



SPECTRUM PRICING CONSULTATION PAPER

Introduction

In March 2015, the then Department of Communications released its Spectrum Review. The Spectrum Review recommended reviewing spectrum pricing, as part of a comprehensive suite of reforms, to ensure consistent and transparent arrangements to support the efficient use of spectrum and secondary markets.

The options being considered in the Spectrum Pricing Consultation Paper (the Paper) relate to the efficiency of spectrum markets, allowing spectrum to move to its highest use, and reducing the complexity of spectrum pricing frameworks. Feedback on the consultation paper will inform a report to Government.

Issue

Spectrum is essential to a digitally networked economy and a major contributor to Australia's economic and social wellbeing. The extent to which the benefits of spectrum are realised or improved upon will depend in part on how it is priced and allocated.

The last major shift in the way spectrum in Australia is priced and allocated occurred in 1992. This Pricing Review is an opportunity to update the way that spectrum in Australia is priced.

Detail

The Paper makes a number of recommendations about the transparency of government and the Australian Communications and Media Authority (ACMA) decision-making processes, how market-based and administrative allocations should be made, and how the legislative and cost recovery framework should be adjusted.

Transparency of government and ACMA decision making processes can lead to a more efficient market because businesses can make informed decisions and anticipate government administrative outcomes. The Paper seeks feedback on the following proposals:

- > the ACMA should publish guidelines on how it approaches its spectrum pricing
- > the government and the ACMA should endeavour to charge users of similar spectrum at the same rate and
- > where spectrum fees are determined other than by auction or by the administered pricing formula, the ACMA, or the government where it directs the ACMA on pricing, should publish the reasons for this decision.

Market-based allocations are seen to be more efficient because users who receive the highest value from the spectrum are likely to be the highest bidder. The Paper seeks feedback on the following proposals:

- > the ACMA should further identify bands to transition from administratively set fees to competitive market-based allocations in its annual work plan
- > in setting reserve prices, the ACMA and the government should consider the influence of the reserve price on competitive behaviour, and the scope for price discovery through upward movement toward the market value of the spectrum and
- > for spectrum access charges determined by auction, the ACMA should generally require upfront lump-sum payments. There may be circumstances where instalment payments are warranted shortly after the beginning of a licence term. In considering use of instalments, the ACMA should assess the risks to the state of default and the potential impact on competition.

Administered allocations are used where market-based allocations are impractical. Charges set at levels similar to the market are an effective alternative tool to ensure efficient allocation. The Paper seeks feedback on the following proposals:

- > the ACMA should undertake a detailed review of the administrative pricing formula's parameters which should be regularly updated and
- > the ACMA should apply opportunity cost pricing to a greater number of spectrum bands, especially where it is impractical to competitively allocate spectrum.

The current legislative and cost-recovery framework was created in 1992. The multiple pieces of legislation and different methods to determine charges creates an inconsistent framework between different licence types. The Paper seeks feedback on the following proposals:

- > the three current tax Acts be consolidated into one tax Act
- > the apparatus licence tax and spectrum licence spectrum access charges be combined into a single spectrum access charge
- > the existing apparatus licence tax formula should become the administered incentive pricing formula and should dictate the price paid for administered prices under the spectrum access charge and
- > the spectrum licence tax and the minimum tax constraint of the apparatus licence tax should be subsumed into one radiocommunications licence tax.