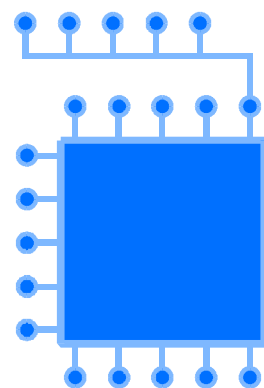


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GSM Frequency Allocation Procedure
Auction Rules
(non-binding draft)

1 General Information

The auction rules are described below in the form of a legally non-binding draft. Individual rules may still be amended, especially with regard to the number of activity stages and the respective percentage rates used to calculate minimum activity.

In accordance with Article 49a, Section 7 (last line) of the Austrian Telecommunications Act (TKG), the detailed Rules of Procedure governing the auction will be delivered to the parties participating in the auction at least two weeks before the opening of the auction. However, the Telekom-Control Commission plans to deliver the aforementioned rules to the applicants as soon as possible.

2 Auction Rules

2.1 Eligibility to Participate

2.1.1 Those applicants who were not excluded from the frequency allocation procedure under § 49a Par. 6 of the Austrian Telecommunications Act (TKG) or due to the regulation concerning affiliated companies shall be admitted to the auction.

2.2 Objects of the Auction

2.2.1 6 frequency packages will be allocated in the auction (cf. Section 3.2.1 of the Tender Documentation). These frequency packages will be labeled as follows:

Frequency Package	Channel Nos.	Number of channels	Size
01	975-998	24	2 x 4.8 MHz
Guard channel	999		
02	1000-1022	23	2 x 4.6 MHz
Guard channel	1023		
03	1-13	13	2 x 2.6 MHz
Guard channel	14		
04	15-27	13	2 x 2.6 MHz
Guard channel	28		
05	29-39	11	2 x 2.2 MHz
Guard channel	40		
Guard channel	574		
06	575-584	10	2 x 2.0 MHz
Guard channel	585		

2.2.2 Each of the frequency packages has been given a rating according to size (see Section 3.3 of the Tender Documentation). This rating will be referred to as the lot rating in the course of the procedure; the ratings of each package are given in the table below.

Package	Number of channels	Size	Lot rating points
01	24	2 x 4.8 MHz	240
02	23	2 x 4.6 MHz	230
03	13	2 x 2.6 MHz	130
04	13	2 x 2.6 MHz	130
05	11	2 x 2.2 MHz	110
06	10	2 x 2.0 MHz	100

2.2.3 The minimum bids (opening bids) listed in the table below will be required in the first round of the auction procedure.

Name	Size	Opening Bid in EUR
01	2 x 4.8 MHz	9,600,000
02	2 x 4.6 MHz	9,200,000
03	2 x 2.6 MHz	5,200,000
04	2 x 2.6 MHz	5,200,000
05	2 x 2.2 MHz	4,400,000
06	2 x 2.0 MHz	4,000,000

2.3 Bids and Bidding

2.3.1 Each bid shall be submitted for a specific frequency package and considered a binding offer on the part of the bidder to pay the price indicated in the bid.

2.3.2 Bids will be submitted electronically using a software program (cf. Auction Software). The submission of bids by telephone will only be permitted in exceptional cases (e.g., technical difficulties). The auctioneer shall be responsible for deciding whether such an exceptional case is warranted.

2.3.3 The bid amount can not be chosen freely; instead, the auction software displays a list of valid offers from which the bid amount can be chosen (cf. Rule 2.8.1).

2.4 Bidding Eligibility

- 2.4.1 Each participant's bidding eligibility determines the maximum number of frequency packages a bidder can be active on in one round. Bidders will be allowed to be active on any combination of frequency packages as long as the total lot ratings of those packages do not exceed their current bidding eligibility. Each participant's bidding eligibility will be expressed as a number with three decimal digits.
- 2.4.2 Bidding eligibility for the first round of the auction procedure will be determined by the information in each bidder's application (cf. Section 3.4 of the Tender Documentation). In the ensuing rounds, each bidder's current bidding eligibility will be determined by the Rules of Activity.

