



3 August 2018

Mr Sean Edwards  
Chair, Regional Telecommunications Independent Review Committee  
2018 Regional Telecommunications Review Secretariat  
Department of Communications and the Arts  
GPO Box 2154  
Canberra ACT 2601

Dear Mr Edwards

## **PILBARA REGIONAL SUBMISSION TO THE TELECOMMUNICATIONS ISSUES PAPER**

At the request of the member local governments that the Pilbara Regional Council represents, I have provided a short response to the Committee's issues paper below.

### **About the Pilbara Regional Council**

The Pilbara Regional Council is a regional local government under the *Local Government Act 1995*, and represents the interests of the City of Karratha - Australia's newest regional city - the Town of Port Hedland, the Shire of Ashburton and Shire of East Pilbara.

Our mandate is partly to act as a 'voice for the Pilbara', conducting advocacy directly with state and commonwealth ministers and departments for the benefit of members and Pilbara residents.

To this end, I would like to begin by offering our support for arranging the logistics of a Pilbara-based visit by the Committee ahead of the Committee's report to the Minister for Regional Communications, Senator the Hon Bridget McKenzie. This will provide Pilbara residents and small businesses the opportunity to raise their concerns with the Committee directly.

### **Executive Summary**

The review states an intention to gain a better understanding of how regional Australians use telecommunications, and in particular, to direct focus on any barriers to the use of digital technologies.

We welcome this review, as it was a recommendation of our Productivity Commission submission in 2017. Regional leaders and residents in Pilbara reported to us then - and report little to no change since - several types of challenges:

- The challenge of unreliable connections,
- The lack of competitive options and market forces, and
- Investment, driven not by strategic values and economic development, but by population numbers.

I will address these issues briefly in later pages, but first I would like to provide the Committee with some strategic context for the region to answer the question; why should we care about investing in the Pilbara?

## Strategic Context for the Region

The Pilbara is undoubtedly at the epicentre of Australia's resources investment boom.<sup>1</sup> In terms of iron ore, Australia accounts for 30% of global production. Of that, 94% comes from the Pilbara, a region which now also boasts 70% of Australia's natural gas.



The value can be measured as 17% of Australia's Gross Domestic Product (GDP), **more than 1.5 times the GDP of New Zealand** and higher than 117 of the world's 184 countries.

Before the State Government's Royalties for Regions was implemented in 2008, most of this value was literally extracted from the ground and shipped to Canberra or Perth, a great chasm between wealth creation and settlement growth.<sup>2</sup>

Investments by the State Government through this program have redirected that value to the Pilbara, however due to the effect of the Goods and Service Tax (GST) on the Western Australian economy and government budget, the region still does not receive an investment commensurate with the wealth it generates. Gross Regional Product per capita for the Pilbara is \$450,000 - **a full 6 times the national GDP** per capital of \$74,000.

**If the Pilbara received 6 times more investment per person than the average Australian, many of the issues facing the us would disappear overnight.**

This 'net value drain' is complemented by a confusing web of government priorities which often have the effect of giving with the left hand and taking with the right.

The Pilbara Regional Council has made the case over the last decade for significant reform to unlock the potential of the Pilbara. **Not tinkering around the edges, but rather willingness to engage in step-change reforms** that break the mould and provide business with incentives to flourish in our region.

This has included advocating for a Designated Area Migration Agreement, the creation of a Pilbara Enterprise Zone around an approved Common User Facility, a Minister for Northern Australia in the WA Cabinet and industry-unleashing infrastructure such as a world class abattoir. Each proposal would significantly benefit the region, and allow its economy to properly diversify.

**Connecting these must be 21<sup>st</sup> century connection to the global market, allowing small businesses, tourism operators and residents the opportunity to share in global wealth.**

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<sup>1</sup> Paul Cleary. (2011). Too Much Luck: The Mining Boom and Australia's Future. Collingwood, Victoria: Black Inc., Schwartz Media. 28.

<sup>2</sup> Anthony S. Travis. (2011). Planning for Tourism, Leisure and Sustainability: International Case Studies. Wallingford, Oxfordshire: CAB International Books. 37.

The State Government Pilbara Development Commission's Investment Blueprint puts diversification front and centre, and rightly so. It is the only true path to sustainable, fully connected regional economies.

Iron ore and Liquid Natural Gas will define the Australian trade landscape and the Pilbara's contribution to the national economy for decades to come. However the true test of the region will be whether other industries such as those from the agriculture, pastoral, aquaculture and tourism sectors will be able to spread their wings and grow, and whether the shadow of their older brother - the mining sector - will help or hinder that growth.

To do this effectively, investment in the basic needs of the community to be connected technologically to the rest of the world and each other must be commensurate not merely with the number of people, but with the strategic vision for the region and the potential economic dividends a more diverse, connected and sustainable economic base would produce.

