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## **TELSTRA CORPORATION LIMITED**

### **Telstra response to the Regional Connectivity Program – Round 2 Grant Opportunity Draft Guidelines**

**29 October 2021**



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## Introduction

Telstra and Amplitel welcome the opportunity to respond to the Regional Connectivity Program (RCP) – Round 2 Grant Opportunity Draft Guidelines (hereafter the 'draft guidelines').

Co-investment programs such as the RCP, in addition to other initiatives like the Mobile Black Spot Program (MBSP), play an important role in extending and improving telecommunications infrastructure and end-user experiences in areas that are not economically viable for mobile network operators (MNOs) and/or mobile network infrastructure providers (MNIPs) to invest in.

In addition to our own direct investments, Telstra, as part of our ongoing commitment to investing in new technologies for regional Australia, has made significant contributions to Commonwealth co-investment programs in recent years, often with the support of State governments.

In the two tranches of RCP1, Telstra was the only major mobile provider to win projects and commit funding to improve services. We will deliver 72 projects under RCP1 and we are contributing \$24 million of our own funds to these projects.

In the Federal Government's MBSP, after this latest supplement to Round 5, and once all five rounds of the MBSP are completed, Telstra will have invested up to \$300 million and built around 930 new sites to improve coverage for regional areas around the country – more than two thirds of the total 1296 sites co-funded by Government under the Program since 2015.

Rolling out, maintaining, and upgrading telecommunications technology in regional and rural Australia, particularly in remote areas, is expensive and far from simple. We don't invest in regional connectivity because we have to, or to meet any regulatory obligations — we do it for our customers so they know when they are with Telstra, they are getting the best possible mobile experience they can get. Through our network of on-the-ground regional advisers, and close relationships with regional community and stakeholder groups, we have the capacity to identify opportunities and develop tailored proposals for new or improved telecommunications infrastructure.

## Telstra will partner with Amplitel for RCP2

Telstra is excited to introduce Amplitel as a partner for this opportunity. Amplitel is the largest passive or physical mobile tower infrastructure provider in Australia, operating over 8,000 towers, masts, large poles, and other structures. The mandate for Amplitel is to open up the existing assets for colocation by MNOs and other third parties and to develop new assets to support colocation. Amplitel is well placed to aggregate demand from Telstra and other MNOs while maintaining confidentiality. In addition, Amplitel operates over 2,000 structures nationally in rural and remote locations that do not currently have any 4G or 5G equipment installed that may be used for coverage purposes.

Amplitel is ideally placed to aggregate industry demand from all operators across these locations resulting in lower ongoing costs for all parties. Partial government subsidy of establishment costs and passive infrastructure sharing is an effective way to meet the program objectives and to encourage competition. Amplitel intends to provision the passive infrastructure for multiple customer installations in areas where current and future demand is expected.

This exciting new development is consistent with the objectives of the RCP2 initiative.

## Response to RCP Round 2 Guidelines

Overall, we consider the draft guidelines to be well designed. In particular, they provide considerable scope for MNOs and MNIPs to develop a variety of new and innovative solutions for the provision of improved telecommunication experiences. We also welcome the strong focus on the economic and social benefits of potential solutions in addition to having community support for proposals that are put forward.



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## Areas where further consideration may be required to support participation

We have identified two areas where there may be scope for revisiting provisions in order to better encourage participation in RCP2 for the benefit of regional Australians. This relates to addressing the economic barriers for investment in regional and remote areas, which does impact the commercial viability for MNOs and MNIPs to participate, and the second relates to the timeframe given to making bids.

### *Exclusion of operational costs as an eligible expense*

As noted above, co-investment programs are generally focussed on areas and project solutions where there are poor economic incentives for investment by MNO's or MNIP's. Unfortunately, these incentives tend to drop away across successive rounds of co-investment activity as the projects with the greatest commercial appeal are prioritised and funded to deliver improved connectivity to regional and remote areas, particularly where it is less commercially viable. It is timely that Government programs, including the RCP2 funding guidelines, allow for the inclusion of operational costs.

In making this recommendation we note that there is precedent for this. The MBSP Round 5A guidelines allowed funding to be sought for the capitalised costs of backhaul over the operational period of funded solutions, regardless of the backhaul technology used. Similarly, in the recent 'Connecting Victoria Mobile Program' there was also provision for operational costs relating to leased optical fibre, microwave or satellite backhaul to be included (and clearly identified) in the estimated capital costs of proposed solutions (potentially for a period less than the funded operational period, dependent on site commerciality).

An important contextual point relevant to allowing operational costs to be included is the increasing emergence of MNIP's, such as our partner for this opportunity Amplitel. MNIP's have a different business model from MNO's, and instead of seeking capital contributions towards new site builds they may in some cases prefer self-funding with tenancy commitments (across cost areas such as transmission backhaul, tower space rental and hybrid diesel/solar run costs) that are supported by program co-contributions. On balance this approach could be more efficient from both a co-contribution and community outcome perspective, enabling more solutions to be brought forward for consideration than what may otherwise be the case.

A further extension of allowing operational costs to be included would be increased capability for smaller providers to put forward solutions that make use of existing infrastructure – for example, Wireless Internet Service Providers (**WISPs**) generally lease backhaul, so allowing for contributions towards this expense could also help to support their participation in RCP2.

### *Proposed 8-week application period is too short*

We note that the first page of the draft guidelines indicates the closing time for program applications will be "8 weeks after opening". In our view this proposed timing will be extremely challenging, mainly due to the need for community engagement to identify supported candidate projects before those projects in turn are subject to detailed planning and costing analysis. It is also important that appropriate time is spent understanding and identifying the socio-economic benefits of a project before submitting, given the requirement for this in the assessment process. We submit that an application period of 12 weeks minimum is a more appropriate window for the development and lodgement of high-quality proposals, that include the appropriate supporting evidence from local communities and businesses.

We understand that the timing may be in-part driven by the requirement to complete Grant activity by 30 June 2023, and view this as an ambitious date given the overall scale of the program. There are several factors that can affect delivery, including project scope and seasonal impacts. The time it takes to select successful projects, and then subsequently to execute funding agreements is also a critical sequence in the end-to-end activity.