in question.

3.3 Terms of use

3.3.1 General information

According to the "Agreement between the Administrations of Austria, the Czech Republic, Germany, Hungary, [Italy,] Liechtenstein, the Slovak Republic, Slovenia and Switzerland concerning the allotment of preferential frequency blocks in the bands 450 – 457.400 MHz and 458.400 – 460.000 MHz as well as 460.000 – 467.400 MHz and 468.400 – 470.000 MHz, Vienna, 3 December 2004" (referred to below as "the agreement," see Annex F.1), the following conditions must be observed in using the frequency range 451.300 – 455.740 / 461.300 – 465.740 MHz for broadband services:

In areas bordering the countries for which the agreement has entered into force (see Section 3.3.3), the terms of use specified in Section 3 of the agreement are to be applied. Section 3 and the Annex to the agreement form an integral component of these terms of use. The calculation scheme described in Section 3.6 of the agreement "Harmonised Calculation Method – HCM official version" is available on the web site of the lead administration for the general coordination agreement with neighboring administrations, the "Agreement (Berlin 2003)" (<http://hcm.bundesnetzagentur.de>). The topographical data necessary to use the HCM program (STM3_HCM_E...) and the "Agreement (Berlin 2003)" have also been published on that site.

3.3.2 Permitted field strength values and coordination obligations

3.3.2.1 *In areas bordering countries for which the agreement has entered into force (Germany, Switzerland, Slovenia, Hungary, Czech Republic, Slovakia and Liechtenstein):*

a) Base stations located less than or equal to 15 km from the national border can be put into operation without coordination if their field strength does not exceed the limit of

$$E_{\max} = 37 [dB\mu V / m / 1,25MHz]$$

at a height of 10 m above ground level within 15 km in the respective neighboring country.

b) a) Base stations located more than 15 km from the national border can be put into operation without coordination if their field strength does not exceed the limit of

$$E_{\max} = 20 [dB\mu V / m / 1,25MHz]$$

at a height of 10 m above ground level within 50 km in the respective neighboring country.

c) For cases in which the field strength limits under Section 3.3.2.1 a) or 3.3.2.1 b) are exceeded, the base stations can only be put into operation after successful coordination, a process which is carried out by the telecommunications authorities.

d) Foreign narrowband radio stations in accordance with the frequency list provided in Annex F.5 have to be protected against harmful interference caused by broadband services in Austria according to their antenna height by observing a field strength limit of

$$E_{\max} = 14 [dB\mu V / m] + 10 \log \left(\frac{1250}{B_s [kHz]} \right) - G_A [dB]$$

B_s = Channel bandwidth of the narrowband radio station to be protected (kHz)

G_A = Antenna gain of the receiving station in the direction observed (dB)

e) In cases where interference is reported by neighboring administrations for narrowband radio stations not included in the frequency list in Annex F.5, such radio stations must be protected by reducing the field strength to the maximum permissible value according to the calculation formula above.

3.3.2.2 *In areas bordering countries for which the agreement has not entered into force (Italy and Croatia):*

For coordination with these administrations, the following conditions pursuant to the "Agreement (Berlin 2003)" are to be observed:

- a) All base stations in border areas must be coordinated. The corresponding applications must be submitted to the relevant telecommunications office.
- b) Broadband system operators should expect interference from radio stations in the area bordering Italy and in the respective areas affected by Croatia.
- c) The narrowband radio stations in Italy and Croatia which are listed in Annex 5 have to be protected in accordance with the "Agreement (Berlin 2003)" by observing a field strength limit of

$$E_{\max} = 20[\text{dB}\mu\text{V} / \text{m} / 25\text{kHz}] - G_A [\text{dB}]$$

$G_A =$ Antenna gain of the receiving station in the direction observed (dB)

- d) In cases where interference is reported by neighboring administrations for narrowband radio stations not included in the frequency list in Annex F.5, such radio stations must be protected in accordance with the "Agreement (Berlin 2003)."

3.3.3 Operator agreements

The terms of use indicated in Section 3.3 can be amended by agreements between the operators of broadband systems and the corresponding operators abroad. Such operator agreements require the consent of the respective telecommunications administrations.

3.3.4 Protection of domestic radio stations

The domestic radio stations listed in Annex F.4 are to be protected by limiting the interference field strength to a maximum of 20dB μ V/m (calculated using HCM in the respective area of use). Operators of broadband systems can also make individual arrangements with the respective permit holders. Should such arrangements result in changes to existing operating permits, it is necessary to contact the relevant telecommunications office (cf. Art. 84 TKG 2003).