Ironically, there need not be completion; a flourishing tourism sector brings local growth, a broader small-to-medium-size business base, and a more sustainable community. **This benefits all.** A Pilbara Enterprise Zone would be an innovative new structure in the Australian context - if not internationally - and bring businesses and prestige to the region. This too benefits all.



If the Committee wishes to understand some of the challenges of facing regional Australia in achieving a more sustainable and diversified economic base, it need look no further than the Pilbara. **Nowhere else in Australia has investment been so significant in such a narrow spectrum of business activity**, and nowhere else in Australia has the resulting export produced more return on investment.<sup>3</sup>

There is however, much more to life than ore, and we welcome the Committee's review into the current provision of telecommunications services to regional businesses and residents across Australia.

The Northern Australia White Paper and the Australia in the Asian Century White Paper both reconcile themselves with the relevant trends that are currently growing and will dominate the next 100 years, and so must the Pilbara.

The relevance of these documents to this submission is the call in them to see the full story of growth, and respond with a whole-of-Australia approach.<sup>4</sup> For the Pilbara, we have realised the natural resources available to us, and the demand this growing region of the world has for them. In the case of iron ore, the urbanisation of Asian powers has led to an increasing demand for steel, providing a wave upon which that industry rides.

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<sup>3</sup> A.M. Dockery in Martin Bruechner, Angela Durey, Robyn Mayes and Christof Pforr. (2014). Resource Curse or Cure?: On the Sustainability of Development in Western Australia. New York, New York: Springer Heidelberg. 78.

<sup>4</sup> Australian Government. (2013). Australia in the Asian Century White Paper.

In the case of liquid natural gas (LNG), the global requirement to grow and to do so sustainably with regards environmental emissions means a trend of Asian powers searching for new energy sources. Catastrophic weather events leading to challenges with nuclear energy production for example has led to a massive expansion in LNG to Japan.

At the same time, European economies have been searching for more stable sources of energy given geostrategic instability over Russian expansionary ambitions. In all of these cases, global trends and Australian resources have aligned and produced significant economic benefit for Australia.

However the challenge will be to **change our mindsets**, and understand that a growing middle-class in Asia doesn't just mean more demand for energy and resources. A middle-class demands higher quality food, desires better education for their children, engages more with the online marketplace and becomes more sophisticated with its wealth generation strategies. A middle-class also has disposable income and a desire to travel, **and will not feel safe traversing the natural wonders of a region which such poor coverage and reliable telecommunications service.**

If we are wise - and the evidence is that we can be - we will quickly realise that regional Australia, especially northern Australia and the Pilbara, is perfectly positioned to stake a claim at the heart of the Asian century.

**It is for these reasons that the concerns of the Pilbara surrounding reliable connections, competition, speed and investment cannot be ignored.**

If we address the challenges faced by regions like the Pilbara that stem from a struggle to properly transition from dependence on mining investment to a more sustainable and diversified economic base, we will be able ride yet another wave of growth associated with the export of new goods and services, and Australia will do as it has always done; **benefit from its economic powerhouse.**

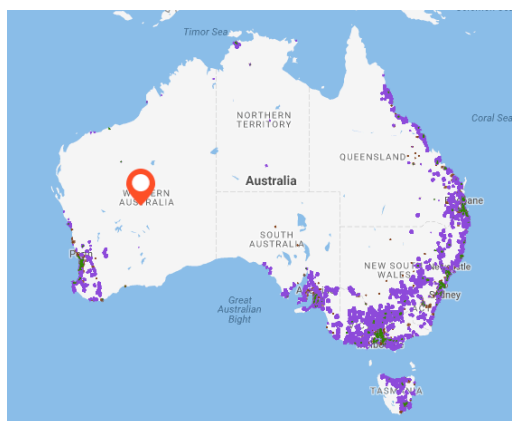
### Issues Paper Response

In response to the Issues Paper, I would like to make clear that my response, whilst reflecting the consensus view of all members, is focus more on 'inland Pilbara' (Ashburton and East Pilbara), where connectivity challenges are far more severe than in Karratha and Port Hedland.

### Reliable Connections

The challenge of reliable connectivity continues to be a challenge for Pilbara residents, despite the investments in the roll out of the National Broadband Network, improvements through the Mobile Black Spot Program, and delivery of the Sky Muster satellite service.

Despite the numbers and graphs produced by the NBN Co., it is still clear that the NBN is not equitably dispersed through regional Australia, especially the Pilbara.



Indeed Internet Australia in its submission to the Productivity Commission's own Universal Service Obligation (USO) inquiry asserts that the USO should be expanded to include the provision of broadband services at minimum performance standards and speeds.<sup>5</sup>

Whilst Commonwealth investment in the area is currently underway, the Pilbara Regional Council submits access to the internet, and at high speeds, with continue to be a challenge for regional Australia as it attempts to complete with a global market place.

