



# Expiring Spectrum Licences

## Draft Ministerial Policy Statement

Public Submission

12 April 2024



## Introduction

We welcome the opportunity to make this submission in response to the draft Ministerial Policy Statement (MPS) for the expiring spectrum licences (ESLs). Mobile communications are indispensable to the Australian community. Whether it's the ability to make an emergency call in a crisis, conduct business or connect with family and friends, mobile connectivity is essential to our way of life. Spectrum is the lifeblood of mobile networks so it's critical that mobile network operators have ongoing access to sufficient and reliable spectrum resources, including early certainty about the renewal of spectrum licences.

We broadly support the proposed policy objectives of the draft MPS, which we believe will promote the long-term public interest derived from the use of the spectrum.

## Comments on each of the draft policy objectives

### Supporting service continuity for end users, particularly where no alternative service is available

We strongly support this objective. Public mobile networks are an essential part of daily life, providing the Australian community with critical infrastructure. Our community is reliant on this critical infrastructure, which enables people to remain connected and safe, and governments and industry to operate securely. The continued evolution and improvement of mobile services, for consumer and business users, depends on continued access to appropriate spectrum bands.

The evolution of mobile services, from one generation of technology to the next, also contributes to economic growth. Access to adequate mobile and wireless connectivity is necessary to fuel the growth of the digital economy. The AMTA / Deloitte Access Economics report *5G Unleashed: Realising the potential of the next generation of mobile technology*<sup>1</sup> projects that between 2022 and 2030 (9 years), \$67bn of total benefit would be added to the Australian economy based on 5G adoption remaining static at the 2021 rate. However, the report shows that if the pace of 5G adoption is increased to a level that would retain Australia's global ranking at third place in terms of 5G devices per capita (as measured by GSMA Intelligence), the productivity benefit from 5G would be 40% higher, equating to an incremental \$27bn added to the Australian economy over the nine years to 2030 to deliver a total benefit of \$94bn to the Australian economy by the end of the decade.

The size of this uplift is corroborated by other modelling of the benefits of 5G to the Australian economy. For example, PwC estimated 5G will be worth \$70bn (in 2022 dollars) to the Australian economy over the 9 years through to 2030.<sup>2</sup>

### Facilitating opportunities for new entrants and use cases, including for low earth orbit satellites

We support this objective, though we caution that facilitating opportunities for new entry should not be at the cost to the community of displacing highly productive existing use of spectrum by mobile network operators (MNOs). In fact, MNOs have a long history of introducing new features and new use cases for mobile technology. Further, we see the prospect of low earth orbiting (LEO) satellites providing 'direct-to-mobile' (DTM) services as an exciting complement to our terrestrial mobile

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<sup>1</sup> AMTA / Deloitte Access Economics report, *5G Unleashed: Realising the potential of the next generation of mobile technology*, March 2022. Report available at:

[https://amta.org.au/wp-content/uploads/2022/03/5G-Unleashed-Final-Report\\_combined-v2.pdf](https://amta.org.au/wp-content/uploads/2022/03/5G-Unleashed-Final-Report_combined-v2.pdf)

<sup>2</sup> PwC. The global economic impact of 5G, 2021. Report available at:

<https://www.pwc.com/gx/en/industries/technology/publications/economic-impact-5g.html>



network. DTM has the potential to improve the way people in remote areas communicate, access information, and conduct business. The versatility of DTM services also opens opportunities for innovative applications, including real-time monitoring in various industries, improved disaster response capabilities, and calling for help in an emergency. The potential benefits are an exciting prospect for Australia's future, and we welcome the opportunity to play our part in bringing this technology to Australians.

We believe the most expeditious way to introduce DTM services will be via inter-operator agreements between the LEO satellite providers and existing terrestrial mobile networks. We expect that inter-operator agreements will be able to address matters such as interference management by the satellite operator and the terrestrial spectrum licensee to:

- confirm that the spectrum licensee agrees to emissions in its spectrum space from the satellite transmitters that would otherwise be considered as harmful interference;
- provide a guarantee from the spectrum licensee to the satellite operator that the spectrum licensee will dedicate sufficient paired IMT spectrum to enable the DTM service to be provided, by the spectrum licensee not otherwise using the relevant spectrum (save for instances where terrestrial use would not cause any interference to the DTM service, e.g. in-building use); and
- ensure no adjacent licensees (at the frequency and geographic boundaries) are subject to harmful interference by supply of the Satellite DTM service.