3.3.5 Protection of directional receiver systems

In order to protect the stationary directional receiver systems of the telecommunications authorities (cf. Annex E), the maximum field strength created by radio transmission systems at the locations indicated must not exceed the limit of 105 dB μ V/m (measured at each system-specific bandwidth).

3.3.6 Data transmission – base stations

Data regarding the base stations in operation for broadband systems must be submitted on a quarterly basis to the Austrian Federal Ministry of Transport, Innovation and Technology (Highest Post and Telecommunications Authority) in the format specified in Annex 2 to the "Agreement (Berlin 2003)." Once the frequencies have been allocated by the regulatory

authority, the Highest Post and Telecommunications Authority will provide the operators of broadband services with details from Annex 2 to the "Agreement (Berlin 2003)."

3.3.7 Other relevant documents

As regards technical requirements for using the 451.300 – 455.740 / 461.300 – 465.740 MHz frequency range, the following CEPT decisions/recommendations, ECC reports and ETSI standards also apply:

- CEPT Decision ECC/DEC(04)06
- CEPT Decision ECC/DEC(02)03
- CEPT Recommendation T/R 25-08
- ECC Report 25
- ECC Report 39
- ETSI Standard EN 301 449
- ETSI Standard EN 301 526
- ETSI Standard EN 302 426

3.3.8 Duration of use

Under Art. 54 Par. 11 TKG 2003, all frequencies are to be allocated for a limited time period only. The time period is to be defined according to reasonable objective and economic criteria. The frequencies in this procedure will be allocated to the operators until December 31, 2021.

3.3.9 Transfer of frequencies

Under Art. 56 Par. 1 TKG 2003, operators are also permitted to transfer frequency use rights. However, such transfers require prior approval by the regulatory authority. Transfers are to be understood as the sale of frequency use rights (in part or in full) as well as the leasing of such rights.

4 Coverage requirements

The frequency spectrum allocated is subject to the requirement that a certain minimum coverage quality is reached in a certain number of municipalities with low population density as of specified points in time.

Coverage requirements serve to ensure the efficient use of frequencies. These obligations are intended to prevent allocated frequencies from being hoarded or from being used only to a very limited extent in vast areas of the license region for strategic, competition-related reasons. Against the backdrop of existing broadband infrastructure (in urban regions) and due to the economic characteristics of the respective frequencies, a coverage requirement focusing on rural areas would appear appropriate. The coverage requirements are designed in such a way that they do not hinder efficient network construction or profitable business models.

4.1 Relevant municipalities

Only the location points of the municipalities listed in Annex E are relevant to the fulfillment of the coverage requirements. The coverage of other municipalities (with high population density) is not affected by the coverage requirements, that is, there are no coverage requirements for those municipalities.

4.2 Number of municipalities to be covered

At least **310** of the relevant municipalities have to be covered by September 1, 2007, and at least **465** have to be covered by February 1, 2009.

4.3 Minimum coverage quality

A municipality will be considered covered once a data service with a data rate of at least **384 kbit/s** in the downlink and **128 kbit/s** in the uplink is offered commercially at all location points in the municipality (see Annex E). This quality level must be reached with the terminal equipment offered commercially by the operator.

4.4 Additional requirements

The planned services are to be offered using an independently operated network.

Operators of public communications networks are entitled to the shared use of antenna masts and high-voltage power line masts under Art. 8 Par. 2 TKG 2003. In addition, operators of public communications services are entitled to enter into private-law agreements on sharing antennas as well as the accompanying cables with other operators of public communications networks.

4.5 Verification and review of coverage levels

Operators are required to determine their coverage areas as of the dates listed in Table 6 and to forward this data to the Telekom-Control Commission in electronic form within two months. The following information must be included in these reports:

- A list of all radio base station locations, including geocoded data (GIS format)
- Map representation of areas covered (GIS format)
- A list of municipalities covered (including municipality IDs as specified by Statistics Austria)

4.6 Guarantee in case of non-fulfillment of coverage requirements

If the required number of relevant municipalities is not reached by the dates listed in Table 6, a guarantee amount must be paid as of each cutoff date.