At the same time, it is clear that this global marketplace would overcome some of the physical distance challenges, leap-frogging the 19<sup>th</sup> and 20<sup>th</sup> century imperatives of physical access to major markets, and connecting regional Australia via a 21<sup>st</sup> century imperative, and that of digital access to market.

What would have been a bare-minimum 50 years ago (water, power, gas, road, telephone), in this new century where the internet is the 'highway' or route to market, Internet Australia's recommendations are merited.<sup>6</sup> This is a bare-minimum service that Pilbara residents from all walks of life suffer from, with remote Aboriginal communities facing some of the most severe isolation.

**The Pilbara Regional Council's own Chairperson - who is also the President of the WA Local Government Association and President of the Shire of East Pilbara - has no phone line nor internet connectivity at her residence.**

In much the same way as other infrastructure, volume and traffic are the measures used for determining the investment, rather than the strategic importance of a region, and the context of its growth. In the context of a population of 67,000 people, maybe it does make sense that not every home has NBN.

But in the context of the Northern Australia White Paper objectives to have a population of 5 million, the State Government's 'Investment Blueprint', and this Committee's own mandate to review the challenges faced by regional Australians in using, a 'build it and they will come' mentality - or perhaps 'they won't come if you don't build it' - may be a more appropriate guider for investment.

#### Lack of Competition

Pilbara residents also face challenges in the level of competition present in the Pilbara market, leading to lower connectivity outcomes. Some areas are covered by multiple providers, and some by single providers.

Onslow and Pannawonica will not be accessing NBN through fibre, however can access the NBN through the Sky Muster satellite which has lower speeds and more connectivity issues.

Mobile black spots continue to an issue across the Shire of Ashburton, including in towns where some areas have drop outs and other areas do not. Acknowledging the fact that the Pilbara is large and remote - approximately the size of France - many areas frequented by tourists and travellers still do not have access to stable mobile phone reception to stay in contact with family or do their business.

Not all mobile phone carriers are accessible in the Shire of Ashburton (affecting price) and adversely affects business and tourism. Most local residents use Telstra as they appear to be the most reliable - customers with Optus and Vodafone still have issues during peak times and storms.

The Pilbara Regional Council notes that there was a recent tower installed at Karijini National Park (just in time for the Karijini Experience event). However this service was only accessible to Optus customers.

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<sup>5</sup> Internet Society of Australia. (2016). Internet Australia responds to Productivity Commission USO inquiry, "The Internet is for Everyone".

<sup>6</sup> Productivity Commission. (2016). Telecommunications Universal Service Obligation. [Draft Report]. 11.

The Pilbara Regional Council is aware of submissions have been made for additional towers under the 'black spot' funding in the Shire of Ashburton, but with limited success.

Why would we address black spot funding when discussing competition? The answer is simple; the funding is not provided to local governments or communities, it is provided directly to network operators.

## 2. Eligibility criteria

### 2.1 Eligible applicants

2.1.1 To be eligible for funding under the Mobile Black Spot Programme, an applicant must be a national Mobile Network Operator or a Mobile Network Infrastructure Provider.

2.1.2 For the purposes of the Programme, a Mobile Network Operator (**MNO**) means a company, other than a Mobile Network Infrastructure Provider, that:

(a) supplies a public mobile telecommunications service within the meaning of *the Telecommunications Act 1997*; and

(b) holds an apparatus or a spectrum licence (or both) for the supply of public mobile telecommunications services under *the Radiocommunications Act 1992*.

As long as the primary mobile coverage national fund provides funding directly to companies that are in direct competition with each other, the infrastructure spend will continue to favour one set of residents and customers over others, rather than provided universal access.

### Strategic Investment and Summation

Finally, the issue of numbers arises; the Pilbara has a small population, just over two-thirds of the size of a single federal electorate. Our primary representative, The Hon. Melissa Price MP, represents the seat of Durack; at just over 1.6 million square kilometres it is the biggest electorate in Australia, and if it was a country it would be 19<sup>th</sup> largest in the world, bigger than Peru, Egypt, South Africa or France.

When investments are made on population size, a disparity rift opens between regional and metropolitan Australia, and between regional centres. **The Pilbara Regional Council calls on the Committee to visit the region**, and to gain an insight into the reality that much of the benefits of the Commonwealth Government's investments in a 21<sup>st</sup> century technology economy are simply not being felt.

Thank you for your interest in the future of our region, and should you prefer to discuss this event in person, or simply require additional information, please feel free to contact me directly on 0400 055 739.

Yours faithfully



Tony Friday  
Chief Executive Officer  
Pilbara Regional Council

Cc: Cr Lynne Craigie, Chairperson