

12 December 2001

Ms Delwyn Rance
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003



Electricity Supply
Association of
Australia Limited

ABN 98 052 416 083

Dear Ms Rance

**Review of the Radiocommunications Acts and the Role of
the Australian Communications Authority Issues Paper
August 2001**

Thank you for the opportunity to comment on the Issues Paper (August 2001) entitled - ***"Review of the Radiocommunications Acts and the Role of the Australian Communications Authority"***. ESAA as the national industry association for the electricity supply industry wishes to make a general statement contained in the paragraphs below and then in its submission respond to questions posed in the Issues paper.

The electricity supply businesses have apparatus licences for point to point and point to multi-point radio bearers and mobile radio base stations and 'mobiles'.

In each instance the use of the radio frequency spectrum is only viable if a reasonable licence term can be expected. The equipment manufacturers provide support and spare parts for 10 years after purchase and, by buying a reasonable number of spares, it is sensible to expect a useful economic life of 15 years from radio equipment.

Since the sale of spectrum in the 1.8GHz band the electricity industry has had to re-look at its use of point to point radio services. The current 2 year notice to clear a band is **too short** for both getting a reasonable return on investment and to budget for and implement a band change. A direct consequence of this situation is that the electricity industry is being forced to install fibre optic cables to meet its requirements for communications circuits to provide signaling to protect and control its assets. Fibre optic cables are more expensive to install than point to point radio links - but, because the electricity supply businesses can expect at least 15 years life compared to two years for radio fibre optic, it is overall relatively cheaper.

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One outcome of using a more expensive technology is higher electricity costs to the public.

The issue of tenure of licences for point to multi-point and mobile radio services is also very important. In these cases there is usually no other option than to change bands and the cost of a band change, or even a retune within a band, runs to millions of dollars.

In the Report of the Radiocommunications Review that was released in August 2001, in particular the 'Major Recommendation' on page 10 of the Executive Summary, there is reference to "The Act be amended to increase the maximum duration of apparatus licences to at least 10 years, with the industry to be consulted further on the detailed arrangements. Consultation is to include price-based allocation of longer term licences, possible administrative allocation with payment of a surcharge, incorporation of rolling mid-term reviews of licence periods and a scheme of compensation for relocation costs where longer-term apparatus licensees are affected by reallocation."

The electricity supply businesses request that this major recommendation be included in the Review of the RCA.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Keith Orchison', written in a cursive style.

Keith Orchison
Managing Director

Answers to question posed in the Issues Paper

Issue 2.1

What problems does the legislation seek to address?

ESAA has no comment to make on these questions.

Issue 2.2

The approach to allocating spectrum under the Radiocommunications Act

The use of radio frequency spectrum in Australia should conform as close as possible to the ITU table of frequencies. This would enable Australia to benefit from the development of products in the international market and ensure that Australian consumers obtain services and products at the least cost.

Issue – Licensing

☐ *Is there an alternative to licensing for allocating the spectrum?*

ESAA believes that licensing is the best option.

☐ *Is the licensing system effective in managing frequency interference?*

Yes, provided the organization doing the allocating has adequately trained staff. ESAA has no comment to make on the rest of the Issue Licensing questions.

Issue - Licence types

☐ *What effect do the three types of licences have on the choice of technology by spectrum users? Do they influence the choice between wired and wireless technologies?*

Using a very broad interpretation of the work 'wired' the inappropriate short tenure available for apparatus licences has led the electricity supply businesses to use optic fibre cable instead of point to point radio, this is in spite of the higher initial cost of fibre.

Apparatus licences for point to point and point to multipoint links and mobile radio base stations and 'mobiles' would be appropriate for the ESAA member organizations if the issues of tenure and compensation were adequately addressed. Please refer to the comments on Issue 2.4

Spectrum licences are generally tailored to mobile communications and as such reduce the spectrum available for wide band point to point links. ESAA requests that the issuing of spectrum licences be controlled and limited to the minimum amount of spectrum required to provide the service.

ESAA has no comment to make on the rest of the Issue questions relating to Licence types.

Issue – Standard setting

ESAA has no comment to make on these questions.

Issue 2.3

Charging for the use of spectrum

Class licences and Spectrum Licences

ESAA has no comment to make on these questions.

