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Regional Connectivity Program

Round 2 Grant Opportunity Draft Guidelines

October 2021

Response by Pivotel

PIVOTEL.COM.AU

As a previous participant of the Regional Connectivity Program (RCP) Round 1 and with a dedicated focus on the digital connectivity needs of regional, rural and remote Australians, Pivotel welcomes the opportunity to comment on the RCP Round 2 draft guidelines.

CONTEXTUAL STATEMENT

- Pivotel is an Australian owned and operated company, is a licenced mobile carrier and is the only Australian carrier with direct connection to all four major mobile satellite networks: Iridium, Inmarsat, Thuraya and Globalstar.

- Pivotel employs over 145 staff predominantly in Australia, with Australian offices located on the Gold Coast, Brisbane, Sydney, Melbourne, Dubbo and Perth. In regional Australia Pivotel supports over 150 dealers and 50 value added resellers.

- Pivotel is well placed to play a unique and relevant role in improving coverage and bringing innovation to regional and remote parts of Australia. Our 4G / LTE mobile network, marketed as ecoSphere®, can cost effectively deliver wide area mobile coverage to remote communities, mining, agriculture and pastoral properties using satellite or terrestrial backhaul, using innovative small cell technology and a unique network architecture.

- Pivotel's experience demonstrates that a dynamic and flexible approach is required to deliver digital connectivity to Australia's unique and geographically dispersed population providing more targeted and innovative approaches, which are required to service these low population density areas and more challenging locations.

- As a mobile operator focussed purely on regional and remote Australia, we have observed that remote community communication needs are constantly evolving. Pivotel works collaboratively with all stakeholders including Commonwealth, State / Territory and local governments, local stakeholders and associations, to deliver digital connectivity to the regional, rural and remote communities in new and innovative ways.

Pivotel's comments and feedback

It is a well-known fact that two thirds of Australia's land mass does not have the privilege of having access to fast and reliable terrestrial broadband connectivity (mobile or fixed), resulting in a lack of digital access enabling the adoption of new technologies that improve not only our quality of life, but has the ability to improve productivity and workforce capability driving higher yields at lower costs, deliver e-education, e-health, improved health and safety outcomes and connectivity during natural disasters.

The recently published Agri-tech Expert Working Group (AEWG) report, commissioned by the DTIRDC and prepared on behalf of the Australian Broadband Advisory Council (ABAC)[1], provided some useful insights into the issue of inadequate digital connectivity for regional and remote users. "The main finding of our discussions is that across the country, beneath the broad brush strokes of mobile coverage and National Broadband Network (NBN) fixed and wireless networks, there are localised connectivity gaps on, across and between farms. We have called this patchiness 'salt and pepper connectivity'".

It goes on to say "National carriers may continue to be the primary providers of connectivity in rural Australia, but their focus – in terms of both technology and business outcomes – is on serving premises and 'people on the move' along transport corridors. It is not reasonable to expect that the national carrier business models, even with stepped up 'push-pull' approaches from government, will solve what is essentially a local scale problem. As a result, what we have seen is the emergence of alternative approaches in the market, including farmers installing bespoke solutions, as well as a cohort of second tier retail service providers (RSPs) who are filling in the salt and pepper.

A range of Small and Medium Enterprises across the country are deploying connectivity solutions at a fraction of the cost of the main carriers. Some of these small networks operate as substitutes for the carrier network, others extend the range of the carrier networks. A cohort of Australian and international companies offering Low Earth Orbit (LEO) satellite communication solutions is also emerging. These solutions range from low cost narrowband Internet of Things (IoT) technology, to 'always on' broadband coverage."

Pivotel falls into this camp of second tier RSPs, with the proven ability to build mobile networks, connected via fibre backhaul, and / or existing and emerging LEO / MEO satellites, delivering broadband connectivity exclusively focussed on regional and remote communities. Commonwealth funding programs like the RCP with the "objective of Round 2 of the Program is to use a place-based approach to target telecommunications infrastructure investment that will respond to local priorities and maximise economic opportunities and social benefits for regional communities and businesses" are well placed to help close the digital divide between metropolitan and regional / remote areas, as highlighted in the AEWG report.

It has been a feature of past Commonwealth government programs that the majority of grant funding has been issued to incumbent operators (three quarters of MBSP funding to Telstra, two thirds of RCP Round 1 funding issued to Telstra and NBN projects), effectively extending their footprint and technology in more populated places and reducing the level of competition, despite the emergence of new and innovative providers who are ideally placed to deliver more targeted

[1] https://www.infrastructure.gov.au/department/media/publications/agri-tech-expert-working-group-june-2021

solutions, better able to reach areas of little interest to incumbents more cost effectively and through a more focussed strategy and association with local stakeholders.

As highlighted in the AEWG report, incumbent mobile network operators are focussed on the provision of connectivity to townships and major roads, providing limited or no coverage at the homestead and across the broader rural property. Their business models do not support broad area coverage of remote communities and rural properties.

Additionally, through its discussions with regional stakeholders, Pivotel is aware of many areas that may show demonstrable 4G coverage in a particular area per a provider's coverage maps, only to be told by local users, the network claims and speeds are unstable and/or inferior to what is being claimed. These areas should therefore be included as eligible areas delivering improved connectivity and economic and social benefits to these underserved areas as envisaged under the program.

