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Dear Stakeholder

**Re: Proposed spectrum reallocation for 1800 MHz in regional Australia**

I am writing to you regarding the Australian Communications and Media Authority (ACMA) draft spectrum allocation recommendation for the 1800 MHz band in regional areas of Australia.

The ACCC understands that the 1800 MHz band is a highly sought after spectrum range for mobile broadband use because it has been internationally standardised for long term evolution (LTE) technology – commonly marketed as 4G – to provide mobile broadband services. Mobile broadband services include internet services accessed via a mobile handset or via a dongle, USB modem or datacard service connected to a laptop via a wireless network.

As you would be aware, the ACMA is proposing to allocate spectrum in this band through a spectrum auction in November 2015. The Department of Communications has asked the Australian Competition and Consumer Commission (ACCC) to provide advice on whether competition limits should be imposed on this spectrum auction. The ACCC has been asked to consider the current state of competition in mobile broadband services in regional areas, the impact of competition limits on downstream markets and any other matters the ACCC considers relevant.

The ACCC would be interested to hear your views on the need for, and impact of, imposing competition limits in this auction.

***1800 MHz spectrum in regional areas***

The ACCC understands that 1800 MHz spectrum is currently used in regional areas predominantly for fixed point-to-point links. However, there is emerging demand for access to the spectrum from various industry sectors to deploy mobile broadband services. In metropolitan Australia, the band is already spectrum licenced, with licences held by mobile network operators and state rail operators.

We anticipate that the 1800 MHz spectrum acquired in the auction will mainly be used for deploying LTE technology to provide mobile broadband services. It could also be used to deploy smart networks, such as smart energy grids, or automated

systems for transport (safety and signalling systems) or other infrastructure (autonomous mining and transport systems).

The ACCC welcomes your views on the likely intended uses of 1800 MHz spectrum in regional areas.

1. What are the likely intended uses of 1800 MHz spectrum in regional areas?
2. What is the optimal allocation of spectrum for the anticipated uses?
3. Are there any other technical factors that the ACCC should take into account in its assessment of competition limits?
4. Are there sectors, other than telecommunications, that are likely to participate in the auction?

### ***Competition in regional mobile broadband markets***

The ACCC has traditionally considered mobile broadband services in a national market. To assess the state of competition, we consider a range of factors including market concentration, demand and supply side substitutes, price competition and the range and quality of services available.

There are three national mobile network operators – Telstra, Optus and VHA – providing mobile broadband services in Australia. These three players account for 90 per cent of the mobile retail market and 85 per cent of the wireless broadband market. Telstra has the largest market share in both retail markets.

While national mobile broadband markets are generally competitive in Australia, the ACCC is aware of some impediments to competition in regional, rural and remote areas. This largely stems from the significant costs of providing geographic coverage to these areas, which are characterised by low population density and therefore a lower potential subscriber base and uncertain commercial viability. The ACCC considers that Telstra likely has a competitive advantage in regional areas due to the broader geographic coverage of its 3G and 4G networks.

The ACCC welcomes your views on the state of competition for mobile broadband services in regional Australia.

5. To what extent do you consider mobile broadband markets are competitive? Please provide evidence and reasons for your view.
6. How does the state of competition differ in metropolitan, regional and rural areas of Australia? Please provide evidence and reasons for your view.

Between 2011 and 2013, all three mobile network operators launched 4G mobile networks. Since then, the mobile network operators have continued to improve and expand their 4G network coverage in response to strong consumer demand for 4G services.

We note that the 1800MHz band is not the only band that can be used to provide 4G services. Telstra and Optus acquired spectrum in the 700 MHz and 2.5 GHz bands in the recent digital dividend auction, which may be used to provide 4G services in metropolitan and regional areas of Australia. VHA also has spectrum assets that could be used to deliver services on its 4G network.

The ACCC is interested in your views on whether there are effective substitutes for 1800 MHz spectrum in regional areas, including spectrum in other bands that could be used to deploy 4G services in regional areas.

7. What are the substitutes for spectrum in the 1800 MHz band in regional areas?
8. To what extent are these fully-effective substitutes?

### ***The need for competition limits***

Competition limits have been imposed on spectrum auctions in the past, including the recent digital dividend auction. The principle reason for introducing competition limits is to prevent monopolisation of the spectrum. This could occur when:

- (a) an operator acquires a sufficient proportion of the spectrum such that its retail prices are not constrained by the other acquirers of the spectrum (that is, it could charge monopoly prices for its services), or
- (b) an operator acquires more spectrum than it needs in order to prevent other operators using the spectrum to provide competing services.

The ACCC welcomes your views on whether competition limits are necessary in the 1800 MHz spectrum auction.

9. Do you think competition limits are necessary for the 1800 MHz band in regional areas of Australia?
10. If so, what do you think appropriate competition limits would be?
11. Should existing spectrum holdings be considered in any assessment of competition limits? Please provide reasons for your view.

### ***The impacts of competition limits on downstream markets***

In providing its advice, the ACCC has been asked to consider the impact that competition limits may have on competition in downstream markets. The ACCC is of the preliminary view that the relevant downstream markets are the wholesale and retail mobile broadband markets. While our analysis will consider regional markets, we are of the view that the spectrum auction may have implications for the mobile broadband market more broadly.

The ACCC welcomes your views on the relevant downstream markets for the ACCC's analysis.

12. What do you think are the relevant downstream markets for the purposes of the ACCC's analysis?
13. Do you think competition limits would promote competition in these downstream markets? Why or why not?
14. Are there any other factors that you think the ACCC should consider in its assessment of possible competition limits?

### ***Next steps***

If you would like to contribute to the ACCC's consideration of competition limits, we would appreciate your comments by 5:00pm 17 April 2015. Responses should be emailed to [spectrumcompetitionlimits@acc.gov.au](mailto:spectrumcompetitionlimits@acc.gov.au).

Yours sincerely

A handwritten signature in black ink, appearing to read "Michael Cosgrave". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping underline.

Michael Cosgrave  
Executive General Manager  
Infrastructure Regulation Division

Sent by email 1/04/2015