Cutoff date	Relevant municipalities to be covered	Guarantee amount (EUR)
September 1, 2007	310	3,000,000.00
Annually from February 1, 2009 to February 1, 2021	465	5,000,000.00

Table 6: Cutoff dates for coverage review – guarantee amounts (EUR)

This guarantee amount is based on a coverage level of 0%. If an operator falls short of the required coverage level, the penalty will be reduced in proportion to the coverage level reached.

For example, if an operator falls short of the required number of covered municipalities by 10%, the penalty will be 10% of the amount indicated above.

The Telekom-Control Commission will take measurements to verify coverage levels. The costs of this verification process are to be borne by the holder of the frequency use rights.

This penalty will be due annually starting on February 1, 2009 if the operator does not reach the required coverage level.

4.7 Supervisory rights

Operators to which frequencies are allocated will be required to convey the following data to the Telekom-Control Commission within two months of each cutoff date listed above for coverage requirements. The data is to be submitted in electronic form and using a data model provided by the Telekom-Control Commission:

- a) Number of subscribers
- b) Information under Section 4.5

The Telekom-Control Commission will take measurements to verify coverage levels. The costs of this verification process are to be borne by the holder of the frequency use rights.

5 Application documents

Under Art. 55 Par. 1 TKG 2003, the regulatory authority is to allocate the frequencies placed under its authority to the applicant which fulfills the general prerequisites under Par. 2 No. 2. Applications for frequency allocations are to contain the documents and information listed in the following sections:

5.1 Organizational structure

In order to determine whether applicants fulfill the prerequisites indicated in Art. 55 Par. 2 No. 2 TKG, the Commission will require information on the applicant's organizational structure. This information includes precise indications as to the applicant's legal and financial situation as well as the applicant's ownership structure (up to the ultimate owner). In addition, due attention must be paid to the provisions stipulated in Section 2.6.1.

The applications are to contain the following information (wherever applicable):

5.1.1 Information on the applicant

- a) Name (company), place of incorporation (address), date and place of establishment, including a current excerpt from the Commercial Register;
- b) Type and number of capital shares, nominal value of capital shares as well as voting and dividend rights associated with any and all types of shares;
- c) Subscribed capital per type of capital share, precise information on the stakeholders at the time the application is submitted as well as any and all foreseeable changes in this respect;
- d) Number, value and rights (including conversion rights) of any and all options, certificates of entitlement, preferred stock or debt capital as well as any other securities issued by the applicant;
- e) The company's articles of incorporation in their current applicable version;
- f) A description of the applicant's business activities;
- g) The name of the applicant's authorized recipient (as defined in Art. 8a ZustG) as well as that of an authorized representative (as defined in Art. 10 AVG) along with his/her telephone and fax numbers as well as postal and e-mail addresses (cf. Section 6.3). These two parties can be the same person.
- h) Any and all other matters which, if mentioned or omitted, could substantially influence the Telekom-Control Commission's decision in the review to be carried out prior to the frequency allocation procedure in compliance with Art. 55 Par. 2 No. 2 TKG.

5.1.2 Information on the applicant's stakeholders

For each stakeholder, shareholder, bearer of options, of certificates of entitlement, of preferred stock, of debt capital or of other securities issued by the applicant, the information indicated

above (under Items a) to f)) is to be submitted wherever applicable. In cases where the applicant has a large number of stakeholders (shareholders), the information indicated is to be provided on all major shareholders. In the case of minority shareholders who own a small portion of the company's capital (up to 5%), general information will be sufficient unless their share is considered a significant stake as defined in Art. 91 f BörseG. In such cases, the Telekom-Control Commission will request further information as it sees necessary.

- a) Name (company), place of incorporation (address), date and place of establishment;
- b) A description of the stakeholder's main business activity;
- c) The stakeholder's relationship to the applicant (e.g., number and type of capital shares or securities held), syndicate / consortium agreements;
- d) Parent company of the group.

In cases where capital shares or other securities issued by the applicant are held for third parties by persons acting as trustees or in another similar function, these circumstances are to be noted in the application and the aforementioned information is to be provided for the actual owner.

5.1.3 Information on consortia

In the case of consortia or joint ventures, the following additional information will be necessary:

The type of relationship among the members as well as detailed information on:

- Syndicate agreements, consortium agreements;
- Joint venture agreements;
- Declarations of intent;
- Stakeholder agreements.

In addition, the information indicated in Section 5.1.2 is to be included in the application for all consortium members.

