Mobile Coverage Programme Discussion Paper
Submission Cover Sheet

Submission Information

This cover sheet should be attached to submissions made to the Department of Communications in relation to the Mobile Coverage Programme Discussion Paper.

Contact Details

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Date:	Friday, 28/2/2014

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All submissions and comments, or parts thereof, will be treated as non-confidential information unless specifically requested, and acceptable reasons should accompany each request. Email disclaimers will not be considered sufficient confidentiality requests.

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If yes, identify below which parts of the submission are to be treated as confidential (and provide a reason):

If the submission contains personal information of any third party individual, indicate on this Submission Cover Sheet if that third party individual has not consented to the publication of his or her personal information:

Submission Instructions

Submissions are to be made by **5:00pm (AEST) Friday 28 February 2014**.

Where possible, submissions should be lodged electronically, preferably in Microsoft Word or other text-based formats via the email address mobilecoverage@communications.gov.au

Alternatively, submissions can be sent to the postal address below (to arrive by the due date):

The Manager
Mobile Coverage Programme
Department of Communications
GPO Box 2154
CANBERRA ACT 2615

All submissions lodged will be acknowledged by the Department of Communications by email (or by letter if no email is provided). Respondents lodging a submission who do not receive acknowledgement of their submission should contact the Department. Submissions which are not acknowledged by the Department as being received may not be considered. Respondents should be aware that emails greater than 10Mb may not be successfully delivered.

Regional Development Australia
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28 February 2014

The Manager
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Mobile Coverage Programme (MCP)

Regional Development Australia Southern Inland (RDA Southern Inland) covers 13 local government areas surrounding the Australian Capital Territory. RDA Southern Inland is part of a national network of 55 RDA committees across Australia. These committees are made up of local leaders who work with all levels of government, business and community groups to support the development of regional Australia.

Telecommunication services are critical to the economic, environmental and social future of the region. Needless to say, those living in the Southern Inland region want to take advantage of all of the new applications and services that are unfolding as part of the digital economy - online commerce, tele-health, tele-education, and so on. Access to reliable telecommunications services (including quality fixed and mobile broadband data services) is crucial to full participation and equity with Australians living in major urban centres.

In addition, RDA Southern Inland is pursuing a number of priority applications that are particularly relevant to its location surrounding Canberra - such as promoting tele-working opportunities for the thousands of individuals who travel across the ACT border each day to work in Canberra (ABS Data from the 2011 Census puts this figure at 23,000)[1]. Many of these work in information-centric roles that are amenable to tele-working at least part of the time. The benefits to individuals and communities are numerous and include reduced motor vehicle accident risks, more time with families, more sustainable local communities, reduced pressure on road infrastructure and greater productivity.

1. Relevance Beyond the Obvious

Mobile communication is a vital pillar of the digital economy. Mobile phones are ubiquitous, and the uptake of data-capable devices in Australia has been quite spectacular. User demand for the latter has been fuelled by the myriad of high-value applications that provide users with access to information when and where they need it most.

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[1] See "NBN Readiness: Smart Work Towns Project", Robin Eckermann & Associates, July 2013 (available at http://rdasi.org.au/res/NBN_Report.pdf)

Over and above the use by individuals of mobile phone and data services, there is a latent class of mobile network usage that is arguably much more relevant in regional Australian than in urban Australia. Activities such as mining and agriculture often span large geographic areas that often cannot be adequately monitored by human scrutiny. A whole wave of modernisation, innovation and progress becomes possible through the electronic monitoring and control of remote devices, building on machine-to-machine communication. The mobile networks are ideally placed to support such developments - providing there is coverage.

We welcome the Government's commitment of $100m to improve mobile coverage. At the same time, we recognise that this will only go a limited way towards improving coverage in the many under-served regions of Australia, depending on the level of co-contributions that can be attracted from carriers and/or communities. If the experience of the Western Australian "Royalties for Regions" program is any guide ($39.2m apparently resulted in 113 new towers[2]), a realistic expectation from the planned $100m commitment may be *of the order of* 300 towers.

