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Digital Distribution Australia's Submission to the ACMA Implementation of the Spectrum Pricing Review

Digital Distribution Australia (DDA) appreciates the opportunity to provide a submission to the Australian Communications and Media Authority (ACMA) on its proposed guidelines and focus areas for change as it implements the Spectrum Pricing Review.

DDA is a regional backhaul telecommunications service provider with a network delivering critical telecommunications services to underserved rural and regional towns across Australia. Our telecommunications network connects regional and remote areas of Australia to metropolitan data and playout centres. DDA currently uses numerous ACMA apparatus licences for crucial point to point transmission of services to rural and regional areas of Australia.

DDA encourages the ACMA to consider further opportunities for much needed spectrum pricing discounts to support regional telecommunication and broadcast service providers to continue to provide critical communication services to the underserved regional and remote populations of Australia. The significant costs of providing geographic coverage in regional and remote areas have already resulted in impediments to competition in regional, remote and rural areas. Therefore, cost reduction in the taxation of apparatus licences should be implemented as soon as possible to afford further critical services to the communities of regional, remote and rural Australia.

List of Issues for Comment by Stakeholders

With respect to the list of issues set out in the ACMA Consultation Paper *"Implementation of Spectrum Pricing Review – Proposed Guidelines and Focus Area for Change - March 2020"*, DDA would like to respond to those questions which it considers relevant to the operation of its regional carrier service as listed below.

Question 1

Do stakeholders have any views about the status of the ACMA's role in implementing the recommendations of the Spectrum Pricing Review?

Answer 1

DDA considers ACMA well placed as the custodian of spectrum within Australia and to implement the recommendations of the Spectrum Pricing Review.

Question 2

Do stakeholders have any views on the legislative and policy environment that may be relevant to the pricing issues outlined in this paper?

Answer 2

DDA is open to the legislative and policy reviews in the area of spectrum pricing to better service remote and regional areas of Australia. DDA considers spectrum a valuable public resource and a major contributor to the economic and social well-being of the entire population across both metropolitan and regional areas of Australia. As part of the ACMA review and implementation process, the framework should ensure spectrums' highest value use should incorporate the critical indirect benefits to the underserved communities of regional and rural Australia to maximise social return from spectrum, as opposed to just the benefit from the direct income stream of spectrum fees.

Question 3

Do stakeholders have comments on the ACMA's draft spectrum pricing guidelines including the relevant spectrum pricing decisions, guiding principles and process for changing prices?

Answer 3

DDA agrees with the open approach to making spectrum pricing decisions. As per the guiding principles of the Spectrum Pricing Review, the ACMA should take into consideration the opportunity cost pricing to help enable more services. As highlighted over recent months, flexible and cost-effective telecommunications services are required to support the productivity of Australia within both metropolitan and regional locations.

The significant costs of providing geographic coverage in regional and remote areas have already resulted in impediments to competition in regional, remote and rural areas. Therefore, cost reduction in the taxation of apparatus licences should be implemented to enable further services to the underserved communities of regional, remote and rural Australia.

Question 4

Does the tax formula generally provide a solid base for incentivising the efficient use of spectrum?

Answer 4

The current tax rates for fixed point-to-point licences in high density areas produce a much higher price per Mb for usable traffic, which results in higher contention ratios. The ACMA should consider the effect that the current high-density multiplier rates has on the end user experience. As end user pricing per Mb has dropped over time, the price per Mb of the spectrum tax has increased over time. This is contrary to the goals of the Government to enable telecommunication services for the benefit of all Australians. The current tax formula

does not provide incentives for the use of many of the higher 5GHz bands (RALI 6GHz, 6.7GHz, 8GHz as examples) as there are larger specific channel bandwidth sizes used in these bands. These bands are used for longer distance, backhaul linking, however the \$/kHz formula can make these links cost prohibitive and do not provide incentives for spectral efficiency.

Question 6

What are the relevant price points to undertake an opportunity cost analysis of taxes for services above 5 GHz? Examples of relevant information may include:

- > how prices for products and services have changed over time
- > how prices of radiocommunications equipment have changed over time relative to spectrum prices
- > comparisons with international auctions results or administrative spectrum prices.

