

1 December 2016

Introduction

The Remote Area Planning and Development (RAPAD) is the economic development organisation owned by and representing seven local government areas in Central West Queensland. The 12,500 residents reside in the Central West Queensland rural and remote region face a raft of infrastructure issues. Improving digital infrastructure enables greater connectivity and flexibility for business and enhances the societal environment. RAPAD is concerned that governments have failed to give adequate priority to digital infrastructure necessary to deliver communication (voice, mobile and data) in rural and remote regions. Over several years RAPAD has documented these concerns and submitted detailed responses to the government telecommunications papers. Recently in its submission to the Telecommunications Universal Service Obligation (USO) Issues Paper RAPAD identified issues relevant from a rural and remote prospective.

A rural and remote prospective

RAPAD takes into account the long-term interests of rural and remote end users throughout this submission to the Domestic Mobile Roaming Declaration Inquiry 2016. Regional towns vary significantly in size, many being able to support infrastructure by 3 MNOs, whereas rural and remote areas have difficulty making a business case for a single mobile tower.

Competition and monopoly markets.

Without question Telstra has the most mobile infrastructure assets in rural and remote Australia, Optus has some coverage, recently announcing expansion of its coverage area using satellite backhaul and Vodafone has limited assets. All Mobile Network Operators (MNO) acknowledge the challenges in expanding digital infrastructure (backhaul to the core mobile network, usually located in capital cities, commercial power, tower infrastructure) in rural and remote areas. Telstra has legacy infrastructure and it is best placed to incrementally upgrade to push its mobile network further into the rural and remote land mass.

RAPAD estimates that Telstra has near monopoly market share in remote areas and greater than 92% in rural areas. Monopoly markets exhibit certain barriers to entry characteristics, and in the mobile environment backhaul infrastructure to the core mobile network or access to backhaul infrastructure at a rate that encourages competition, is a major hurdle.

However, RAPAD argues that rural and remote markets may be most efficiently served by a single mobile infrastructure. But the ACCC should commit considerable energy into addressing how to expand mobile infrastructure in the rural and remote market, when it is acknowledged by all MNOs, that construction of mobile base stations cannot be supported by a positive business case. Each remote mobile base station is estimated to cost \$1M (average), plus backhaul costs (up to \$6M) and opex of \$20K-\$30K pa.

In its assessment of the market the ACCC should segment the mobile market, identifying those markets where competition operates efficiently and those markets exhibiting natural monopoly and are not efficient. All MNOs acknowledge low populations and large

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geographic rural and remote regions, means MNOs are unable to create a commercial business case for mobile infrastructure expansion. One MNO went further to declare that individual remote base revenues would have difficulty recouping the opex expenditure. Metropolitan revenues have limited leveraging power.

RAPAD calls on the ACCC to recognise that in rural and remote Australia market failure exists and a natural mobile monopoly exists.

Government responsibility

RAPAD supports the principle that where market failure exists it is the role of government to intervene by funding the required infrastructure. In varying ways, governments fund road, rail, water (plus other) infrastructure in rural and remote regions, however it appears to apply differential thinking for digital infrastructure. Pastoral and agricultural activity in rural and remote Australia makes an important GDP contribution to the national economy. In today's global economy, access to online information is vital for business competitiveness as is implementation of new farming techniques, farm management practices, or using sensors (or other Internet of Things technology) to improve yield. Failure by government to develop an appropriate and sustainable rural and remote digital investment program will disadvantage these regions resulting in financial, sustainability and lifestyle loss.

RAPAD calls for the government to address the inequity of mobile competition in rural and remote Australia and treats these low population areas as specific regions. Appropriate government responses may include commercial arrangements, market intervention, or investment.

RAPAD recognises the Mobile Blackspot program has delivered new mobile coverage. However remote Australia still has large unconnected mobile areas (e.g. transport corridors and small towns). The program design requiring local and state governments or communities and industry to fund mobile expansion needs to be rethought as difficult to connect rural and remote communities seek coverage. These areas require expensive infrastructure and placing the burden on those least able to contribute yet demanding a contribution to be considered for program funding fails to recognise the market failure responsibility of government to step in and fund vital digital infrastructure.

Attempts by the government to introduce competition in its various mobile programs has produced little results. Colocation appears rare, domestic transmission capacity service received a final determination in April 2016 (Vodafone claims competitors were paying 5x fair price) and the option to leverage nbnco assets a late market option.

RAPAD calls for a re-think of government policy and programs to address digital (soft and hard) infrastructure shortfalls in rural and remote Australia before the rural and remote digital disadvantage widens.

