



Australian
Competition &
Consumer
Commission

ACCC advice on allocation limits for the auction of unsold 700 MHz spectrum—executive summary

On 5 October 2016, the Minister for Communications sought the Australian Competition and Consumer Commission's (ACCC) advice on appropriate allocation limits for an auction of 2x15 MHz of unsold 700 MHz digital dividend spectrum.

The ACCC actively promotes competitive markets and therefore seeks to ensure that markets in which spectrum is an input are as competitive as possible. Radiofrequency spectrum is an essential input to the mobile industry and sufficient spectrum holdings are important to operating a competitive mobile network.

Allocation limits are an important tool to ensure that competition considerations are taken into account in spectrum auctions. In this case, we consider that allocation limits are necessary to prevent the monopolisation of the spectrum and to help ensure that the results of the auction are in the long-term interests of end-users.

We recommend that the Minister impose an allocation limit on the unsold 700 MHz auction such that no person or specified group of persons is able to hold more than 2x20 MHz in the 700 MHz band as the result of the auction. We consider such a limit is in the long-term interests of end-users.

We have reached this view for the following reasons:

- Coverage and network quality are important drivers of competition in mobile markets.
- In order to provide competitive mobile services in this environment, mobile network operators (MNOs) require both low and high band spectrum holdings across Australia.
- Spectrum in the 700 MHz band is highly valued for providing 4G mobile services. However, spectrum in the 800 MHz band is an effective substitute for 700 MHz spectrum.
- Considering current spectrum holdings of operators, and the current state of competition in mobile markets we consider:
 - Given Telstra currently holds over 50 per cent of available low band spectrum, we consider that if it was able to acquire additional 700 MHz spectrum, it would increase its dominance of the available spectrum for use in mobile markets. Further, we do not consider that being unable to acquire additional 700 MHz spectrum will constrain its ability to compete.
 - If Optus or Vodafone Hutchison Australia (VHA) were to acquire at least 2x10 MHz of 700 MHz spectrum, it would allow them to offer better capacity and quality of mobile services, and achieve better depth and breadth of network coverage. This would improve their ability to compete in the relevant mobile markets.
 - If TPG were to acquire 2x10 MHz or 2x15 MHz of 700 MHz spectrum, it would be better placed to deploy a new 4G mobile network in Australia. We consider that a new entrant in the mobile market would promote competition for mobile services, place competitive pressure on the existing operators and fundamentally change the structure of the market.
- As we consider that Optus, VHA or TPG acquiring at least 2x10MHz of spectrum would promote competition in markets for mobile services, an allocation limit that would allow any of these potential bidders to acquire spectrum would be in the long-term interests of end-users.