We recognise that total coverage of Australia's geography is never going to be a realistic goal. However, extending coverage to all major highways and to the many communities that live along those road corridors is a worthy long-term objective that could unlock significant socio-economic and environmental benefits. Mobile communications needs to be seen strategically as the "other" connectivity pillar of the digital economy, and the clear market failure in large areas of regional Australia should be recognised just as clearly as it has been with fixed-line broadband.

Currently there is a huge disparity between the level of public investment being allocated to fixed-line and mobile network improvements - despite their comparable merits and complimentary nature. According to NBN Co's recently completed Strategic Review, establishing the National Broadband Network (NBN) is estimated to involve a peak funding requirement (investment) in the range of $41-$73 billion depending on the approach taken. In contrast, at $0.1 billion, the funding commitment to the Mobile Coverage Programme represents just a fraction of one percent of this figure.

In the light of this, we would urge the Government to shape the approach to this programme having in mind the potential to extend the programme in the future. Consequences of a particular approach that may seem relatively minor in the context of a $100m investment could translate into a major market distortion if further funding was to be committed in the future.

These comparisons should *not* be interpreted as a criticism of the commitments on both sides of the political spectrum to improving Australia's fixed line infrastructure. Implementation of the NBN is a welcome development, but it is certainly will not be a panacea for all of regional Australia' communications needs.

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[2] See http://www.nationalswa.com/News/MediaReleases/tabid/83/articleType/ArticleView/articleId/3232/Royalties-for-Regions-mobile-coverage-expansion-continues.aspx.

2. Approach to Open Access and Competition

Mobile coverage has, *in large measure*, extended as far into regional Australia as is economically rational for each of the three mobile network operators (MNOs). The revenue that might be generated from the available traffic simply does not warrant the cost of establishing and operating new sites.

If it is not attractive for any one operator to invest in expanding their network into a particular low-traffic region, it stands to reason that it is unrealistic to expect multiple operators to compete for a share of a market that is patently too small in its entirety. Accordingly we see the discussion surrounding mandatory provision of co-location space on new towers as being little more than a token concession to the principle of open access.

It is accepted that some marginal business cases may pass the viability threshold if the cost of tower access and/or backhaul[3] is reduced. However, for the majority of areas in regional Australia where there is currently no coverage, these measures will not overcome the more fundamental problem of insufficient traffic and hence revenue.

In practice, the lack of infrastructure-based competition between multiple carriers in regional Australia is *not* an issue of concern in terms of pricing. All three MNOs compete actively for market share in urban Australia, and their pricing plans are inherently *not* geographically-linked. Accordingly the benefits of competitive pricing flow through to Australians living or travelling through regional Australia irrespective of whether multiple MNOs are present in any particular area.

The most significant improvements to the viability of business cases for expanding mobile coverage (corresponding with the least requirement for publicly funded subsidies) depend on aggregating more traffic at each site. There are two key ways in which this can be achieved:

1. By creating larger geographic cells. In this context, the 700 MHz spectrum (with its long geographic reach) is particularly useful and will hopefully feature in the implementation of the MCP.

2. By capturing all available traffic. As a minimum, the solution that is adopted should support the customers of all three MNOs. Further improvements to the viability of the business case could be made if the same network could also support fixed wireless customers. In this context, we note that the fixed wireless solution adopted by NBN Co inherently uses mobile network technology with roaming disabled. If the infrastructure deployed as part of the MCP supported fixed wireless customers (albeit with suitably modified access plans), more Australians currently destined to receive satellite access (with its high latency) could be provisioned with superior connectivity via the mobile networks.

[3] We note the ACCC's regulation of Domestic Transmission Capacity Services as another welcome measure, but one which is likely to have marginal impact on most businesses cases for the expansion of mobile coverage.

