25 November 2016

Australian Competition and Consumer Commission
Email: to mobileroaminginquiry@accc.gov.au

Dear Sir/Madam,

**Domestic Mobile Roaming Declaration Inquiry**

The Local Government Association of Queensland (LGAQ) is the peak body for local government in Queensland. It is a non-for-profit association set-up solely to serve councils and their individual needs. The LGAQ has been advising, supporting and representing councils since 1896, allowing them to improve their operations and strengthen relationships with their communities. The LGAQ does this by connecting councils to people and places that count; supporting their drive to innovate and improve service delivery through smart services and sustainable solutions; and delivering them the means to achieve community, professional and political excellence.

The LGAQ welcomes the opportunity to provide comment to “Domestic Mobile Roaming Declaration Inquiry" as it is vital for our communities to be able to grow as a result of benefits of participating in the digital economy. Mobility is key for digital participation to occur.

Rather than addressing specific issues, the LGAQ will make some general comments about the issues affecting Queensland councils.

**“Fix our Towns”**

To understand the issue of roaming, an appreciation of the telecommunications landscape in rural and regional Australia is required. While much of the discussion paper focusses on the current status of the mobile phone network, the regulatory environment, and the Long Term Interests of End-users, the LGAQ believes that there are still a number of key points that should be considered.

At past LGAQ Annual Conferences, a number of motions have been carried that seek to increase mobile phone coverage in communities and highways. In some local government centres mobile phone coverage is very poor, if any, and the lack of mobile telecommunication services should be included in any discussion.

Hence, the need for core and backhaul infrastructure that underpins the ability for communities to access mobile services should be recognised as an issue. The LGAQ has lobbied for the need to ensure that administrative towns of a local government area should have the network capacity and robustness that allows local government to access evolving products and services, including mobility and cloud-based services.

As mentioned, mobility is critical and the capability to access mobile phone networks are invaluable for citizens and consumers to participate in the digital economy.
To further illustrate this point, in Queensland, and in other local government areas in other states, there are a number of councils where towns do not have adequate backhaul or core infrastructure in which access infrastructure such as mobility can deliver the services that allows communities to participate.

Shires Councils such as Barcoo and Diamantina and the towns of Stonehenge, Jundah, Windorah, Bedourie and Birdsville, respectively, are examples where telecommunications policy has failed to evolve resulting in those communities undertaking a 15-year lobbying campaign at the Commonwealth for funding to provide core and access services that are enjoyed by other councils.

Further north, Burke Shire has undertaken a similar campaign resulting in optic fibre being built from Doomadgee to Burketown. This fibre will provide the capacity for the evolution of services that allows digital participation to occur, including providing the capacity for upgrades such as 4GX to their town.

Funding for those projects was only made available in the past 18 months, which involved significant contributions from the Commonwealth ($5.9m) and the State Governments ($6.2m) and Telstra. The Councils, many of which were significantly financially impacted by the worse drought since records were kept, contributed nearly $4m of the $16m project.

More importantly, many indigenous communities in Cape York, the Torres Strait, and the Gulf of Carpentaria, do not have the backhaul capacity nor access technologies that support mobile phone services.

Telecommunications is an enabler which in many ways overcomes the tyranny of distance. Yet, in these communities, the delivery of government services, which are a fundamental service in mainstream towns are challenged because of the lack of infrastructure and investment.

Findings in the Indigenous Inclusion Stakeholder Summary shows that smart devices are the predominant device for voice and data communications even for communities that do not have mobile phone coverage.

The LGAQ believes the decision to allow roaming would make it more difficult for investment of mobile phone bases stations in the most remote towns and communities. It provides a disincentive for investment.

The mobile phone industry in Australia has evolved where this country has one of the highest mobile phone penetrations in the world. The relationships between price, network coverage, service features, products and services have allowed consumers to make purchasing decisions that meet their needs.

For the ACCC to tamper with the existing model would significantly change this environment and it is our belief that the negatives would outweigh any positives.

**Telecommunications – Global Position**

The discussion paper focuses on the Australian context, but consideration should be given to recognising that the industry is dominated by global companies that make commercial decisions in the interests of its shareholders.
A comparison based on market capitalisation and subscribers of the three main companies in Australia, demonstrates the size and the ability to invest in infrastructure.

