



Tasmania

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PREMIER
MINISTER FOR STATE DEVELOPMENT



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Mr Paul Belin
Assistant Commissioner
Radiocommunications Inquiry
Productivity Commission
Locked Bag 2
Collins St East
MELBOURNE VIC 8003

Dear Mr Belin

I am writing in regard to the Issues Paper on the Review of the Radiocommunications Act and the role of the Australian Communications Authority (ACA).

I note that the Commission is to report to the Commonwealth Government on the appropriate arrangements for managing the radiofrequency spectrum, including identifying restrictions on competition from the spectrum management processes and reviewing the related legislation and the market-based activities of the ACA.

A number of Tasmanian Government agencies are large users of the radio spectrum and would be affected by any changes to the legislation or the assignment processes. These agencies use spectrum for public safety, emergency services and occupational health and safety and other public interest uses. Agencies often require a high level of service and security from a radio communications system, which involves considerable investment in infrastructure and private systems.

The various uses and international constraints that exist necessitate the broad and sometimes conflicting objectives of the *Radiocommunications Act 1997*. For example, space research, ship navigation, free to air broadcasting, defence and telecommunications will each have different and at times conflicting drivers, including health and safety, services and purely commercial purposes. It is the Tasmanian Government's view that effective spectrum planning and allocation should balance the commercial and non-commercial drivers of allocation.

From this perspective, the Issues Paper does not appear to adequately address its terms of reference. In particular, 3(b) of the Terms of Reference requires the inclusion of welfare, equity and economic and regional development, consumer interests, and efficient resources allocation in assessing these matters. However the Issues Paper attempts to deal with the allocation of radio spectrum largely in terms of property rights.

Similarly, the paper makes little mention of investigation into the impacts on small business as required by 3b and 3d of the Terms of Reference. The Tasmanian Government would have concerns if the review resulted in substantial changes to the spectrum allocation based too heavily on economic drivers.

I note the discussion on non-commercial use of spectrum and the need to identify what 'public interest' means in the context of license tenure. Non-commercial users do not have the resources to pay for licences in the same way as the commercial users. However, they are more likely to use radio spectrum for consumer interests, occupational health and safety, welfare and regional development.

To date, stability of access for public interest allocations has only been achieved by informal understandings with the ACA. One option would be to formalise access to specific spectrum for public safety organisations as part of the *Radiocommunications Act 1997* or regulation associated with the Act.

Spectrum allocated to specialised services, such as public safety, should be based on criteria of efficient allocation that is sufficient and sustainable for operational and technical requirements rather than price based allocation. This concept can be extended to charges, where the bulk of charges should be to cover spectrum administration rather than being a tax. The Tasmanian Government would also advocate the retention of licence fee exemptions and reduced charges in emergency services in areas served by volunteers, including fire, ambulance and State Emergency Services.

The Paper notes that the use and allocation of spectrum is constrained by the International Telecommunications Union (ITU), of which Australia is a member. This restricts which spectrum is available for particular purposes within Australia and the models for allocation of the spectrum. Furthermore, specialised mobile radio systems are often manufactured overseas and are only available in specific frequency bands, which generally follow ITU structures and market conditions. This means that some organisations, such as Tasmania Police, may be restricted in selecting specialist systems at competitive prices.

The Commission should consider the potential impact of its recommendations on the activities of the Intergovernmental Spectrum Harmonisation Committee. This Committee is looking at spectrum allocation issues associated with Public Safety agencies, including the investigation of a national approach to spectrum allocations consistent with global planning and the production of specialised safety technology. This would align spectrum use across jurisdictions and organisational boundaries allowing for operational compatibility and economies of scale.

Section 2.3 deals with the ACA's auction process for spectrum allocation. It is considered that auctions are not appropriate for non-commercial use, such as emergency services, or where it is creating an artificial shortage. Spectrum auctions are only appropriate where there is real shortage, such as the spectrum required for mobile telephone communications, or other commercial requirements (ie radio and televisions broadcasting) where it can be demonstrated that commercial exploitation will deliver community benefits. Auctions that result in overpriced spectrum may cause inefficient use of the spectrum as buyers have insufficient funds for other purposes, such as infrastructure and research and development, due to the percentage of revenue being soaked up in bids. In particular, it is recommended that the Commission note the European G3 auctions when considering this issue.

Planning is critical to the efficient use of the spectrum as this will impact on the choice of technology adopted by spectrum bidders. It is also important to note that the frequencies required for community and emergency services will vary between metropolitan, regional and remote locations. The Paper assumes that the limitations of radio spectrum are uniform. However, capacity constraints will vary regionally depending on distribution technology and location. The legislation also needs to consider the rapid change in the communications industry and the innovation in distribution technologies.

The rapid increase in spectrum demand for mobile voice and data communications has significantly changed the value of the spectrum suitable for public safety organisations. It is a concern that these organisations may have to compete with commercial users in an auction process. The escalating prices of auctions would mean that non-commercial operators could not compete and may not secure adequate spectrum to meet public interest objectives. Additional concerns include; the timing of spectrum availability may not be in line with the radio system life cycle; apparatus license prices may increase to reflect the perceived commercial value; and the risk that the remaining spectrum may only come with short-term tenure. Therefore, when assessing allocations, non-commercial spectrum use and the cost of reallocation should be considered.

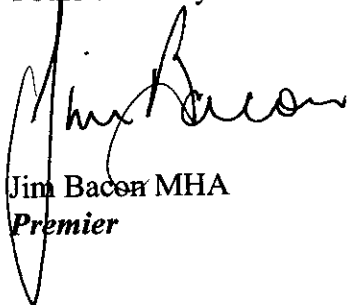
The Paper does not appear to have clearly identified the cost of changing frequencies as an issue. Tasmanian Government users of radio spectrum require a high level of service and security from a radio communications system, which necessitates considerable investment in private infrastructure. Specialised systems have technology life cycles of approximately 10-15 years. Therefore, security of tenure of the assigned spectrum is important to avoid the replacement of systems before the end of their useful life.

In view of this, the Tasmanian Government would support an increase in the duration of apparatus licenses for public interest organisations to 10 years, as discussed in section 2.4 of the Issues Paper. Allowing public interest organisations the option to extend their license tenure, provided they are still utilising the spectrum for operational purposes, would encourage investment and enable a greater degree of certainty in business planning. A 'use it or lose it' condition could also discourage companies from holding on to licenses and preventing competition. However, this must be balanced with the need for companies to hold on to spectrum for their own growth and planning.

Thank you for the opportunity to comment on the Issues Paper.

I note the draft report will be released in February 2002. The Tasmanian Government would like the opportunity to comment on the Draft Report when it becomes available.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jim Bacon', is written over a large, vertical, oval-shaped mark.

Jim Bacon MHA
Premier