5.2 Technical capabilities, quality of services and coverage requirements

Under Art. 55 Par. 2 No. 2 TKG, there must be no reason to believe that the applicant will fail to provide the planned service, especially with regard to service quality and coverage obligations. In addition, the applicant must possess the technical capabilities necessary to provide such services. The information requested in the following sections is intended to aid the regulatory authority in reviewing each applicant's fulfillment of these prerequisites.

5.2.1 Description of planned services and service quality

The following information is required:

- Description of planned services
- Data rates offered
- Quality of services (reliability)

5.2.2 Planned radio communications network

The following information is required:

- Technology planned for the radio communications system
- Radio network planning methods
- Coverage areas
- Number of base stations (over time)
- Connection of base stations

5.3 Financial strength

Applicants will be required to prove that they have at their disposal the financial resources necessary to build and operate a radio communications network.

In this context, applicants should pay special attention to the fact that their financial strength and stability must also be in line with the amount of the frequency license fee offered.

With regard to financial strength, application documents are to contain the following information:

5.3.1 Business plan

Applicants are to submit a business plan for the business area(s) in which the frequencies applied for are to be used, based on their strategy, their overall market assessment as well as their assessment of operations in the five years after frequency allocation. Applicants must take into account that the frequency license fee offered in the application must be commensurate with the financial situation of the company as described in the application and with the development of business operations to be expected. The business plan can be structured in any way the applicant chooses. However, the most essential costs and revenues should be clearly visible in this structure.

A bank guarantee is also to be enclosed with the application. Details on the bank guarantee can be found in Section 2.4.

5.3.2 Financing

Applicants will also be required to prove that they can raise capital in line with the business plan as described in the application. For this purpose, the following information is required:

- Equity financing - Schedule and sources of equity capital, including planned issues of company capital
- Debt financing - Credit lines, available collateral, terms and lenders for all loans in the first four years after frequency allocation

5.4 Declaration of completeness

Properly completed written applications must contain all information requested in Section 5. In addition, a declaration of completeness (Annex C) is to be enclosed with the application to confirm that it contains correct and complete indications of all information requested in this tender document as well as all information relevant to the Telekom-Control Commission's evaluation of the objective facts.

6 Practical information

The following sections contain information on the deadlines to be adhered to as well as other essential issues in the allocation procedure.

6.1 Rights to application documents

In submitting an application for frequency allocation, the applicant irrevocably agrees to allow the Telekom-Control Commission to use – without restriction – all information and documents received in connection with the application for the purposes of the allocation procedure, for the review of compliance with the official allocation decision, and for all procedures otherwise associated with the frequency allocation.

6.2 Applications for frequency allocation

Please send applications to:

Telekom-Control Commission

Mariahilferstrasse 77-79

A-1060 Vienna

Austria

The application for frequency allocation ("application") must be received by the Telekom-Control Commission in a sealed envelope or package labeled "*Frequenzzuteilungsantrag 450 MHz*" by February 27th, 2006 at 12:00 pm (noon) CET. Applications received after this deadline will not be reviewed.

Applications are to be submitted in writing (one original) in German language as well as in electronic format (CD-ROM in Microsoft Word and/or Excel format).

Changing or withdrawing applications after the application deadline will not be permitted.

The application may be no longer than 100 pages in a 12-point font; there is no font requirement for Annex C. However, additional enclosures, such as annual reports and maps, can be attached as necessary. These enclosures will also be accepted in English.

6.3 Authorized recipient

Applicants are required to name an authorized recipient in their applications (cf. Section 5.1.1). An unrestricted authorization of the recipient must be signed by official representatives of the company and included with the application documents. In cases where the recipient is changed, a new unrestricted authorization is to be sent to the Telekom-Control Commission immediately.

6.4 Clarifications

For the purpose of preparing their applications, interested parties who have paid the fee of EUR 200.00 for the provision of tender documentation will be allowed to submit questions to the Telekom-Control Commission regarding the tender documentation during a question-and-answer period. The Telekom-Control Commission reserves the right to decide whether questions are answered in each individual case.

Questions to the Telekom-Control Commission can be sent by e-mail only to rtr@rtr.at until January 16th, 2006 at 10:00 am CET (date and time of receipt). Questions will be answered in writing by February 7, 2006 (date of dispatch).

The questions submitted to the Telekom-Control Commission will be collected and forwarded, along with their answers, to all potential bidders without disclosure of the names of the parties who posed the questions.