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Capitalisation</th>
<th>Number of subscribers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vodafone</td>
<td>* $180 Billion</td>
<td>435,000,000</td>
</tr>
<tr>
<td>Singtel-Optus**</td>
<td>$215 Billion</td>
<td>600,000,000</td>
</tr>
<tr>
<td>Telstra</td>
<td>$49 Billion</td>
<td>17,200,000</td>
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</table>

*Vodafone market capitalisation July 2014  
**Singtel is owned by Temasek, which has a market capitalisation of $215B.

Hence, the view that the LGAQ has developed is that carriers like Vodafone and Singtel-Optus make investment decisions based on the best possible outcome on a global basis. Investment is usually based on strategic marketing opportunity, which constrains their investment in the Australian mobile market. Their investment in Australia is not because of being unable too, but rather recognising there are more strategic opportunities elsewhere in the world in which to invest.

This is an important consideration when the ACCC is considering to intervene. Competition occurs at a global level and this has shaped the level of investment that a carrier will make in Australia.

**Australian Market**

The LGAQ is a supporter of the concept of a capitalist free-market western democracy, in which government intervention is required when markets fail.

As mentioned the Australian market is quite vigorous based on the number of subscribers compared to population and the on-going investment that has been occurring in areas such as the Commonwealth Government's 2013 spectrum auction. Under this model, it is no surprise then that all carriers have made considerable investment in metropolitan and provincial areas. All carriers admit to providing coverage to in excess of 97% of the Australian population. Carriers have made this investment seeking to obtain the best commercial outcome for their shareholders.

Carriers compete against each other in order to gain subscribers. This results in competitive pricing, innovative offers, new products and services, which is delivered from an evolving technology platform that underpins mobile broadband speeds, building penetration and larger base station footprints.

Consumers have benefitted from this robust competition. Because the price that is offered by the carriers is national pricing, there is no discrimination where the user lives or uses the mobile device. The price that subscribers pay for a service is Canberra or Sydney is the same for subscribers who live in Charleville or Surat.

Mobile networks are expensive to build, operate, maintain and also require to be kept evolving in terms of technology. It is no surprise that the carrier with the largest footprint is more expensive than the carrier that has the smallest network footprint.

When the market has failed in rural and regional Australia, the Commonwealth has stepped in and has encouraged carriers to invest in new areas by offering once-off capital incentives. These programs were basically aimed to make uncommercial sites attractive for carriers to also contribute and invest.
Historically, these funding sources included Networking the Nation, and a series of programs that were the result of recommendations from the Besley Report. More recently the Abbott and Turnbull Governments allocated significant funding for mobile blackspots. While Mobile Blackspots Round 1 has been announced more than a year ago, Mobile Blackspots 2 imminent and promises made for Mobile Blackspots 3 during the recent election, an additional $220 million has been made available for carriers.

The LGAQ has welcomed and supports the intervention of the Commonwealth to provide funding such as the mobile blackspots program. It looks forward to Round 2 being announced in the near future and the commitments made during the 2016 Commonwealth election for a third round of another $60m being honoured.

All Commonwealth programs involved a tender process which allowed carriers to develop a response in order to expand their network into areas that are commercially unviable. Telstra was successful in most instances. However, a reality exists that while Telstra was successful in receiving a once-off capital contribution, the subsidised sites became integrated into the Telstra network which involves an ongoing commitment in terms of maintenance (power, batteries, tower, hut, air-conditioning etc) and servicing.

The sites have also required considerable investment as technology evolved. The migration from 2G to CDMA to 3G, 4G and other LTE technologies demonstrates the significant investment that has been made by Telstra, which would be significantly more than the original funding made available by the Commonwealth. Other carriers may have also travelled similar paths when they have participated in Commonwealth funded projects and have factual experience in understanding the long-term commitment and costs in delivery services through these subsidised base stations.

Telstra commitment to regional Australia is understandable. While Telstra has a global footprint, its primary market has always been Australia. It has invested in increase its footprint by building additional mobile phone base stations, but importantly has invested in the future through the purchase of radio spectrum. This point will be expanded later in this response.

Another key aspect in the Australian market has been for carriers to access Telstra infrastructure that have been deemed a "Declared Service". That carriers wanting to invest are able to access tower, exchange and backhaul infrastructure, at a rate which if deemed unfair can be referred to an independent third party for determination.