With respect to new entry, we do not agree that there are significant barriers to acquiring spectrum. There have been a number of opportunities for entrants to acquire spectrum in recent years. There have been auctions of low-band, mid-band and mm-Wave spectrum in the last three years as well as significant uptake of the ACMA's innovative Area-Wide Licence construct which is designed to facilitate new entry at a start-up scale. Indeed, a new entrant acquired spectrum in the 28GHz mmWave band.

#### [Connectivity and investment in regional areas to deliver improved services to end users](#)

We support this objective. MNOs are well placed to continue investing in regional and remote locations. The industry has the highest investment rate of all industries in the Australian economy, investing significantly in improvements to existing infrastructure, research and development and the deployment of new technology. In 2019-20, the telecommunications industry invested 65.8% of total industry value added (approximately \$19.5 billion).<sup>3</sup> Over the 7 years to end FY22 Telstra invested \$11bn in the national mobile network, of which \$4bn was invested in the regional mobile network.<sup>4</sup>

#### [Promote competition](#)

We support this objective. Mobile markets in Australia, including the consumer mobile market, business mobile market and fixed wireless broadband market and the market for IoT connectivity are already highly competitive, both at an infrastructure level and at a retail level. Deloitte found that competitive pressures amongst MNOs in Australia saw benefits to consumers through falling prices and increasing coverage.<sup>5</sup> Research conducted by the GSMA found that competition policy that favours an artificially high number of market players can cause efficiency losses related to costs, network quality and

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<sup>3</sup> AMTA / Deloitte Access Economics report, 5G Unleashed, March 2022. Report available at:

[https://amta.org.au/wp-content/uploads/2022/03/5G-Unleashed-Final-Report\\_combined-v2.pdf](https://amta.org.au/wp-content/uploads/2022/03/5G-Unleashed-Final-Report_combined-v2.pdf)

<sup>4</sup> Telstra, 2022, <https://www.telstra.com.au/content/dam/tcom/about-us/investors/pdf-g/TEL-AR-2022-Spreads-FINAL.pdf>

<sup>5</sup> AMTA / Deloitte Access Economics. Mobile Nation 2019: The 5G Future. p.14, "the price of data has fallen 75% in phone plans over from 2017 to 2019." Available at: <https://amta.org.au/wp-content/uploads/2019/05/mobile-nation-2019-the-5g-future.pdf>



deployment by failing to give the appropriate weight to the long-term effects of investment and innovation on consumer welfare.<sup>6</sup> Based on their research findings, GSMA recommended that policy makers take a balanced approach when considering the effects of mergers on dynamic competition incentives and investments. Their research found that in three key areas additional competition did not result in increased consumer welfare:

- **Investment:** The GSMA report found that countries in Europe with a higher number of players did not generate the optimal conditions for investment. From 2015 onwards, operators in European three-player markets invested more per connection than those in four-player markets, delivering faster download and upload speeds.
- **Price effects:** In the same report, there was no robust evidence found to suggest that Europe's four-player markets have produced lower prices than three-player markets in the past decade.
- **Innovation:** Market consolidation can accelerate the transition between technology cycles in the mobile industry, leading to improvements in the quality and innovation of services.

The evidence from the European and the North American markets indicates that regulatory interventions to artificially increase the number of MNOs in the marketplace does not necessarily result in better outcomes for consumers. Price levels, investment in infrastructure and innovation do not necessarily improve as incumbent MNOs have economies of scale and scope that are difficult for new entrants to replicate in a cost-effective way and may in fact be detrimental to consumer welfare. Based on the evidence, we consider there is unlikely to be any enhancement to competition (at either the infrastructure level, or at the retail level) arising from regulatory interventions that would take away spectrum in existing productive use and reallocate it to potential new entrants. Existing licensees that are using their spectrum efficiently, are already facilitating highly competitive outcomes in the Australian market when measured against global peer markets.

#### Capacity for sustained investment and innovation

We strongly support this objective. Cost pressures are squeezing margins so renewal of spectrum and at affordable prices will be essential to ensure sustained investment and innovation.

Telecommunications infrastructure acts as an enabler for economic activity and is the foundation of the digital economy. Telecommunications infrastructure is essential for governments locally, nationally and internationally in driving economic growth, delivering social and environmental objectives (such as digital inclusion and emissions reductions). Mobile technology will continue to play a key role in digital connectivity as the demand for data grows exponentially, networks are continually evolving to meet demand (e.g. the move from 4G to 5G).

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<sup>6</sup> GSMA, 2023, <https://www.gsma.com/publicpolicy/wp-content/uploads/2022/11/Competition-Dynamics-in-Mobile-Markets.pdf>