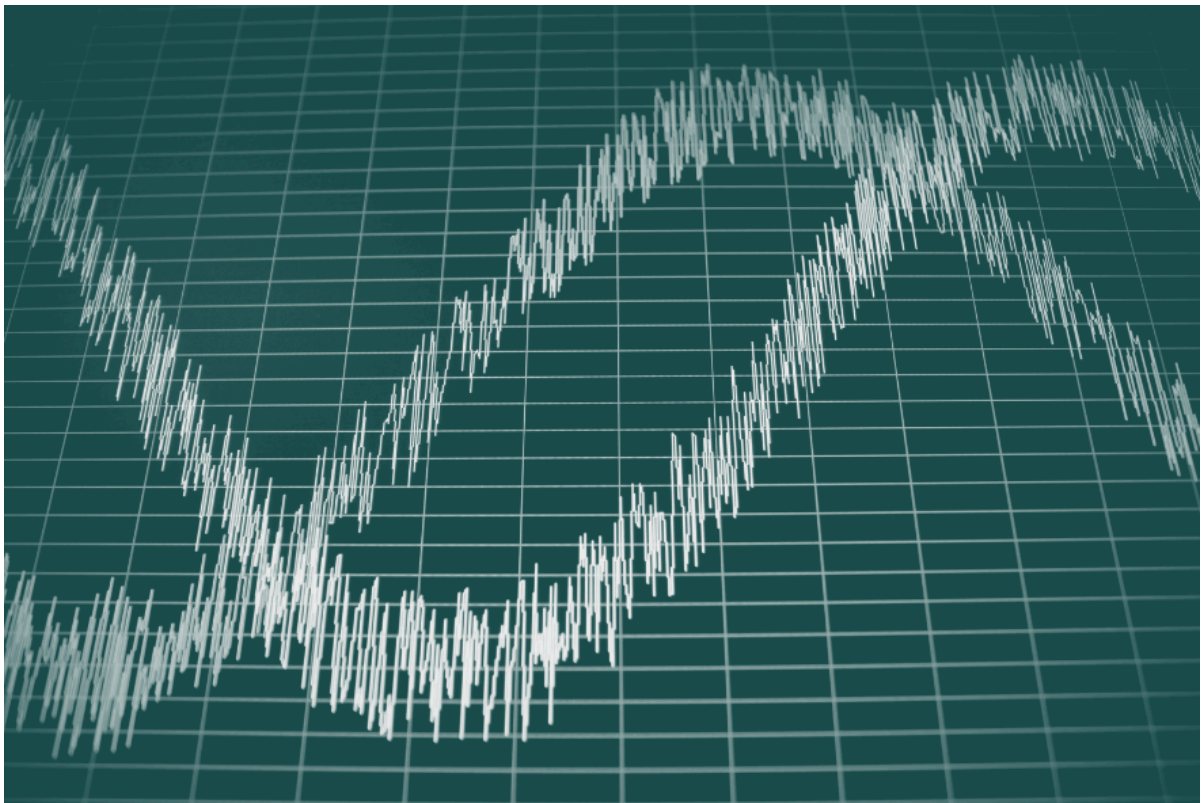


BRIEF: Australia's 600MHz digital spectrum dividend process has years to run

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TLDR version: This week, the Australian Minister for Communications announced an “exploration” of future broadcasting arrangements, including the future of the 600MHz UHF band. (New Zealand already plans a process to consider TV migration to online platforms, but we still know little about it). Recent work by the UK regulator Ofcom gives some clues how this might develop. However, a delayed release of 600MHz spectrum to the telecommunications industry is a blessing in disguise, since it will delay a major capital expenditure at a time of low returns to investment.

Future of UHF spectrum in the spotlight again

The Minister for Communications foreshadowed a policy process to examine the future of television in Australia this week at the annual RadComms Conference run by the ACMA. This will include consideration of the future of UHF TV broadcast spectrum in the 600MHz band.

The process is still at an early stage. The Minister for Communications announced that a Discussion Paper on the relevant issues would be launched in early 2025. At that point, we will see how the Government proposes to approach the issue.

The reforming of 600MHz spectrum was mooted in the 2020 Media Reform Green paper, but while that process generated a significant number of industry submissions, it generated little action. The reason is that spectrum considerations cannot be separated from wider considerations about the future of the FTA TV industry, and of terrestrial broadcasting specifically. So far, little policy development has occurred. (Subscribers can read our assessment of the process in our 2021 report “[Green Paper media reform: a new agenda takes shape](#)”).