RDA Southern Inland would favour the Government taking a firmer line on the form of open access required in this program. Specifically, customers of all three MNOs should be able to receive service in areas subsidised by this programme through appropriate roaming arrangements. Given the understandable competitive instincts of the three MNOs, it is possible that the best outcome would involve a neutral third party infrastructure owner offering full mobile access on a wholesale-only basis (as contemplated in delivery option 3(b)).

3. **Delivery Option 1** (funding allocated to single MNO)[4]

Many Australians who live or regularly travel in regional Australia select Telstra as their mobile carrier on the basis of superior coverage in areas relevant to their needs. To the extent that this program does not duplicate coverage in areas that are already served, it is a reality that this natural advantage is likely to continue.

However, if the outcome of the MCP was to fund the expansion of Telstra's mobile network *and the terms did not involve a meaningful form of open access* (see foregoing discussion):

(a) Telstra's market share would be likely to increase, potentially distorting the competitive landscape more broadly; and

(b) Customers of the other two MNOs (representing indicatively a little under half the total number of mobile customers in Australia[5]) who live in or travel through areas covered under the MCP will continue to have no service except for emergency calls.

Conversely, if the outcome was to fund the expansion of either of the other two networks *and again, the terms did not involve a meaningful form of open access*, the coverage landscape will become increasingly patchy. Customers of the successful MNO may travel through areas covered only by Telstra before resuming coverage on infrastructure subsidised through the MCP. The many Telstra customers in regional Australia may see no benefits at all from the program.

In the light of these considerations, RDA Southern Inland considers that stronger open access provisions are an important feature of delivery option 1 if it is carried forward to implementation.

4. **Delivery Option 2** (funding distributed between MNOs based on merits of proposed sites)

It is recognised that particular carriers may have local advantages in certain areas, and that leveraging this has the potential to result in more towers being deployed than under delivery option 1. Offsetting this, the willingness of MNOs to co-contribute may be eroded if they stand to gain fewer network improvements under the MCP.

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[4] The delivery options discussed in Sections 3-5 of this submission are more fully described in the Department's Discussion Paper dated 16 December 2013 (available from http://www.communications.gov.au/__data/assets/pdf_file/0003/204069/Mobile_Coverage_Programme_-_Discussion_Paper.pdf).

[5] According to Buddecom - see http://www.budde.com.au/Research/Australia-Mobile-Communications-Subscriber-Statistics.html

Most of the comments made in relation to delivery option 1 above are also relevant under delivery option 2 - in particular, the potential to create a patchy coverage landscape with limited benefits to the customers of all three MNOs. A stronger emphasis on open access would alleviate this.

5. Delivery Option 3 (funding allocated to neutral infrastructure provider/operator)

Whilst cognisant of the commercial sensitivities likely to prevail in each of the MNOs, RDA Southern Inland believes that the approach briefly described as option 3(b) promises the best outcome for end-users in terms of coverage. In addition (and previously discussed), infrastructure operated on a wholesale-only basis capturing the maximum available traffic is the most economically efficient approach, and therefore likely to require the least subsidy.

For these reasons, RDA Southern Inland favours this delivery option and commends it to the Department for further development and discussion with the MNOs in the lead-up to finalising the programme.

6. Regional Priorities

In concluding, we would like to endorse the submissions provided by our 'in-region' LGAs and partners - specifically Boorowa Shire Council, Yass Valley Council and Upper Lachlan Shire Council, also many community associations such as the Mongarlowe Volunteer Bush Fire Brigade, Palerang and the South East Regional Organisation of Councils (SEROC).

The region has identified poor mobile coverage as an issue of high priority for many years – with impacts extending far beyond 'amenity' to 'life-threatening' These submissions reveal the large number of areas currently classed as 'black spot' or 'patchy' and highlight the impact on residents, particularly during increasingly frequent natural disasters, severe weather or bushfire events where lives can be placed at risk due to poor or non-existent reception.

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Thank you for the opportunity to comment at the "shaping stage" of this planned programme. Naturally RDA Southern Inland will be happy to clarify any of the views expressed in this paper.

Richard Everson
Project Officer
RDA Southern Inland