

25th May 2020

4 Rosenthal Street
CAMPBELL ACT 2612
[personal details
removed]

The Department of Infrastructure, Transport, Regional
Development and Communications
111 Alinga Street
CANBERRA ACT 2601

via email: MBSPRound5@communications.gov.au

Dear Department

Mobile Black Spot Program – Round 5A

Having served on two of the past three Regional Telecommunications Independent Review Committees (RTIRCs), I am heartened to see the Government's continued efforts in improving mobile coverage in regional, rural and remote areas. The importance of mobile network access to Australians living, working or travelling through regional Australia was very evident in both of the RTIRCs on which I served. For the majority of those who engaged with the 2012 and 2015 process, it was their top priority.

Whilst ubiquitous coverage of Australia's vast landmass is not an appropriate goal, improved coverage promises socio-economic benefits well in excess of the costs involved.

Given the fully commercial structure of Australia's mobile telecommunications industry, the essence of the challenge in extending coverage lies in the fact that the mobile telecommunications operators (MNOs) cannot monetise many of the broader benefits that stand to be unlocked. As a result, the appetite for investment in increasingly marginal areas has substantially evaporated.

With reference to the discussion paper, I would challenge one element of the statement in the introduction to the discussion paper: "*The objectives of the MBSP are to improve mobile coverage and competition across Australia*".

In a market where ...

- multiple operators compete vigorously for customers in the major urban markets with their plans and pricing; and
- mobile plans are inherently not tied to geography

... *most* of the benefits of competition flow automatically to rural, regional and remote markets, even where users have only one MNO providing coverage in the area of primary interest to them.

Furthermore, competition is arguably an undesirable feature in markets that have insufficient revenue generating potential to inspire investment on natural commercial principles. If it doesn't make commercial sense for *one* operator to invest in coverage infrastructure that is destined to make a loss, it makes even less sense to encourage *multiple* operators to invest in the same geographic area. Multiple loss-making investments simply inflict inefficiencies on the sector that ultimately translate into higher costs or reduced service for all users.

If competition remains a significant objective in further rounds of the MBSP, the level of public subsidy required will continue to grow – and despite hefty tax-payer funded investment, many users will remain disadvantaged because of the resulting patchwork of coverage by different network operators. In addition, uneconomic coverage may well be wound back when mandatory conditions expire, or when public subsidies cease.

I respectfully suggest that it is time to rethink the approach to extending mobile coverage into uneconomic areas, and to embrace a “natural monopoly” model to achieve greater efficiency in the use of public funds. Such a model could take a number of different forms, including (*but not limited to*) the following:

1. The beneficiary of funding under further rounds of the MBSP could be *required* to offer roaming services to its competitors on regulated terms – at least for new mobile towers that are subsidised under this and any future rounds of the MBSP.
2. All future investment could be concentrated in a single MNO willing to offer a wholesale roaming arrangement on all towers where it was dominant/sole provider of coverage. To improve the economics of this, it may be sensible for NBNC Co to explore an arrangement for such an operator to also offer fixed broadband services that are integrated into the NBN on a “sub wholesale” arrangement and made available to retail service providers (RSPs) at NBN points of presence (POPs) – just as if they were being provided on NBNC Co’s own infrastructure. NBNC Co could reasonably derive a portion of the wholesale revenue associated with such services as a “circuit aggregation fee” or similar.
3. Funding could be directed to a neutral party that provides a “white label” service to all MNOs. In this context, NBNC Co may be a natural candidate for several reasons:
 - it has much of the mobile network expertise needed given its fixed wireless product is inherently a tethered mobile solution; and
 - the economics of the solution are maximised if new tower investment is supported by wholesale revenue from the customers of all three MNOs as well as any fixed wireless customers in the coverage footprint – a *four-fold* boost to efficiency; and
 - expanding the fixed wireless footprint will progressively allow some fixed broadband customers to be migrated from satellite services to superior fixed wireless services – a *fifth* gain in efficiency that may defer the need for boosting satellite capacity in the future.

In relation to the funding of ongoing operational costs, I suggest the need would be diminished under the sort of natural monopoly models outlined above - where the operator captures the widest possible array of revenue generating traffic.

Unless future thinking embraces a “natural monopoly” model of some shape or form, only those customers of the MNOs who receive grant funding under the MBSP scheme(s) will benefit – despite the costs of the scheme being borne by all Australian tax payers.

In the light of the foregoing considerations, it is perhaps not surprising that I would fully endorse some sort of shared Radio Access Network (RAN) such as has been adopted in New Zealand.

In relation to other aspects of the proposed MBSP 5A round, I would simply endorse the thinking about giving appropriate priority to transport corridors given the importance of these to both public safety and economic activity.

I look forward to seeing the approach to Round 5A finalised in a sensible way in due course!

Yours sincerely



Robin Eckermann AM FIEAust

(*individual submission, not representing any vested interest*)