Answer 6

End user requirements for bandwidths have increased and end user pricing per Mb has dropped over time to ensure sustainable service pricing for the end users. The spectrum tax has increased over time with indexing and remained fixed to the lower bandwidth pricing. This higher pricing for spectrum above 5 GHz, particularly in the high-density areas, is making spectrum in some bands intended for transmission services cost prohibitive. This in turn reduces the use of spectrum in these high-density areas. This is contrary to the goals of the Government to enable telecommunication services for the benefit of all Australians.

Question 7

How can taxes be designed to account for multiple devices? Under what circumstances do stakeholders believe that one tax should relate to many devices and/or there should be 'discounts' for multiple devices authorised under one licence?

Answer 7

Discounting should be applied to the spectrum fees, especially for fixed point-to-point licences for a licence holder that have a larger number of licences, as there is a lower cost of administration in such cases.

Question 9

Do stakeholders have comments on:

- > the proposal to monitor bands for potential changes in taxes and the balance and precision required in monitoring and pricing spectrum?
- > the use of inflation to keep apparatus licence taxes contemporary and whether there are alternative approaches?

Answer 9

Many of the frequency bands above 5GHz that have specific larger channel bandwidth sizing (RALI 6GHz, 6.7GHz, 8GHz as examples) are becoming cost prohibitive. DDA would encourage

the ACMA to review and reduce the \$/kHz pricing on these bands. The RALI specific uses for these frequency bands based on path length, and these bands are used to transition data over longer distances as an alternative option to fixed line backhaul which is not subject to this taxation.

The spectrum tax inflation indexing is pushing the price of spectrum above the market rate for service bandwidth which has been in decline. This is making it cost prohibitive to offer services to the community and will end up reducing competition and availability of critical services.

Question 10

Do current spectrum locations or frequency ranges remain appropriate? If not, what changes should be made and why?

Answer 10

The spectrum locations or frequency ranges remain appropriate today. We suggest that for point to point licences in high density areas, the ACMA should consider reducing these fees to encourage competition and make services less cost prohibitive and encourage competition and viability against other fixed line backhaul medium that is not subject to these taxes.

Question 11

What factors should the ACMA consider in determining new spectrum locations or frequency ranges?

Answer 11

The spectrum locations or frequency ranges remain appropriate today. We suggest the for the point to point licences in High density areas the ACMA should consider reducing these fees to encourage competition and make services less cost prohibitive and encourage competition and viability against other fixed line backhaul medium that isn't subject to these taxes.

Question 12

Do the different tax rates associated with different spectrum locations or frequency ranges influence decisions about deploying radiocommunications equipment?

Answer 12

The high-density area spectrum costs are prohibitive to competition. It should be noted that fixed line infrastructure in high density areas are not subject to the same level of taxation.

Question 13

How does the value of spectrum change across geographic locations?

Answer 13

The current geographic boundaries for spectrum density are suitable, and although developed in the mid 1990's, they still hold their values today. As per DDA's other answers above however, DDA considers the high-density multipliers currently applied are excessive, especially in the bands above 5GHz, and do make the use of point to point licensing costs prohibitive.

Question 14

The ACMA also seeks views from stakeholders about:

- > should density areas be refined for different services/bands?
- > rather than having density areas, do models of congestion (like that used in the 400 MHz work) potentially better reflect demand for services and the value of spectrum? If so, what features would such a model have?
- > whether different pricing constructs, such as \$/MHz/Pop for different licence types should be considered?
- > whether there should be parity in pricing arrangements between services like commercial broadcasting taxes and open narrowcasting taxes?

Answer 14

The spectrum in the 5ghz to 8.5Ghz band should be reclassified with a lower tax rate within high density areas as this band is used for long haul links to transit out of high-density areas to lower density areas.

A congestion model is not relevant to point to point licences.

A population-based model is not relevant to point to point licences.

Question 16

Do these proposals promote transparency and ease in calculating taxes?

Answer 16

The current tax calculation method does provide transparency, however the high-density area tax rate is adversely high and does not promote competition between the transmission mediums.