

Radiofrequency sale proves a point

The ACA's recent spectrum auctions have put money in the bank and new names into mobile communications. So where's the downside?

The results of the auctions of radiofrequency spectrum in the 1.8 GHz and 800 MHz bands have proved one point made in the digital TV debate: companies will pay big money for the right to use the bits of the spectrum which work for particular communications services. In this case, seven companies paid about \$350 million for 211 "lots" in the 800 MHz and 1.8 GHz bands.

If anything will encourage politicians to get analogue broadcasters off their existing frequencies, it's the prospect of the numbers that might come up when the hammer falls on their vacated spectrum estates.

But on the question of who is likely to win such auctions, the 1.8 GHz and 800 MHz outcome offers mixed impressions. One interpretation, put by the government and the Australian Communications Authority (ACA), is that new players have won. "The most important objective of the spectrum auction, to

attract potential new competitors into the mobile telephony market, has been comprehensively achieved," said Minister Richard Alston.

Hutchison Telephone (Sydney and Melbourne), AAPT Wireless (Brisbane, Adelaide, Canberra, Darwin and country Victoria and NSW) and Ozphone (Brisbane, Perth and country centres in Queensland, Western Australia, Tasmania and NSW) got 800 MHz spectrum. Catapult Communications got 1.8 GHz spectrum in Cairns and South Australia.

Another interpretation is that the incumbents, particularly The Incumbent, dominated. Telstra, Optus and Vodafone, the existing operators of mobile telephone networks, put up 78 per cent of the total money bid, with slightly more than 50 per cent coming from Telstra. That may be because the three have the deepest pockets and, possibly, because the spectrum is more valuable to them because they can use it to expand existing networks.

Telstra got spectrum in every market under rules established by the Minister on advice from the Australian Competition and

Consumer Commission (ACCC) for this auction.

These rules were made using the new power inserted into the Radiocommunications Act to set limits on spectrum acquisition. Although that legislation ensures the normal anti-competitive conduct rules of the Trade Practices apply to allocation of the radiofrequency spectrum, it also provides the power to specifically limit the spectrum available to any one player in an auction. This allows "industry-specific" rules about competition in the acquisition of the radiofrequency spectrum, to save waiting until incumbents get it all and the ACCC has to decide whether it should try to unscramble the eggs in the courts using the Trade Practices Act.

The results show just how necessary such rules might have been in getting any new players at all. But as they only apply to the *allocation* of spectrum, it's less clear what effect they will have on post-auction trading if "rationalisation" comes to the new players in mobile telephony in the way it came to pay TV. <

Jock Given

Universal service: action

Telstra's Universal Service Plan and the "digital data capability" review attracted attention through the Senate committee inquiry

Universal Service Plans are a new concept under the post-1997 legislation. They set out the way a universal service provider fulfils its obligations to make standard telephone services, payphones and "prescribed services" (there are none at present) reasonably accessible to all Australians.

Telstra's Draft Plan was submitted to the Minister at the end of August 1997. The Minister sought advice on it from the Australian Communications Authority (ACA). While the Senate committee was underway, the plan was approved.

Apart from some cosmetic changes ("a week" becomes "five working days"; "26

weeks" becomes "six months"), a key feature is the reduced maximum connection times for people in remote Australia. These connection times are enforceable under the Customer Service Guarantee.

Reduced maximum connection times are an important advance: in the first draft plan, Telstra proposed no change from 27 months, despite its earlier endorsement of the Standard Telephone Service Review Group recommendation for a substantial reduction. In the second draft, they were down to 21 months. The Minister has them at 12 months but there's a catch: it only applies to new applications after July 1, 1998. Only a small portion of customers are in this category but it is likely to be a while before the change in words translates into a telephone for many of them.

The Minister also announced the start of the "digital data capability" review

required to be conducted by September 30. This review has to consider the appropriateness of the goal set in the Telecommunications Act 1997 of making a "digital data capability" reasonably accessible to all Australians by January 1, 2000. It also has to consider whether to formally incorporate this enhanced level of service into the minimum level of service required under universal service arrangements. <

The ACA will conduct the review and has invited submissions by June 30. It is required to report by August 15. Public meetings are being held in Alice Springs, Perth, Dubbo, and Sydney. A discussion paper is available at <http://www.aca.gov.au>. Submissions can be made to data_review@aca.gov.au

Jock Given chaired the Review of the Standard Telephone Service in 1996-97.