Apparatus licences

☐ *To what extent have economic incentives from spectrum charges helped to encourage efficient spectrum use?*

ESAA believes that the policy of economic incentives is working well.

☐ *Various questions related to the SAT.*

ESAA believes that existing licence holders should be able to appeal against increases in SAT and that SAT should be a stable amount and not be allowed to increase by any dramatic amount. SAT fees have a bearing on project evaluation and increases could turn viable projects into non-viable projects.

The electricity supply businesses believe that the present level of SAT encourages efficient use of the spectrum as spectrum is in short supply and is a public resource. If a longer tenure is to apply to apparatus licences then SAT could be charged as a once off fee for that period of time. Annual charges for SMC and administration would of course still be applicable. SMC should be charged at actual costs rather than a percentage of SAT.

The Auction Process

ESAA has no comment to make on these questions.

2.4 Licence tenure and band clearance

Licence tenure

☐ *What factors influence the appropriate duration of licences?*

ESAA believes that the term of the licence should be at least the same time that manufacturers of communications equipment support their products i.e. period of ten years.

This allows for a sensible economical life for the equipment.

☐ *Should apparatus and spectrum licences have the same duration?*

Not necessarily, they are two separate and largely independent uses of the spectrum.

☐ *What would be the likely consequences of extending apparatus licences?*

A reduction in a driver causing pressure to increase electricity prices.

☐ *Is there a need to review licences at some predetermined time before they expire? Under what circumstances? When should they be reviewed?*

Yes. As discussed in item 7 D of the report of the Radiocommunications Review, a review after five years of a ten year term with the option for the ACA to consider the likelihood of a change to the band. If none is anticipated to extend the licence to cover the next ten years would be a practical way of ensuring that the incumbent was able to achieve the most efficient life from equipment.

☐ *Should there be more scope for extending licences? If so, for how long?*

Please see answer to the above question.

☐ *What would be the advantages and disadvantages of allocating licences on an indefinite basis? Would a 'use it or lose it' condition be desirable?*

All holders of apparatus licences should have to show why they should continue to hold a licence that they are not using.

☐ *Why should spectrum licences be reissued to the same licensee only if special circumstances exist or if the licence is used to provide a service which the Minister declares to be in the public interest?*

☐ *What is the meaning, in this context, of 'special circumstances' and the 'public interest'?*

Please see answer to the above question

☐ *What factors influence the appropriate duration of licences?*

☐ *Should apparatus and spectrum licences have the same duration?*

Licence relocation and conversion

☐ *What are the strengths and weaknesses of the reallocation and conversion processes?*

ESAA has members which hold apparatus licences and cannot see any strengths in the reallocation process. The present time to clear is too short to recoup costs and there is no compensation for the cost for the remnant life of the existing equipment or cost of relocating to another band or another communications technology.

The conversion process is useful in instances where the spectrum allocated for an apparatus licence is similar to that allocated for a spectrum licence, e.g. mobile radio systems. In this case the conversion to a spectrum licence would be an advantage because of the increased tenure and no requirement to change bands or retune within a band.

☐ *Under what circumstances should licences be reallocated? Under what circumstances should they be converted?*

The major concern is that an apparatus licence should have sufficient tenure to allow the licensee to recoup costs or the licensee be paid compensation for the remaining life of his existing equipment plus any additional costs of transferring to another band or communications technology. Then it is reasonable for reallocation to be used if the apparatus licence is unable to be converted.

If it is possible for an apparatus licence to be converted it should be. The licensee can then recoup the costs of his existing equipment or sell the licence to recoup his costs for equipment and relocation.

☐ *Is there sufficient flexibility in reallocating licences?*

☐ *In the case of spectrum reallocation, who should pay for the cost of moving to a new frequency?*

☐ *Should licensees be compensated if their licences are cancelled or if they choose not to convert them? If so, how should compensation be determined?*

☐ *Is there adequate provision for review of spectrum reallocation declarations?*

2.5 Secondary trading of licences

2.6 Non-commercial use of the spectrum

2.7 Broadcasting

2.8 Satellites

2.9 Impact of legislation on competition

ESAA has no comment on these questions.

2.10 The Effectiveness of the ACA

A measure of the effectiveness of the ACA that the ESAA members would like to see implemented relates to how well equipment operating under an apparatus licence is protected from interference from equipment operating under another apparatus licence.