2.5 Rules of Activity

- 2.5.1 The activity of a bidder in a given round will be equal to the total lot ratings of all frequency packages on which the bidder is active. Bidders who are not active on any frequency packages and do not apply for a waiver will be disqualified from the auction procedure and not allowed to place any further bids. Those who are active on at least one frequency package or apply for a waiver are referred to as "active bidders" in this document.

- 2.5.2 A bidder shall be considered to be active on a frequency package in a given round if s/he either
- holds the standing high bid for the frequency package at the beginning of the round, or
 - submits a valid bid for the frequency package in the given round.

The corresponding bids will be referred to as active bids in this procedure.

- 2.5.3 The auction will be carried out in two activity stages with varying minimum levels of activity. Bidders will retain their entire bidding eligibility if they are active on:
- at least 50% of their current bidding eligibility in Stage I
 - at least 75% of their current bidding eligibility in Stage II¹

Minimum activity levels will be expressed as absolute values (in lot rating points) and rounded up to the next integer. The decision to move on to the next stage will be made by the auctioneer.

- 2.5.4 If a bidder does not attain the minimum activity level described in 2.5.3 and does not apply for a waiver, his/her bidding eligibility will be recalculated as follows:
- In Stage I, the bidder's activity points will be multiplied by a factor of 100/50.
 - In Stage II, the bidder's activity points will be multiplied by a factor of 100/75.

Bidding eligibility points will be rounded off to three decimal digits. If a bidder who does not attain the minimum activity level applies for a waiver (assuming the bidder can still do so), his/her bidding eligibility will remain unchanged.

¹ The Rules of Activity in particular are subject to change.

2.6 Waivers

- 2.6.1 Bidders who do not attain the minimum activity level and would therefore lose part of their bidding eligibility can apply for a waiver if they still have any at their disposal. In such cases, the bidder's bidding eligibility from the beginning of the round will remain unchanged. Waivers can either be requested by the bidder (proactive waivers) or applied automatically by the auction software (automatic waiver). Bidders are allowed to use only one waiver per round.
- 2.6.2 Each bidder will be allotted two waivers at the beginning of the auction procedure. Each waiver used will reduce the remaining number of waivers.
- 2.6.3 A proactive waiver is used when a bidder applies for one of his/her unused waivers (cf. Auction Software).
- 2.6.4 Bidders who do not attain the minimum activity level can opt not to use their waivers. In this case, their bidding eligibility will be reduced as outlined in Rule 2.5.4 (cf. Auction Software).
- 2.6.5 An automatic waiver is used when a bidder who still has waivers and does not attain the minimum activity level does not explicitly opt out of using his/her waiver (cf. Rule 2.6.4). In such cases, the auction software will apply the waiver automatically (cf. Auction Software).

2.7 Standing High Bids

- 2.7.1 The standing high bid for each frequency package will be determined at the end of each round. The highest bid received shall be the standing high bid for the given frequency package. If no valid bids are received in a given round, the high bid from the previous round will remain the standing high bid.
- 2.7.2 If two or more high bids of the same amount are submitted in the same round, then the bid that was submitted earlier will be considered the standing high bid.
- 2.7.3 The obligations arising from a bid shall be considered void as soon as a new standing high bid has been placed for the respective frequency package.

2.8 Valid Bids

2.8.1 The bid amount can not be chosen freely; instead, the auction software displays a list of valid offers from which the bid amount can be chosen. This list will contain the following bid amounts:

- the minimum bid
- the minimum bid plus 1 bidding unit (EUR 10,000)
- the minimum bid plus 2 bidding units (EUR 20,000)
- the minimum bid plus 5 bidding units (EUR 50,000)
- the minimum bid plus 10 bidding units (EUR 100,000)
- the minimum bid plus 15 bidding units (EUR 150,000)
- the minimum bid plus 20 bidding units (EUR 200,000)
- the minimum bid plus 50 bidding units (EUR 500,000)
- the minimum bid plus 100 bidding units (EUR 1,000,000)
- the minimum bid plus 200 bidding units (EUR 2,000,000)

If the auctioneer announces three final open rounds as described in Rule 2.11.3, bidding amounts can be chosen freely in these rounds, as long as Rules 2.8.2 to 2.8.4 are observed.

