

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 112

Topic: National Broadband Network

Hansard Page: E63-64 (03/06/2010)

Senator EGGLESTON asked:

Senator EGGLESTON—No; we take that point, then. We are still rather disappointed that there has been no cost-benefit analysis done, of course, and I think a lot of people would have liked to have seen something such as that done. I would now like to move on to the question of radio frequency spectrum. The budget has announced that we will be releasing a large amount of spectrum in coming years. How much is it estimated will be received from the auctioning of spectrum? Obviously this is for the digital economy and network.

Dr Kennedy—Yes—the digital switchover dividend, as it is being referred to. I will ask Mr Archer to correct me if I am wrong, but I think the government has announced its intention to target a 126 megahertz dividend. The valuation of that dividend would be a matter for Finance; we would not value that dividend. And it would be done in that way.

Senator EGGLESTON—So has any plan been developed relating to how this spectrum might be auctioned off? Obviously it is very valuable—

Dr Kennedy—Yes.

Senator EGGLESTON—and there will be many groups competing for it.

Dr Kennedy—Yes. It is an issue that is currently under consideration by government.

Senator EGGLESTON—And you are confident that you can maximise the returns to the taxpayer from this sale?

Mr R Murray—We were heavily involved in the earlier part of this where a lot of the issues were about how much spectrum could become available to be auctioned, and I think it is true to say that the outcome of that—the 126 megahertz—is very similar, both in size and positioning on the spectrum, to the United States, and is a particularly good outcome.

Dr Kennedy—In fact I think it is a little larger, Senator, than digital dividends that have been generated in other countries. So, from the perspective of the amount of dividend to be auctioned, made available down the track, that is a good outcome. But the government is still considering all the final processes around that.

Senator EGGLESTON—Do you want to tell us anything about how the United States auctioned off this spectrum? Was there anything particularly different, interesting or innovative about what was done there?

Dr Kennedy—No. I mean, the department of broadband and communications could talk to you about those issues, and Finance may also know about some of those issues,

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but, just from memory, as Mr Murray was alluding to, a 126 megahertz dividend, if you like, is a very useful piece of spectrum, in part—and, again, we are not experts on these issues, as for the NBN—because it allows the potential for that dividend to be used very efficiently by people who may wish to use it.

Mr R Murray—There are lessons, apparently, that have come out of various auctions around the world, and we certainly should be taking those into account.

Senator EGGLESTON—What other countries have auctioned their digital spectrum? I suppose the UK, France—

Mr R Murray—You are stretching my memory now!

Senator EGGLESTON—It is a very contemporary matter, of course.

Dr Kennedy—Yes.

Mr R Murray—Indeed.

Dr Kennedy—It is—we are in the midst of digital switchover, so yes. Switchover has occurred in the US and—

Mr Archer—The UK.

Dr Kennedy—the UK. As to the spectrum auction processes, I cannot tell you. I would be happy to take it on notice and follow it up for you.

Answer:

The United States of America (USA) auctioned its digital dividend spectrum in the first quarter of 2008. The spectrum was in the frequency range 698-806 MHz. The auction concluded with 1090 provisionally winning bids covering 1091 licenses and totalling \$US19.6 billion.

Germany auctioned its digital dividend spectrum in the second quarter of 2010. The spectrum was in the frequency range 790-862 MHz and was auctioned as part of an auction of spectrum across four frequency bands (the other three bands were 1.8 GHz, 2.0 GHz and 2.6 GHz). The auction raised €4.4 billion in total, with the digital dividend spectrum accounting for around €3.5 billion of this.

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The United Kingdom has determined that it will auction 128MHz of spectrum, across two bands, when it realises its digital dividend. The upper band is aligned with other European nations (790-862MHz), while the lower band is 550-606 MHz. The UK regulator (Ofcom) is currently consulting with stakeholders on the structure and potential uses of the spectrum. Ofcom is aiming to award the spectrum so that new licence holders are in place prior to the completion of digital switchover in late 2012.

The Australian Government aims to auction digital dividend spectrum in the second half of 2012. On 24 June 2010, the Australian Communications and Media Authority (ACMA) announced its intention to consult with potential spectrum purchasers on the configuration and allocation of digital dividend spectrum.