In discussions with MNOs, coverage appears to be the pinnacle of their competitive advantage. For the consumer, this is disappointing as elements of the product mix (pricing, product packages, billing options) and customer service give way to one competitive position, coverage.

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The low population density and massive land area in rural and remote Australia negates the case for mobile infrastructure competition. Mobile roaming is a solution for those businesses and residents to access competitive mobile services. Telstra has the network reach and capacity to be the declared rural and remote mobile carrier.

Matters for ACCC Consideration.

However, it is not a simple matter to declare mobile roaming. Numerous factors need to be considered.

1. Telstra, as a corporation, should not be disadvantaged should it be required to give competitors access to its network.

Telstra maintains it continues to invest in rural and remote Australia and its recent announcement to dedicate 15% of mobile investment to 2% of the country (rural and remote Australia) is testament to its commitment. Telstra receives the bulk of the Mobile Blackspot program funding. If mobile roaming was declared Telstra states it would be a disincentive for it to continue its rural and remote investment plans and places those plans at risk. There is no denying Telstra has the best rural and remote mobile network.

2. Telstra shareholder should not be exposed to share value loss as a result of mobile roaming.

If mobile roaming were to be declared the terms and conditions of the declaration should be such that the risk to reduction in shareholder value is negated. It would be unfair for the shareholders to experience reduced value due to government intervention in the market.

3. Mobile coverage is identified by MNOs as a significant service differentiator. Post mobile roaming declaration how will coverage expansion be achieved.

Telstra has consistently marketed its service has Australia's best coverage. As discussed rural and remote Australia is a natural monopoly and Telstra is the dominate infrastructure owner. Telstra also argues that every MNO has had an equal opportunity to invest in rural and remote infrastructure and whereas it has invested the others have not. RAPAD asks that the ACCC fully investigates restricting declaration of mobile roaming to rural and remote areas, and analyses how additional coverage areas be justified and funded.

4. Mobile Roaming Services

The ability of users to connect and be satisfied with a roaming service will be significantly affected by the definition of the service. The service must include voice, text and data. The product mix is also a major issue. MNOs (or MVNOs) should not be allowed to restrict the data plans offered in a roaming environment thereby (effectively) segmenting the market products dependant on coverage. RAPAD does not support product differentiation in roaming areas. MNOs owning the

infrastructure delivering the roaming service must support the full range of plans being offered by those MNOs seeking roaming access and not be allowed to pick and choose the competitors product offering allowed access.

If a case is mounted for restriction on data plans any such restriction must be linked to the average data consumption by Australian mobile users and include an automatic yearly adjustment as consumption averages rise. MNOs are offering un-metered data calls (e.g. music, live football) and these products should not be excluded where roaming is declared.

RAPAD is aware one MNO restricts MVNO coverage in some areas where the public has funded coverage expansion. The ACCC must look at all aspects of access, across multiple markets, if roaming is declared.

In overseas regimes MNOs seeking access to mobile roaming have had to commit to a level of investment and expand their infrastructure. A similar Australian scheme maybe a source of funds to contribute to an increase in rural and remote mobile infrastructure expansion.

Why should rural and remote mobile end users be denied a choice of mobile carrier is a question the ACCC must address as part of its consideration. Currently in most areas Telstra is the monopoly supplier, and its pricing plans carry a premium price. What options are there that offer competition and price competitiveness to match the long term interests of rural and remote mobile end users?

Technology neutral

Any attempt to restrict roaming access to a specific technology platform should be strenuously resisted. With 5G mobiles on the horizon the speed and performance of mobile networks is expected to change dramatically. Other technologies may be economically and technically suitable for mobile access in rural and remote areas making it vital a mobile roaming regime is not tied to nominated technology platforms.

5. National price plans

MNOs mobile plan options are available without consideration of place (national price plans). An ACCC declared mobile roaming in rural and remote areas must include the condition that mobile plans are nationally available and any attempt to introduce a coverage area surcharge must be denied.

RAPAD would be pleased to engage with the ACCC in greater discussion on the needs and aspiration of those in rural and remote Australia to be digitally connected.

If you require any further information, please contact me on 07 4652 5600.

Yours sincerely



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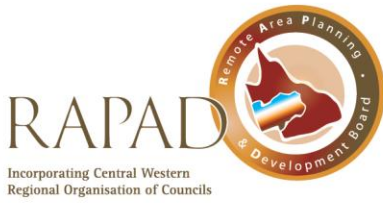
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