2.8.2 Bids shall only be considered valid when they exceed the standing high bid from the previous round by at least the minimum bid increment. If no bid has been submitted for a specific frequency package, then the opening bid defined in Rule 2.2.3 will be considered a valid bid. The lowest valid bid for a certain frequency package will be considered the minimum bid for that package.

2.8.3 A bid will only be considered valid if it is a whole multiple of EUR 10,000.

2.8.4 Likewise, a bid can only be considered valid if it is submitted within the time period defined by the auctioneer for the given round. Exceptions will be made in the case of bidding by telephone.

2.9 Minimum Increment

2.9.1 The minimum increment will be between 2% and 5% of the standing high bid, rounded off to a multiple of EUR 10,000. The minimum increment will be set by the auctioneer at the beginning of each round and conveyed to the active bidders as an absolute amount.

2.9.2 It is planned that the minimum increment will be reduced in two increment phases from 5% (Increment Phase 1) to 2% (Increment Phase 2).

2.10 Information Disseminated to the Bidders

2.10.1 After the close of each round, the auctioneer will disseminate the following information concerning that round to the active bidders:

- The standing high bid and the identity of the high bidder for each frequency package
- The active bids placed by active bidders

2.10.2 At the beginning of each round, the auctioneer will communicate the following information to each active bidder:

- the current round
- the current stage
- the time period allotted for the round
- the standing high bids and high bidders for each frequency package
- the active bids placed by active bidders in the previous round
- the minimum bid and the minimum increment (as an absolute amount) for each frequency package
- a list of valid bids from which the bidders can choose a bid amount
- the bidders who have been eliminated or disqualified
- the bidder's number of unused waivers
- the bidder's current bidding eligibility and minimum level of activity for that round.

2.11 End of the Auction

2.11.1 The auction procedure will come to an end when no valid bid is submitted for any frequency package and no bidder uses a proactive waiver in any one round of the final activity stage of the auction (Stage II).

2.11.2 If no valid bids are submitted and no waivers are used in an earlier stage, the auctioneer shall be obliged to continue the procedure by moving on to the next stage or to end the procedure immediately.

2.11.3 The auctioneer furthermore reserves the right to announce three open rounds from the 40th round onward (cf. Rule 2.8.1). The auction will then end after the three open rounds, and the bidders who hold the standing high bids in the third round will be awarded the frequency packages.

2.11.4 The frequency packages will then be allocated to the high bidders in accordance with their respective standing high bids.

3 Auction Software

3.1 Fundamentals

Bids will be submitted electronically using an auction software program. The submission of bids by telephone will only be permitted in exceptional cases (e.g., technical difficulties). The auctioneer shall be responsible for deciding whether such an exceptional case is warranted. In such cases, the auctioneer will decide whether the current round is to be stopped and repeated, or the bidder experiencing technical difficulties should be allowed to submit bids by telephone.

3.2 Procedure for Auction Rounds

From the bidders' point of view, each round will be divided into three phases:

- Bid submission phase
- Break
- Display of results or abandonment of the round.

Bids can only be placed during the bid submission phase. This phase will begin when the bidding window is displayed at the start of each round. The bidding window will remain active until either the round time has passed or the bidder has performed one of the following actions:

Action	Description
Send bids	The bids entered are transmitted to the auction server and are considered binding.
Suspend	The bidder uses one of his/her waivers (proactively). A message is sent to the auction server to announce that the bidder would like to use a waiver. Previously entered bids will not be sent to the server.

Once one of these actions has been performed, the "Break" window will appear. This window will remain active until the auctioneer has closed or aborted the round.

If the auctioneer closes the round, the bids will be processed and the results of the round will be displayed to the bidders. If the auctioneer decides to abort the round, the "Round aborted" window will appear. In this case, all bids entered will be rendered invalid and the round will be repeated.

