

# Victorian Government submission to Australian Communications and Media Authority's *Expiring spectrum licences, stage 4 – Updated preliminary views on pricing*

March 2026

## Introduction

The Victorian Government (Victoria) does not support ACMA's preliminary views on pricing of state government 1800MHz radiofrequency spectrum (spectrum).

ACMA has proposed two pricing options for a renewed spectrum licence and a new apparatus licence. Neither option as proposed meets Victorian Government requirements for future rail use nor pricing reflecting its use for rail safety in the public interest.

Victoria's key concerns with ACMA's preliminary views on pricing are highlighted in more detail under the below headings. These views reflect the positions made through formal consultation meetings and recent Victorian submissions, which include:

- Expiring spectrum licence (ESL) review stage 1, 2, and 3
- Five-year spectrum outlook (FYSO) 2025-30.

This submission addresses the cross-agency considerations for the Victorian Government and has been produced with input from the Department of Government Services, Department of Transport and Planning, Victorian Rail Track Corporation (VicTrack), Department of Justice and Community Safety, and the Department of Treasury and Finance.

## Insufficient licence tenure

The Victorian Government submission to the ESL process have stated the State's openness to consider a spectrum licence or an alternative apparatus licence, provided the licence achieves key outcomes which include:

"Long-term (at least 20 years and preferably ongoing) guaranteed access to spectrum that allows Victoria to operate mission-critical rail communications"

ACMA proposes an 8- to 10-year term for both a spectrum and the alternative apparatus licence. For mission-critical infrastructure, Victoria needs 20 years of certainty to justify the billions of dollars required to build and maintain current and future mission-critical rail communications.

ACMA's rationale for a short tenure is because rail providers may be required to move to the 1900MHz band in the next 8 years. Consistent with its previous ESL submissions, Victoria holds the view that 1900MHz on its own is unproven and inadequate to support mission-critical communications.

Victoria's incumbent supplier has advised that its current GSM-R system is obsolete and ongoing support will be best endeavours post-2030. To manage this transition from GSM-R to FRMCS, investment in new systems needs to be committed in Financial Year 2026/27. This investment will have an operational life of approximately 20 years.

Victoria needs long-term certainty to make billion-dollar investment decisions for next generation FRMCS technology. Further delays in securing investment commitment due to lack of certainty from ACMA significantly increases the financial and operational risk to the State's public transport network.

## Apparatus licence uncertainty

In prior submissions to the ESL process the Victorian Government indicated openness to work with ACMA to develop a fit-for-purpose apparatus licence provided it delivered certain features. In addition to a 20-year term, these features included:

"Flexibility and ease of management that allows Victoria to adapt to change and adopt new and innovative technologies and applications"

"Conditions that allow the expansion of use for purposes including rail, transport and other state government services"

"Legislative protections, including interference protection"

To date, ACMA has not engaged with Victoria on the features of an apparatus licence in response to these key requirements. This includes the administrative requirements of an apparatus licence compared to current spectrum licensing arrangements.

For safety-critical systems, increased coordination complexity and reduced certainty materially undermine value for money.

Without confirmation of these features, the Victorian Government cannot make an informed decision about whether an apparatus licence is fit for purpose for essential service needs.

Earlier in the ESL process Victoria sought confirmation that the licensing of rail spectrum (regardless of licence type) captures the full 2x15MHz of 1800MHz currently used with the same pricing and conditions. Victoria requests that ACMA confirms this formally.

## ACMA's pricing approach

ACMA has acknowledged that spectrum use for rail safety systems is a public interest use, but its proposed approach to pricing does not reflect this.

ACMA's preference for an opportunity cost pricing methodology for essential state government services fails to incentivise efficient use for government and instead introduces unnecessary costs to the delivery essential public transport and other services.

Further, ACMA's proposed pricing approach for rail licensing does not provide a public interest price, especially when compared to previous arrangements which provided longer licence terms and greater certainty for rail spectrum users.

ACMA's opportunity cost pricing model may be effective tool for commercial users, but it should not be applied for public interest rail use for the following reasons (which are expanded in the sections below):

- ACMA's methodology for both apparatus and spectrum licences does not give adequate regard for public interest use.
- There is no realistic alternative frequency for rail spectrum.
- It is not appropriate to impose opportunity cost pricing on state governments' obligation to deliver safe public transport.
- The public interest is not served by a pricing model that ignores operational reality.

