

From: Robin Eckermann [REDACTED]
Sent: Saturday, 10 August 2024 8:29 AM
To: The Hon Michelle Rowland MP <michelle.rowland.mp@aph.gov.au>
Cc: Regional Telecommunications Review 2024 <RTIRC@infrastructure.gov.au>
Subject: Mobile Telecommunications Coverage

Dear Minister Rowland

You will in due course be receiving the 2024 RTIRC report ahead of its presentation to Parliament. Without being privy to the thinking emerging from the latest review, but as someone who served in two previous reviews, I wanted to appeal to you to review the relevance of pursuing infrastructure-based competition in the more remote and marginal areas of coverage.

Infrastructure-based competition works exceptionally well in the densely populated urban areas, and the quest to win customers underpins a healthy array of consumer choice in terms of service pricing and packaging. As services are not "tethered" to urban areas, these benefits flow through *in large measure* to regional, rural and remote customers.

The situation is very different at the other end of the population density spectrum! The mobile blackspot program has achieved useful gains in some areas, but at the most marginal fringes of coverage, infrastructure-based competition is neither necessary or desirable. If there is insufficient customer revenue at stake to attract commercial investment, coverage will only be provided with ever-increasing subsidies - either from public sources, or through inefficiencies absorbed by the sector more generally.

At the end of the 2015 review, I placed on record the attached point of view, amplifying on comments that alluded to the issue only briefly in the report.

The situation has changed little since offering that perspective some 9 years ago. Low earth orbit satellite coverage is certainly a valuable development, especially for emergency communications. However, it is unlikely to deliver the service quality (stability, capacity etc) achievable on 4G/5G networks any time soon. Telstra continues to offer the greatest landmass coverage, but customers of the other mobile networks have no regular access to this when they live, work or travel in areas where Telstra is the only operator.

Whilst ubiquitous landmass coverage is not a realistic goal, there are valuable benefits to be captured by improving mobile service for *all* Australians along the more remote highways and in small communities located outside the present coverage footprint.

Having regard to this, I urge the Government to embrace the pragmatic reality of monopoly coverage at the most marginal end of the spectrum, either by:

1. mandating mobile roaming in cells that are established with substantial public funding;
2. and/or limiting future blackspot funding to wholesale-only carriers who make the resultant coverage available to all of the other mobile network operators (akin to the NBN model).

Whilst not necessarily welcomed by the incumbents, a policy shift in this direction would be of great benefit to the people in regional, rural and remote Australia who drive so much of Australia's economy.

Naturally I would be happy to meet with you or your advisors to amplify on these comments if you find them of interest.

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Regards ... Robin Eckermann AM

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An additional perspective on an issue on which the RTIRC report touches very briefly