If the Telekom-Control Commission considers it necessary or appropriate to pose questions to applicants, the applicant irrevocably agrees in submitting the application to reply to such inquiries and submit the requested additional information within the period specified by the Telekom-Control Commission.

6.5 Inquiries and consultants

In this tender procedure, the Telekom-Control Commission may call in consultants in the course of its inquiries and surveys (Art. 55 Par. 11 TKG 2003). This also applies (but in no way exclusively) to inquiries related to the clarification issues mentioned in Section 6.4, to inquiries related to the review of eligibility criteria under Art. 55 Par. 2 No. 2 TKG 2003, and to support in the course of the auction procedure.

6.6 Inspection of records

Upon request, all applicants will be allowed to inspect records to the same extent. No separate appeals against the refusal to allow an inspection of records will be permitted (Art. 17 AVG).

The Telekom-Control Commission acknowledges the fact that in the course of this procedure a large amount of information will be provided and that the inspection of these records may damage the legitimate interests of parties to the procedure or those of third parties. In addition, the procedure may involve information which, if viewed by one of the parties, could endanger the fulfillment of the regulatory authority's duties or frustrate the purpose of the procedure. The Telekom-Control Commission thus reserves the right to deny parties the right to inspect such parts of the records.

In order to ensure the confidentiality of the sensitive information provided by the applicants, the applicants are to label all data regarded as company or trade secrets accordingly in their applications. In addition, a copy of the application is to be submitted in which the company and

trade secrets have been omitted; in this version of the application, it must be made obvious that those elements have been removed. The Telekom-Control Commission furthermore reserves the right to deny parties the right to inspect other records pursuant to Art. 17 Par. 3 AVG. Likewise, the Telekom-Control Commission reserves the right to allow the inspection of records which are labeled as company or trade secrets by the applicants if damage to the legitimate interests of a party or third party is not expected to arise from allowing such an inspection.

Art. 125 TKG 2003 as well as the Austrian Administrative Court's ruling (2002/03/0273) of February 25, 2004 shall be applied with regard to company or trade secrets.

The applicants undertake to use any information on other applicants obtained in the course of this procedure exclusively for the purposes of this procedure.

6.7 Review and information obligations

All applicants are requested to carry out a review of the information provided in the tender documents and in the attachments themselves and to notify the Telekom-Control Commission of any and all additional (e.g., technical) remarks or corrections.

6.8 Publication

The Telekom-Control Commission intends to announce the results of the auction on the regulatory authority's web site.

6.9 Annulment of the tender, discontinuation of the procedure

Under Art. 55 Par. 12 TKG 2003, the regulatory authority is authorized to annul the tender and discontinue the procedure at any stage for important reasons, especially if

1. the regulatory authority identifies collusive behavior on the part of the applicants and an efficient, fair and non-discriminatory procedure can not be carried out;
2. none or only one of the applicants fulfills the prerequisites pursuant to Par. 2;
3. none or only one of the applicants that fulfill the prerequisites under Par. 2 actually participates in determining the highest bid;
4. the procedure results in the applicants requesting (in total) less frequency spectrum than that which is to be allocated.

None of these circumstances justify any claim to remuneration, government authority liability claims notwithstanding.

7 Fees

7.1 Frequency license fee

The successful applicants are to effect payment of the frequency license fee determined in the course of the auction within one week after the frequency allocation decision takes legal effect.

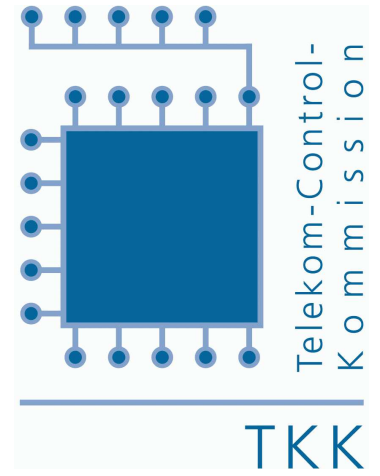
In case of non-payment (including delayed or incomplete payments) of the frequency license fee, the frequency allocation will be rendered void. Notwithstanding the condition mentioned above, the Federal Republic of Austria shall have the right in such cases to draw the bank guarantee or to collect the unpaid portion of the frequency license fee by means of administrative enforcement.