Participation in government grant programs such as the RCP is extremely time and resource intensive, requiring responses to discussion papers and guidelines, extensive local engagement, seeking of co-funding and approvals from local and state governments, completing detailed submissions etc. Smaller providers don't have access to large teams and resources that the incumbent providers do, and participation in these programs comes with a substantial opportunity cost, particularly where well considered projects are rejected in favour of large incumbent projects.

Around 88% of RCP 1 funding was limited to 3 providers, with 67% issued to the aforementioned Telstra and NBN (including associated projects), with Field Solutions Group (FSG) also receiving substantial funding of $22m for 15 projects for Fixed Wireless Access (FWA) solutions. Whilst it is encouraging to see providers such as FSG receive funding, there are a number of other smaller players who are well placed to cost effectively service communities and properties beyond the network boundaries of the incumbents.

Whilst FWA is able to deliver high speed connectivity to directly to homesteads, mobile networks have the advantage of being able to deliver a combination of high speed broadband service to a fixed premise (i.e. broadband to the home) with the added benefit of broad area mobile broadband for connecting handheld and tablet devices, as well as sensors and monitors for IOT access and imagery. More remote areas are typically limited to satellite backhaul which are characterised by slower speed and latency, although this is changing with the recent launches of LEO and MEO satellite constellations that will enable high speed backhaul access to very remote areas with substantially improved bandwidth and latency (see Appendix for more details).

Recommendations

As highlighted above and in the attached Appendix, Pivotel is ideally suited to help deliver place based, regional and remote digital connectivity solutions through its cost effective and innovate ecoSphere® network approach.

Pivotel is very interested in working collaboratively with all stakeholders including Commonwealth, State / Territory and local governments, local stakeholders and organisations, to deliver digital connectivity to these regional and remote communities in new and innovative ways.

Pivotel's specific areas of feedback are:

1. Capitalisation of backhaul costs: We note the current RCP Round 2 draft guidelines make no comment on the capitalisation of backhaul costs. As previously mentioned backhaul is an essential input and major contributor to overall costs of delivering connectivity in regional and remote areas. For example, during Round 1 of the RCP, Pivotel prepared a proposal to provide mobile connectivity to 4 indigenous communities in the Northern Territory using NBN Business Satellite as a backhaul solution. Over 7 years the satellite backhaul contributed 4-5 times the cost of the infrastructure, rendering the solution uneconomic without the ability to capitalise the backhaul costs.

   Providers seeking to deliver place-based connectivity for smaller communities that are far removed from larger regional centres face a far bigger challenge to access sufficient bandwidth and cost effective backhaul. Over the next 12-18 months LEO and MEO satellite solutions are predicted to bridge this technology gap and will be an integral part in solving regional and remote connectivity challenges as they will deliver speed and latency similar to that experienced in metropolitan areas.

   Pivotel notes that the Commonwealth MBSP does allow the capitalisation of backhaul costs as follows "In addition to upfront Capital Costs related to the installation and deployment of Backhaul (such as Special Linkage Charges), the capitalised net present value (using a discount rate equivalent to the 10-year Treasury Bond Rate applied at the date of the application) of Operational Costs relating to leased optical fibre, microwave, or satellite Backhaul over the minimum Operational Period of a solution may be included in the estimated Asset Capital Cost of building the solution. These capitalised Operational Costs for Backhaul must be clearly identified separately in the application". The principles for supplying remote connectivity, and the availability and costs of backhaul, are the same across both the RCP and the MBSP and it would make logical sense to allow the capitalisation of backhaul costs to be included under the RCP and include the same clause as per the MBSP.

   Pivotel therefore considers the capitalisation of backhaul, in particular satellite backhaul, essential to enabling delivery of remote community network solutions as envisaged under the RCP.

2. Timeframe for completing submissions: The closing date and time references "8 weeks after opening". Eight weeks is practically insufficient time to finalise a grant submission of this magnitude. This is further impacted by the pending Christmas and New Year breaks where most people will be seeking a well-earned break after a challenging year. COVID is also still impacting interstate travel and adding additional disruption.

The actual process for completing a grant application is extremely resource intensive requiring identification of appropriate area(s) that qualify, in depth engagement with local communities, stakeholder groups and associations, in addition to state and local government engagement and completion of grant applications to secure agreement for co-funding and in kind contributions, as well as the detailed submission required for the RCP 2 grant application itself.

The first round of the RCP had an initial response timeframe of 12 weeks, from 28 July 2020 to 20 October 2020, which was then extended by a further 4 weeks to 17 November, providing a total timeframe of 16 weeks to submit applications. With the current COVID impacts on travel and the pending Christmas / New Year breaks a time frame of 16 weeks would be considered an absolute minimum timeframe to submit applications after the final guidelines are released.

3. Enhanced focus on innovative solution targeting placed based communities : As highlighted in the comments and feedback section, the RCP is ideally suited to support and encourage targeted and place based broadband with innovative and cost effective solutions delivering digital connectivity to these harder to reach places as opposed to extending incumbent networks.

4. Project Period: We note the requirement to have all funded projects completed by 30 June 2023. Pivotel would like to ensure that a minimum timeframe of 12 months is provided after final grant agreement has been executed which would require the grant agreements to be signed by 30 June 2022 at the latest.

Pivotel is looking forward to participating in this round of the RCP and working collaboratively with the Department and other stakeholders to deliver 'place-based' targeted connectivity to help bridge the digital divide and maximising economic and social benefits for regional and remote communities and businesses.

For any questions in relation to this submission please contact:

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