3.3 Submission of Bids

The bids themselves will be submitted in two steps:

- In the first step, the bidders enter their bids for the desired frequency packages,
- after which they send them to the server (second step).

If a bidder only wishes to confirm standing high bids from the previous round, then s/he can skip the first step and go straight to the second.

Bids can be entered one by one by selecting the desired frequency package and entering the bid amount for that package. The bid amount can not be chosen freely; instead, the auction software displays a list of valid offers from which the bid amount can be chosen. When the bidder triggers "Send bids" function, all bids entered are sent to the auction server simultaneously and are considered binding on the bidder. It is not possible to send bids one by one during a round, nor is it possible to correct or withdraw bids after sending them.

3.4 Time Period Allotted per Round

The time period allotted per round will be between 20 and 60 minutes, which will be determined by the auctioneer and conveyed to the bidders at the beginning of each round. The time remaining in each round will be displayed on the bidding screen (stopwatch). Bidders that have not submitted their bids 10 minutes before the end of each round will receive a warning to this effect.

A round is considered over when all active bidders have sent their bids or when the time period allotted for the round is over. With the exception of bids submitted by telephone, only those bids which are sent before the end of the allotted round time will be considered valid.

A round is considered closed once the results of the round have been evaluated.

3.5 Submission of Bids by Telephone

The submission of bids by telephone will only be permitted in exceptional cases (e.g., technical difficulties). In such cases, the auctioneer must be informed by telephone immediately. Calls placed after the end of the time period allotted for a given round will not be taken into consideration. The auctioneer will be responsible for deciding whether to interrupt the auction and repeat the round or to allow bids to be placed by telephone. Telephone bids will be accepted immediately after the time allotted for the round has expired (for further information, please refer to the Rules of Procedure for the auction).

3.6 Waivers

Bidders who do not attain the minimum activity level and would therefore lose part of their bidding eligibility can apply for a waiver if they still have any at their disposal. In such cases, the bidder's bidding eligibility from the beginning of the round will remain unchanged. Waivers can either be applied automatically by the auction software (automatic waiver) or requested by the bidder (proactive waivers), as described in the table below.

Use of Waivers	Type of Waiver	Effects on the Termination Rule
Bidder does not send bids or the bids are not received by the server, thus causing the bidder to fall short of the minimum activity level.	Automatic waiver	No
The bidder clicks the “Suspend” button. A message is sent to the auction server to announce that the bidder would like to use a waiver. Previously entered bids will not be sent to the server.	Proactive waiver	Yes
The bidder clicks the “Send bids” button and falls short of the minimum activity level. The software displays the corresponding warning message. The bidder has the choice of whether to use a waiver or not. In all cases, the bids entered are transmitted to the auction server and are considered binding.	Proactive waiver	Yes

An automatic waiver is used when a bidder who still has a waiver at his/her disposal does not send bids in a given round (or when the bids sent are not received by the auction server) and the bidder would lose part of his/her bidding eligibility. In such cases, the auction server will automatically use one of the bidder’s waivers.

A proactive waiver can be used in two different ways: The bidder can either click the “Suspend” button instead of the “Send bids” button, in which case a message indicating that the bidder would like to use a waiver is sent to the auction server. Previously entered bids will not be sent to the server.

In the second case, the auction server checks whether the bidder has fallen short of the minimum activity level when bids are sent to the server. If this is the case, a warning is displayed and the software gives the bidder the choice of:

- using a proactive waiver or
- opting not to use a waiver. In this case, the bidder’s bidding eligibility will be reduced in accordance with the Rules of Activity.

In all cases, the bids entered are transmitted to the auction server and are considered binding.

3.7 Abandonment of Rounds and Interruption of the Auction

The auctioneer can interrupt the auction at any time and continue it at a later point. If the auction is interrupted before the end of a round (e.g., due to technical difficulties), the current round will be aborted and repeated at a later point in time. The bids placed in that round will then be considered void and remain unknown (even to the auctioneer). Interruptions will be displayed to the bidders on the bidding screen. The reason for and duration of the interruption will be conveyed to the bidders as well.