

Re: Tomorrow's appearance before the Productivity Commission

The main areas that I would like to discuss tomorrow are:

€ Because of the highly variable "value" placed on spectrum by market participants over time (ie when the auction is held) and can use the 2 separate 1800MHz auctions as an example which produced a factor of 10 difference, a number of barriers exist to realising the benefits.

The 2 issues are:

- the role of the regulator in deciding how much and when spectrum is released
- operation of a secondary market which has been poor but the Tax Dept ruling re exchange of lots and the transaction costs imposed need to be addressed

€ The use of combinatorial bidding has been suggested as a way to assure that the combined value of lots is captured (ie more \$) and that bidders are not left with gaps in what they need.

Issues are:

- is moving to another methodology with its own complications really using a hammer to crack a nut in that I am unconvinced as to the degree of the problem versus the risk of "gaming" by bidders to avoid paying.
- can we learn from the approach by others such as Italy to solve this problem by bidding for spectrum quantum (not specific lots) and allocation by the regulator after the auction.
- ACA do need to keep an open mind and suspect given pressures are reluctance to evaluate alternatives

€ The use of market mechanisms which in practice are a mixed admin/market as the regulator needs to develop the 'spectrum plan" and the question of "efficiency" of the process.

Issue is:

- need to clarify Government policy objectives here re what are the objectives and how are they measured. For example:
 - satisfy incumbents?
 - entry of new competitors?
 - new technologies?
 - time to allocate spectrum to the market players?
 - revenue targets?

This is a broader discussion for your questions to me.

Regards

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