7.2 Spectrum fees

In accordance with Art. 82 Par. 2 TKG 2003, spectrum fees for the use of frequencies are also to be paid by the network operators. These fees are defined in the Telecommunications Fees Ordinance (BGBl II 29/1998) in its current applicable version. These fees will be prescribed by the telecommunications offices when the operation permit is issued.

7.3 Consultancy costs

In the course of the procedure, any and all costs arising from experts or consultants called in by the Telekom-Control Commission at any point in this procedure, are to be paid on a *pro rata* basis by those applicants to whom frequencies are allocated (Art. 55 Par. 11 TKG 2003). These costs will be prescribed in the official frequency allocation decision and are to be paid within 14 days of receipt of the official decision.



Annex A

Auction procedure

Auction rules

In the auction, bids will only be accepted from bidders who were not excluded from the frequency allocation procedure under Art. 55 Par. 8 TKG, nor from the frequency auction (by official decision) in the case of affiliated companies applying for frequency packets.

The auction will be carried out in the form of a combinatorial first-price sealed bid auction. Bids are to be submitted with the application. Bids submitted later will be disregarded.

In addition to submitting alternative bids on individual frequency packets, bidders can also place alternative combinatorial bids for predefined combinations of frequency packets. The permitted bid variations are shown in the table below. Companies which have been allocated GSM and/or UMTS frequencies (or their affiliated companies) are only allowed to submit bids on the variations involving one frequency packet.

Possible bid variations	Minimum bid (EUR)	Restrictions
Packet 1	125,000	
Packet 2	100,000	
Packet 3	125,000	
Packets 1 and 2	225,000	
Packets 1 and 3	250,000	
Packets 2 and 3	225,000	
Packets 1, 2 and 3	350,000	

The frequency packets will be awarded for that combination of bids which allocates each frequency packet to a maximum of one bidder, which includes a maximum of one bid per bidder, and which yields the maximum total bid amount (= the revenue-maximizing feasible allocation). The individual bids of a bidder are to be interpreted as mutually exclusive. Accordingly, the bids shall be placed for Packet 1 OR Packet 2 OR Packet 3 OR (Packets 1 and 2) OR ... OR (Packets 1, 2 and 3). This means that only one of a bidder's bids will be successful. The award will be made at the price named in the bid.

The rules for determining the revenue-maximizing feasible allocation are described below; S_i denotes the number of frequency packets to which a certain bid i refers, $P(S_i)$ stands for the price offered for this combination, and $B(S_i)$ refers to the bidder who placed the corresponding bid.

In the first step, all feasible allocations $F=(F_1..F_l)$ will be determined. A feasible allocation is a subset of the bids submitted ($F_k \subseteq S$) which fulfills the following three conditions:

- A feasible allocation contains valid bids only. A bid is considered valid if it at least equals the minimum bid for the corresponding combination of frequency packets and is fully secured by a bank guarantee.

- a feasible allocation $F_k=(S_1..S_k)$ contains a maximum of one bid from each included bidder:

$$B(S_i) \neq B(S_j), \quad \forall S_i \neq S_j, \quad S_i, S_j \in F_k$$

- a feasible allocation $F_k=(S_1..S_k)$ contains only one bid for each frequency packet:

$$S_i \cap S_j = \emptyset \quad \forall i \neq j, \quad S_i, S_j \in F_k$$

Next, that feasible allocation F_x which yields the highest total bid amount (= revenue-maximizing feasible allocation) is determined among all possible allocations $F=(F_1..F_k)$.

$$\sum_{S_i \in F_x} P(S_i) \geq \sum_{S_j \in F_y} P(S_j) \quad \forall x \neq y$$

If more than one feasible allocation yields the same maximum amount, the allocation will be determined by random drawing.

The frequency packets will go to the bidders included in the revenue-maximizing feasible allocation. The packets will be awarded for the amount of the bids placed.

Submission of bids

Bids are to be submitted using the attached Excel sheet "Gebotsabgabe.xls". A signed printout is to be enclosed with the application (see sample printout in Annex B). Enter the name of the applicant and the corresponding bids in the Excel sheet. Then print out the Excel sheet, sign it with an authorized company signature and enclose the bid sheet with the application.