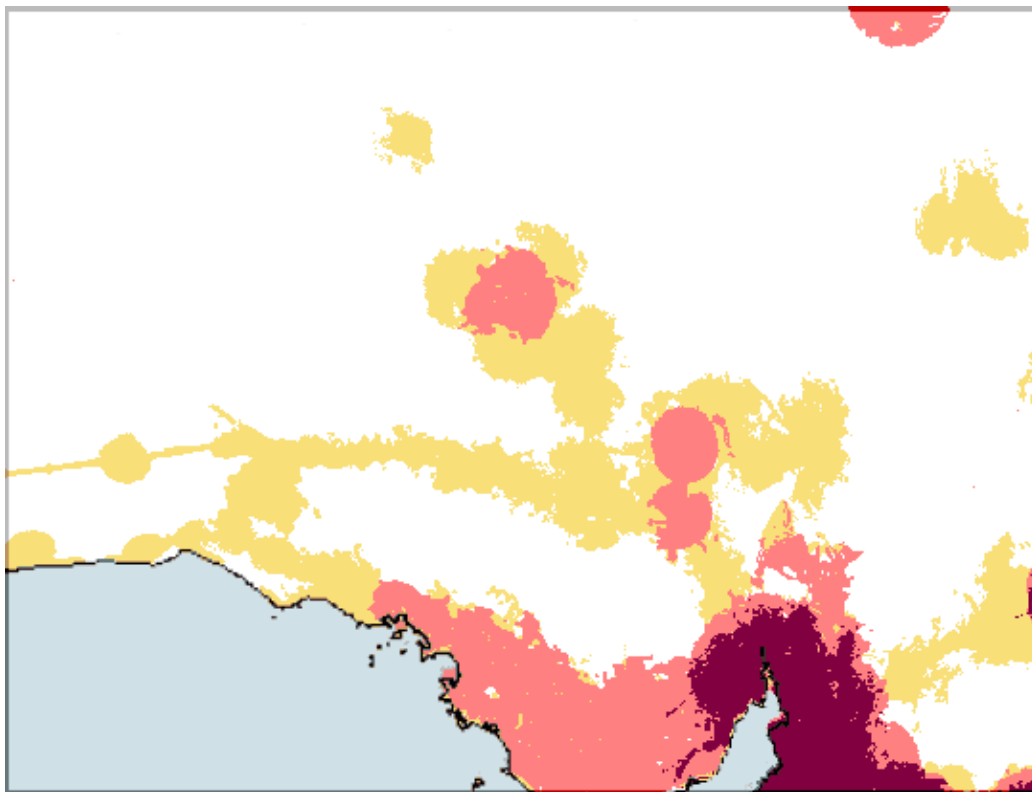
Background

The RTIRC report notes the problem that prevails in the areas of very low population density, representing something like 2/3rds of Australia's landmass. It makes inter alia the observation that the areas without coverage (or with coverage by only one carrier) reflect "*... the natural monopoly character of parts of the telecommunications market, and prompts different policy responses.*"

I wish to put on the Department's *internal* records of the 2015 Review an amplification of the considerations behind this comment. This is in anticipation that (despite some measures recommended in the RTIRC report) natural market forces will *not* deliver the level of coverage improvement that regional Australians are looking for, and which promises socio-economic benefits exceeding the level of investment that would be involved.

The Problem

In the densely populated urban areas, all three mobile carriers offer coverage and compete for customer spending. However, moving into areas of lower revenue opportunity, the number of carriers offering coverage drops from three to two, then from two to one, and finally from one to zero. This 3-2-1-0 pattern of zones (*as clearly shown in the coverage map of the Northern part of South Australia below*) reflects the underlying commercial viability of infrastructure-based competition across Australia's geography.



Northern part of South Australia

It is important to acknowledge that ubiquitous mobile coverage of Australia's landmass is *not* a sensible objective - for the most remote areas (more than half the landmass), satellite phone and data links will remain the only pragmatic option for any form of connectivity.

However, coverage can be improved *at the margins* by various technology and deployment approaches that improve commercial viability. Examples include:

- cost reductions in base station technologies;
- using lower frequencies (like 700Mhz) to achieve longer reach and hence larger coverage areas;
- reducing backhaul costs;
- sharing infrastructure such as towers and backhaul; and
- introducing product offerings that can serve as a viable alternative to fixed broadband via satellite (thereby increasing revenue-generating traffic).

The RTIRC report commends some of these approaches to maximise the progress that can be delivered by the workings of a competitive market.

Nevertheless, under the commercial investment principles that carriers apply such approaches are still *not* likely to result in coverage being extended into many of the currently unserved geographic areas that merit consideration for socio-economic reasons. Despite all efforts to reduce costs and maximise revenues, the level of return will simply remain too low to attract the interest of even one mobile operator. Aiming to promote infrastructure-based competition between several mobile operators in such areas is therefore not a sensible goal - it would only fuel losses that ultimately must be borne by the sector. The pragmatism of a "natural monopoly" approach in these areas deserves recognition in policy approaches of the future.

Subsidies (such as provided through the MBSP or envisaged through the Consumer Communication Fund) will ultimately be part of the solution to achieving coverage improvements in these areas.

Towards an Economically Efficient Approach

Because the volume of traffic in these areas is *not* a limiting consideration, the most economically efficient approach involves a single infrastructure that supports all users and uses. This could be implemented in various ways. By way of example (only):

- one operator could deploy infrastructure and offer roaming options to customers of the other two networks; or
- a neutral operator (such as nbn) could build and operate infrastructure on a wholesale-only basis, enabling access to customers of all three networks.

Approaches such as these are *not* required in areas where competition between three mobile operators flourishes. However, at the other end of the spectrum where improving coverage is most challenging, recognising the reality of natural monopolies and framing policies accordingly to protect the interests of end-users could make a major difference to those who live, work or travel through regional Australia.

Infrastructure sharing would overcome the dilemma noted in one submission to the 2015 Review where an "island" of new coverage to be established under the MBSP by one operator in an area surrounded by coverage of another operator will necessitate maintaining two mobile phone accounts to be of any real value.

The Government's scope to introduce policies aimed at maximising the outcome for end-users in natural monopoly situations will increase as opportunities to drive commercial coverage extensions "at the margins" are depleted, and as the balance between carrier funding and subsidy shifts.

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Note: This is a personal view of Robin Eckermann. The view is not necessarily supported by other members of the 2015 Regional Review Committee.