TELSTRA CORPORATION LIMITED

Submission in response to the Regional Connectivity Program Draft Guidelines

30 March 2020

Introduction

Telstra welcomes the opportunity to provide input to the Regional Connectivity Program (RCP) draft guidelines. Telstra recognises the importance of connectivity in regional Australia, illustrated by our historic investment to deliver mobile coverage to 99.5 per cent of Australia's population. In the five years to 30 June 2019 we have invested almost $3 billion in our regional mobile network.

Telstra remains supportive of Federal and State Government co-investment programs to deliver connectivity to regional Australia. We are especially proud of the role we have played in the Mobile Black Spot Program to date, and what our contribution of over $280 million over the first four rounds has helped deliver for regional Australia.

As outlined in our previous submission to the discussion paper, Telstra considers it is time to implement new and innovative ways for industry to partner with government to continue delivering services and outcomes for regional Australia.

Telstra's comments on the draft guidelines are set out below.

The proposed timeframes for delivery are not achievable

In our experience the proposed timeframes for delivery proposed in the guidelines do not align with real world delivery of digital infrastructure. As the history of the Mobile Black Spot Program has shown, delivery of a single mobile tower will on average take longer than 12 months due to various landholder negotiation and local planning processes. For more complex deployments this delivery timeframe will no doubt be longer.

The RCP guidelines currently estimate an 8-week application period, 6-week assessment period and a further 8-week negotiation process. In a best-case scenario of immediate program opening following the closure of this current feedback process, successful proponents would not be able to commence delivery before mid-August. With a 30 June 2021 requirement for completion, this is a 9-month best case delivery window.

We suggest the timeframe for delivery be reconsidered to ensure appropriate solutions are proposed under the RCP. Without a realistic delivery window, projects of any meaningful scale will not be proposed. We would recommend moving the delivery deadline to 30 June 2022.

Operational expenditure exclusions should be re-examined

In our view the blanket exclusion of operational expenditure eligibility under the program will limit the number of projects that are put forward. As these programs move into more difficult areas, the economic case for investment will begin to move beyond capital requirements due to increasing per-site operational costs.

Examples of such additional operating costs for remote installations include use of satellite for backhaul, and/or where mains power is unavailable, the deployment of solar-battery based power systems requiring regular upgrade and more frequent maintenance (batteries have lifespans less than the 10 year contract period). In some situations, speciality access provisions may be required – for example helicopter access – that greatly increase the 10 year operational cost.

We suggest the program eligibility guidelines be changed so that operational expenditure above that which would be expected in any normal deployment of infrastructure be included in the same way that it can be included in the Mobile Black Spot Program. For example, the most recent round of the program accepted that satellite transmission was a significant ongoing cost for carriers, and allowed this to be capitalised and included in the grant application to Government.

Further, as Telstra has outlined in previous submissions to various government co-investment programs, the rollout of infrastructure is becoming more capital intensive as the more economically viable projects are funded under the earlier rounds of programs. In our view operational expenditure should be

considered as part of a carrier's contribution to the overall project. That is, rather than just considering the upfront capital costs for a site in the assessment process, the Government should also consider the lifetime operational costs for the site in its assessment of a carrier contribution. This may require a higher percentage of capital funding by the government, but would result in a broader sharing of the actual costs of delivering the infrastructure.

The RCP should fund coverage extension devices

There will be some areas of Australia with limited or no coverage which may always remain uneconomic for the deployment mobile infrastructure, but despite this there are opportunities for other devices to deliver much-needed connectivity, such as a coverage extension devices.

In our view programs of limited subsidisation for such devices in targeted areas of Australia should be eligible under the program. Indeed, the previous Satellite Phone Subsidy Scheme subsidised satellite phones and sought to provide connectivity in similar circumstances. This is a highly cost-effective way to deliver connectivity without construction of a new base station, particularly for those areas with unreliable or limited existing coverage which may otherwise be ineligible.

The RCP should consider funding broader connectivity goals

There are a number of cases in regional Australia where mobile infrastructure exists to provide a basic level of connectivity, but due to limitations in site backhaul (connection from site back into the wider exchange network) cannot support the higher bandwidth uses which underpin greater economic activity. In our view the RCP should consider funding solutions that improve fibre reach and capacity into areas where this can be shown to directly support new and upgraded mobile network coverage.

Existing network coverage data needs to be carefully considered

The RCP guidelines currently do not preclude the funding of innovative Internet of Things (IoT) solutions. Telstra is very supportive of such programs and indeed has funded an IoT network of nearly 4 million square kilometres across Australia. Telstra observes that the current RCP guidelines and previous Mobile Black Spot Program rounds require a check of existing coverage, however it is not clear how the Government would propose to ensure that other solutions (such as a bespoke IoT network) are not duplicating existing services.

Further, the guidelines currently propose that predictive coverage mapping provided under the program can be used by the Department for policy development and advice as needed. Telstra considers that this blanket-use approval constitutes a risk for carriers, and would recommend a tightening of the use of data to be within the RCP only.