Example

Bidder 1's bids:

S_i	Frequency packet(s)	Bid	Minimum bid	Valid bid?
1	1 and 2	20	18	yes
2	1 and 3	22	18	yes
3	2 and 3	18	18	yes
4	1, 2 and 3	30	27	yes

Bidder 2's bids:

S_i	Frequency packet	Bid	Minimum bid	Valid bid?
5	1	12	9	yes
6	2	10	9	yes

7	3	10	9	yes
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Bidder 3's bids:

S_i	Frequency packet(s)	Bid	Minimum bid	Valid bid?
8	1	10	9	yes
9	2	10	9	yes
10	3	13	9	yes
11	1, 2 and 3	32	27	yes

Bidder 4's bids:

S_i	Frequency packet(s)	Bid	Minimum bid	Valid bid?
12	1	14	9	yes
13	2	13	9	yes
14	3	13	9	yes
15	1, 2 and 3	25	27	no

Feasible allocations:

Bid combinations (S_i) ^a	Packets	Bidders	Total of bids
(1, 7)	(1 and 2), (3)	1, 2	20+10 = 30
(1, 10)	(1 and 2), (3)	1, 3	20+13 = 33
(1, 14)	(1 and 2), (3)	1, 4	20+13 = 33
(2, 6)	(1 and 3), (2)	1, 2	22+10 = 32
(2, 9)	(1 and 3), (2)	1, 3	22+10 = 32
(2, 13)	(1 and 3), (2)	1, 4	22+13 = 35

(3, 5)	(2 and 3), (1)	1, 2	$18+12 = 30$
(3, 8)	(2 and 3), (1)	1, 3	$18+10 = 28$
(3, 12)	(2 and 3), (1)	1, 4	$18+14 = 32$
(4)	(1 and 2 and 3)	1	30
(5, 9, 14)	(1), (2), (3)	2, 3, 4	$12+10+13 = 35$
(5, 10, 13)	(1), (3), (2)	2, 3, 4	$12+13+13 = 38$
(6, 8, 14)	(2), (1), (3)	2, 3, 4	$10+10+13 = 33$
(6, 10, 12)	(2), (3), (1)	2, 3, 4	$10+13+14 = 37$
(7, 8, 13)	(3), (1), (2)	2, 3, 4	$10+10+13 = 33$
(7, 9, 12)	(3), (2), (1)	2, 3, 4	$10+10+14 = 34$
(11)	(1, 2 and 3)	3	32

^a Possible subsets of the bid combinations indicated were disregarded, as the sums of bids from the subsets are lower in any case.

Permissible allocation scenario which ensures maximum revenues:

Bids (S _i)	Frequency packets	Bidders	Total of bids
5 + 10 + 13	(1), (3), (2)	2, 3, 4	$12+13+13 = 38$

The frequency packets go to:

Bidder 2: Packet 1 at a price of 12

Bidder 3: Packet 3 at a price of 13

Bidder 4: Packet 2 at a price of 13

Notes

Examples of bid submissions are given below:

- A bidder can only (or only wishes to) acquire one of the three packets. This bidder considers Packets 1 and 3 to be completely equivalent and attributes a slightly higher value to Packet 2. In this case, it is advisable to submit three separate bids for the packets:

Frequency packet	Bid	Minimum bid
1	20	9
2	22	9
3	20	9

As a maximum of one bid per bidder is considered in a feasible allocation, the bidder will receive a maximum of one packet.

- A bidder considers all three packets equivalent and would also acquire more than one packet. In this case, it is advisable to submit bids for all combinations:

Frequency packet(s)	Bid	Minimum bid
1	15	9
2	15	9
3	15	9
1 and 2	30	18
1 and 3	30	18
2 and 3	30	18
1, 2 and 3	45	27

- A bidder considers all three packets equivalent and would also acquire more than one packet. However, the value of the packets decreases with additional frequencies. In this case, it is advisable to submit bids for all combinations:

Frequency packet(s)	Bid	Minimum bid
1	15	9
2	15	9

3	15	9
1 and 2	25	18
1 and 3	25	18
2 and 3	25	18
1, 2 and 3	27	27

- A bidder considers all three packets equivalent and would also acquire more than one packet. The value of the packets increases with additional frequencies. In this case, it is advisable to submit bids for all combinations:

Frequency packet(s)	Bid	Minimum bid
1	9	9
2	9	9
3	9	9
1 and 2	30	18
1 and 3	30	18
2 and 3	30	18
1, 2 and 3	50	27

- A bidder wishes to acquire all three packets but does not wish to acquire less than three. In this case, it is advisable to submit one bid for all three packets:

Frequency packets	Bid	Minimum bid
1, 2 and 3	33	27