The 2020 Green Paper envisioned a consolidation of TV broadcasting on a subsegment of the current UHF TV allocation, releasing up to 84MHz of spectrum for mobile communications.

Ofcom examines future of TV distribution

The UK Department of Digital, Culture, Media and Sports (DCMS) has already launched an April 2022 White Paper, ‘Up next - the government’s vision for the broadcasting sector’. It also asked Ofcom to undertake an early review of market changes that may affect the future of content distribution on digital terrestrial television (DTT) and other distribution platforms (including satellite).

In May 2024 the Ofcom released an “early market report” titled “[The Future of TV Distribution](#)”. The report reviews trends in broadcast and online viewing of FTA TV service, and draws several conclusions.

First, Ofcom concludes that access to FTA services remains important, and the challenge is to identify and implement new industry arrangements that ensure that accessibility is preserved as distribution technology shifts. Continued evolution of viewing habits will occur over the next decade, with further shifts to online viewing. However, this process will be faster for some than others. This points to a key issue: the emergence of a “tail” of viewers

who remain committed to the broadcast platform, and whose needs must be accommodated.

Within the industry, the consensus in the broadcasting industry that DTT should continue indefinitely has broken, and there are three broad approaches to the future of DTT:

- Investment in a more efficient DTT service – a more efficient, but full DTT service could be an option if audience scale and investment could be sustained over the 2030s.
- Reducing DTT to a “night light” service – the DTT platform could retain a minimum number of core channels – for example the main public service and news channels.
- Move towards full DTT switch-off in the longer term – a planned campaign to ensure people are confident and connected with internet services, so DTT could be switched off.

Any of these options could result in a release of low-band spectrum, some more than others. But the report also notes some significant barriers to any final switch-off of DTT. First, there are still significant numbers of households without broadband connections. And second there is a need for accessible and usable IPTV interfaces to enable wide-scale adoption.

In any event, the report concludes that these issues cannot be resolved without cross-sector coordination involving broadcasters, telcos, and the government. This brings us back to the Australian Minister’s announcement of this week, which is a move to generate this kind of cross-sectoral process.

Why does this matter?

What light does this shed on possibilities in Australia? First, it’s important to note some features of the Australian market that are relevant.

First, a stubborn minority of Australian households still lack a fixed broadband connection. This is around 15% of households and this number has barely shifted in the last decade. The challenge of connecting these households to support BVOD would ultimately fall on the telecommunications industry.

Second, there is good evidence of a tail of viewers in Australia who remain on the broadcast platform. BVOD reach has grown significantly in the last 12 months (subscribers can read our media comment this week “FTA TV’s FY24 viewing data bucks the narrative of decline”). However, 26% of households in 2024 currently never use BVOD, according to our consumer survey. This number will fall, but it cannot fall below the 15% of households who have no fixed broadband.

Third, Australia is an island continent, and is therefore more reliant on the broadcast platform. This reliance has reduced with the rollout of the NBN. However, there remain significant issues about access to communications in disaster situations, where broadcast technology shines. These were regarded as significant issues in the UK, and they are even more significant in Australia.

These issues will be hard to disentangle and resolve. The result is that no early release of 600MHz spectrum can be expected. Realistically, this will not happen until the end of the decade - at the earliest.

However, that is not all bad news. The real bottleneck for mobile rollout in Australia is not spectrum access, but weak demand and limited monetisation of 5G investments. This is suppressing returns on telecommunications invested capital (see our subscriber report [“Five-Year Telecommunications Industry Outlook 2024”](#)).

Prospects for mobile are looking better over the next three years, partly due to rising prices that are generating higher ARPUs. But another reason for those improving returns is that no major spectrum expenditures are expected for several years. Any auction of 600MHz spectrum will undoubtedly be designed to extract the maximum possible revenue for the Government, in the billion dollar range. The Government will probably use some of this revenue to fund structural change in the broadcasting industry, so they will be looking for the highest sale price possible.

Right now, this is a capital investment the industry does not need, and one that they would struggle to monetise. In these conditions, a delayed process towards a digital spectrum dividend is a blessing in disguise.

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