



SENATOR THE HON MITCH FIFIELD
MINISTER FOR COMMUNICATIONS
MINISTER FOR THE ARTS
MANAGER OF GOVERNMENT BUSINESS IN THE SENATE

Mr Richard Bean
Acting Chair
Australian Communications and Media Authority
PO Box Q500
Queen Victoria Building, NSW, 1230

Settings for an auction of unsold 700 MHz spectrum

Dear Mr ~~Bean~~ Richard

I am writing to update you on the Government's decision to sell all 2 x 15 MHz of the unsold 700 MHz spectrum by auction.

As you are aware, the Department of Communications and the Arts (the Department) publicly consulted on Vodafone Hutchison Australia's (VHA) proposal between 6 May and 10 June 2016. Submissions to the consultation process indicate strong market demand for the spectrum.

On this basis, I have decided to not proceed with a direct allocation of spectrum to VHA, and instead to move to an auction of all 2 x 15 MHz of the unsold 700 MHz spectrum. I am keen to provide industry with certainty on this allocation and anticipate an auction in early 2017.

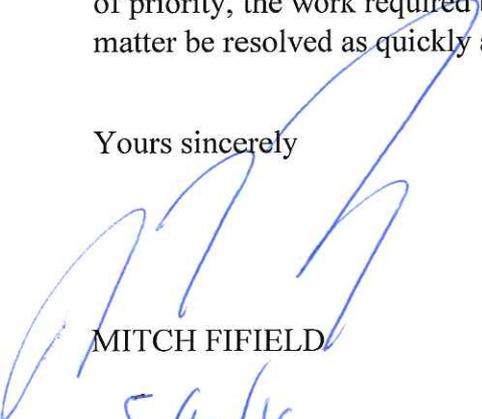
As early as November, I intend to direct the Australian Communications and Media Authority (ACMA) on a number of auction settings. I intend to direct the ACMA under section 14 of the *Australian Communications and Media Authority Act 2005*.

In particular, I am considering directing the ACMA to allow successful bidders to pay the balance of their winning bid in a manner consistent with the payment schedule outlined in the draft Ministerial direction to the ACMA on VHA's March 2016 proposal. That is, in three increments of 50 per cent, 25 per cent and 25 per cent of the total balance, payable in three consecutive years on 31 January 2018, 31 January 2019 and 31 January 2020. I am also considering directing the ACMA to apply a rate of five per cent on the deferred payments, to reflect the time value of money. This is not intended to preclude successful bidders making payments upfront.

I also intend to direct the ACMA on allocation limits under section 60 of the *Radiocommunications Act 1992*. I have requested advice from the Australian Competition and Consumer Commission (ACCC) to assist me to decide on appropriate allocation limits and inform my direction to the ACMA. I will also direct the ACMA on reserve price at that time.

I trust that this letter provides sufficient information for the ACMA to commence, as a matter of priority, the work required to conduct the auction. It is the Government's intention that this matter be resolved as quickly as possible to provide investment certainty to industry.

Yours sincerely



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5/10/16