



Spectrum outcomes still in the air

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Vodafone welcomes the implementation of the third phase of the programme of micro-economic reform in the telecommunications industry in Australia, commenced in 1988, and looks forward to responding to challenges arising out of greater competition.

Clearly the focus of attention will shift now from the legislators to the regulators, and the viability of the *Telecommunications Act 1997* will be tested in practice. Already we have been very active in the establishment of the Telecommunications Access Forum and the Australian Communications Industry Forum, the identification of declared services and the development of draft access and consumer codes of practice.

After a demanding three year consultation process covering a complex mix of technical, commercial, operational, legal and political issues, and in the euphoria surrounding the passage of the 1997 telecommunications legislation through the parliament, it is tempting to conclude that the definitive policy framework affecting the level, structure and viability of competition in the next few years has at last been set.

To some extent this is true. Reliance on industry self-regulation, the adoption of the Hilmer reforms, the retention of industry specific regulation and the provision for greater consumer involvement are key foundation principles of the new regime that have now been settled. With this greater certainty about the regulatory environment, business decisions can be made on a more informed and reliable basis about new and improved services, strategic alliances, marketing initiatives and commercial operating agreements with other carriers such as interconnect and access arrangements.

Mobile outcomes still uncertain

With regard to the provision of public mobile telecommunications services, however, this is only half the story. The forthcoming spectrum auctions, currently planned by the Australian Communications Authority for late 1997, will be a critical determining factor in the achievement of effective competition in this market sector.

Ironically, it is also this sector that is likely to witness the greatest change in the next few years. As noted by the Bureau of Transport and Communications Economics in its Communications Futures Final Report in 1995:

'Perhaps the most important single area of development, in terms of both market size during the forecasting decade and longer-term influence on patterns of consumption, will be mobile communications.'

So for Vodafone, with our dedicated focus on mobile communications, there is no scope to relax our regulatory vigilance. It's as if we're at half time in a Grand Final, with the prospect of a vigorous second half still ahead of us. Of course, this is also true for new carriers, for whom access to spectrum provides a market entry strategy that is not dependent on existing wireline links.

Critical factors

It is against this perspective that the outcome of the spectrum auctions becomes so significant, and where factors such as:

- the price of access for the licences
- the amount of spectrum to be released
- when the spectrum will be available for use
- the degree of diversity in the ownership of the licences
- the commercial relationships between new and existing licensees

- the degree of aggregation of licences across regional areas and spectrum bands will directly impact on the cost, quality and commencement date of new services and the achievement of effective competition in mobile communications.

The policy framework that the government establishes for the auctions will have a significant bearing on these factors. It is therefore essential that the government determines appropriate competition policy rules in advance of the auctions. These rules should cover:

- spectrum 'caps';
- a 'use it or lose it' licence condition;
- a 5 year spectrum allocation schedule;
- Australian ownership rules to apply to spectrum, licensees; and
- new licensees' access to the national analogue AMPS network.

Previous competitive licence allocation processes for satellite pay television, MDS and telecommunications generated revenue in excess of \$1 billion. They also attracted intense public and political scrutiny, as they were defining events in the development of competition in the communications industry in Australia.

The same could be true of the spectrum auctions. A US experience suggests, there could be a strong demand for the licences, and the new licensees could be strategically placed for the introduction of UMTS (Universal Mobile Telecommunications System) services early in the next century.

The 1 July 1997 legislative package sets the general rules for market behaviour and access to services, but the spotlight is on the spectrum auctions in terms of the future shape and development of competition in wireless communications services in Australia. □