Victoria recommends that ACMA apply a cost recovery pricing methodology for the licensing of rail spectrum. ACMA should engage with state governments to ensure efficient use of spectrum without adding cost and uncertainty to the providers and planners of essential rail services.

## ACMA is not proposing public interest pricing for state government rail spectrum

ACMA's updated preliminary views on pricing of rail spectrum are reflected in Figure 1 and compare the annual rate for apparatus, spectrum and the previous spectrum licence paid by rail:

**Figure 1 – Comparison of previous and proposed pricing scenarios:**

Description	Single year rate	Guaranteed tenure
<b>Current adjusted price paid by rail providers inclusive of 50% discount</b>	\$0.0125/MHz/pop	13 years 45 days
<b>ACMA's preliminary pricing view – Rail spectrum licensing</b>	\$0.0307/MHz/pop	8 years
<b>ACMA's preliminary pricing view – Rail apparatus licensing</b>	\$0.005/MHz/pop	8 years

Whilst the apparatus price is nominally lower than the previous price paid, Victoria strongly rejects ACMA's view that 'the lower annual apparatus licence tax provides suitable incentive to transition to apparatus licensing and reflects the public benefit derived from rail communications without the requirement for further public interest discounts'.

As Figure 1 shows, ACMA proposes a shorter licence duration (8 years) compared to the previous licence (over 13 years). The shorter tenure negates the nominally lower price and fails to provide a real public interest price. ACMA further reduces the value of the spectrum by restricting its use to rail services.

ACMA has also not proposed any form of public interest pricing for a scenario where a spectrum licence is issued. It instead proposes that rail providers pay the same rate as commercial users. This is not consistent with the established principle of the non-commerciality of rail spectrum. This is because the previous pricing direction of the Minister for Communications in 2013 saw a 50 per cent discount applied in recognition of the public interest value of rail spectrum.

## **There is no realistic alternative frequency for rail spectrum**

Australia is a technology taker when it comes to communications technology, meaning state government rail providers are guided by international standards.

In Australia, current mission-critical rail communications can only be supported by 1800MHz spectrum using GSM-R technology. This investment requires state government rail operators to invest billions of dollars in capital, which places a significant barrier for a transition.

With no realistic alternative available and significant financial barriers to transition, ACMA charging an opportunity cost price has no influence on the State's utilisation of its spectrum allocations.

## **It is not appropriate to impose opportunity cost pricing on the state governments' obligation to deliver safe public transport**

As stated in previous ESL submissions, Melbourne's trains cannot operate train services without 1800MHz spectrum for Digital Train Radio System (DTRS). This is because availability of the DTRS is a component of Melbourne's train operator's Safety Management System. This is co-regulated with the Office of the National Rail Safety Regulator.

Unlike commercial users that can use less spectrum, the State's use of spectrum for safety is fixed, meaning it cannot simply use less spectrum to deliver a safe public transport rail network. Therefore, ACMA's opportunity cost price only increases the cost of compliance rather than changing usage behaviour.

## **The public interest is not well served by the proposed pricing model**

The Victorian Government considers that ACMA's preference to apply an opportunity cost pricing methodology acts against the public interest and places upwards pressure on the cost to deliver essential government services like rail.

This effectively acts as a "tax" on government service delivery and does not provide any effective market signals. It has a net zero gain as funds are moved from one government to another. However, it does encumber the provision of safety systems on public transport with an unnecessary cost.

Further the proposed pricing formula, which applies a spectrum cost based on the total metropolitan area population is arbitrary and entirely unrelated to the purpose and operational reality of providing a network that connects rail assets and employees. While revenue is correlated to population density for commercial users, rail spectrum is an input for safety, not revenue.

The size of the network including the number of users and devices more accurately represents its usage. The 5-6 million private citizens in Metropolitan Melbourne who cannot use the network are irrelevant to its operation and costs.

For practical purposes, the number of devices using the spectrum is a more appropriate basis for calculating licence costs. In Victoria the number of devices forming the rails safety network is in the range of 800-1000 devices. Applied spectrum pricing of this would give a more realistic cost and would allow the price to increase as usage of the network increases.

## Proposed next steps

The Victorian Government is prepared to work with ACMA, states and territories and rail stakeholders on a pricing approach that better reflects the public interest purpose, operational reality and planning and investment needs and rail spectrum use.