



Additional information—700 MHz spectrum

The ACMA has a publicly-available model that it uses for adjusting prices for shorter licence terms. This model is available in the [Explanatory Statement to the Radiocommunications \(Spectrum Access Charges - 1800 MHz Band\) Determination 2014](#).

Calculations in the draft Ministerial direction are based on this model and value an 11.75 year licence of the spectrum at between \$527.9 million and \$572 million, with a mid-point of \$549.9 million.

Truncation approach	Approach A	Approach B
15-year valuation (=FPV)	\$1.36/MHz/pop	\$1.36/MHz/pop
“Cashflow tilt” (z)	2.5%	2.5%
Post-tax WACC (r)	8.4%	8.4%
Length of first part-period	11.75421 years	3.24579 years
Length of second part-period	3.24579 years	11.75421 years
Unit valuations (\$/MHz/pop)	\$1.15	\$1.25
Population (as per Digital Dividend Auction)	22,872,578	22,872,578
Aggregate valuations (\$m)	\$527.9	\$572.0

Valuation of shorter licence periods

The licences are re-valued for shorter licence periods to reflect how underlying cashflows might evolve across the full (15 year) licence period. Relevant cashflows are then discounted over the shorter licence period (using an indicative post-tax WACC).

The ACMA has previously used the logic of tilted annuities to construct indicative cashflows over the entire licence period (i.e. 15 years) that reflect the NPV of the full licence period valuation (\$1.36/MHz/pop in this context). The cashflows relating to years outside the shortened licence period are then excluded in the re-valuation to create indicative cashflows.

Rationale for the relevant values of the component parameters

- The post-tax WACC applied in these estimates is based on that applied by the ACCC in its 2007 mobile terminating access service (MTAS) decision. This should be viewed as a representative WACC estimate consistent with the highest value use for relevant spectrum in the provision of mobile voice and data services.
- The cashflow tilt is based on expected long-term population growth; expected mobile penetration; expected growth in the average revenue per user (ARPU); and expected growth in mobile data applications.
- The part-period durations are based on a licence start-date of 1 April 2018 and an expiry date of 31 December 2029 (the same expiry date as those licences auction in the 2013 digital dividend auction).