Mechanisms exist that facilitate carriers to expand their network, however while the regulations are in place, carriers have made commercial decisions not to invest.

**Future Technologies**

As mentioned above a more recent example of this investment was the Australian Communication and Media Authority (ACMA) Digital Dividend auction in 2013. At this time, ACMA auctioned radio spectrum in both the 700MHz and 2.5GHz frequencies and received nearly $2b from three carriers – Telstra, Optus and TPG. Vodafone made a decision not to purchase any spectrum.

As ACMA notes that both frequency bands are suitable for wireless broadband services, their different propagation characteristics allow them to be used in complementary ways. Spectrum in the 700 MHz band is suited to providing coverage over a wide area and with high in-building penetration. Spectrum in the 2.5 GHz band, with its abundant bandwidth but less effective in-building and distance propagation, is suited to providing high-data capacity in more densely populated, high-demand areas.
Hence it is believed that a genuine commitment to improving telecommunication would have involved carriers investing in the radio spectrum that would underpin the evolution of technology. It is understood that because Optus invested nearly $650m in acquiring spectrum and Telstra nearly $1.3b in the auction both carriers are politically aligned on the issue of roaming.

While there is already strong competition, with a minimum of 97% population coverage rates, the need to have the regulatory framework that supports private companies to make significant investments in rural and regional Australia needs to be protected.

Skills and Awareness

An area that is often overlooked is ensuring people, particularly those on the edge of network coverage, or are visitors to regional areas, have an understanding on how best to improve their chances of accessing mobile phone networks.

People need to have the skills and awareness to obtain the optimum benefit from technology. Throughput speeds are only as fast as the weakest link. How people access the mobile coverage signal is dependent on a range of variables – device, settings, and external aerial options are key factors that can affect performance. As an example, this could include a public awareness campaign about the benefits of external aerials and car-kits could be an area for further consideration.

Part of the awareness campaign would require consumers to check network coverage maps before travelling to rural and remote areas. This would encourage consumers to plan and ensure they had the necessary technology to be contacted and to access on-line services.

Conclusion

The LGAQ is appreciative of the opportunity to make comment on this important topic that affects the future of many rural communities.

The need to access mobile services for voice, data, social media and the plethora of other functions that are provided through smart devices is vital for participating in the digital economy.

Australia has one of the highest penetrations of mobile phone devices in the world, in which a minimum of 97% of the country's population is able to access mobile phone services and this is provided through the carrier with the smallest coverage footprint. It could be argued that this alone demonstrates the competitive and robust nature of the mobile phone industry in Australia.

Prices continue to decrease, features and advance products continue to be offered, and carriers develop market niches to attract consumers as a demonstration of competition. The industry is characterised by national pricing. In order for Telstra to subsidise the rural and regional base stations, it needs to ensure it has price points that are attractive in the highly competitive markets that exist in the major capital – Sydney and Melbourne.

However, when the above-mentioned points such as recognising that the industry is part of a global telecommunications industry and carriers have invested in ways that have resulted in developing their respective markets are taken into consideration, the argument to prohibit roaming is even clearer.
Global players have made decisions where to invest in order to maximise returns and have made decisions not to invest to match the market leader. Not because they can't, but because there are better markets for investment.

There is no doubt that if roaming is introduced there would be significant un-certainty as to who would continue to invest in new mobile phone base stations and the evolution of mobile technologies.

The LGAQ is concerned that many small communities, particularly communities in the Cape, Gulf and Torres Strait do not have the network infrastructure which will allow digital evolution to occur. These communities struggle to access “basic” services. The 15-years of lobbying and debate of that was experienced by Barcoo and Diamantina Shire Councils only adds to the uncertainty of ongoing investment and challenges in building telecommunications in remote areas.

The battleground for this debate is the 2-percent of the population or the one-million square kilometres of area where Telstra has an advantage. Declared services allows other carriers to access key network components to deliver services – but in the most remote areas they decide not to.

Finally it is imperative that the ACCC continue to provide that regulatory settings that support private investment in rural and regional Australia mobile telecommunications. Without this investment there is no way that reasonable demands for better and improved coverage can be delivered.

If you require additional information regarding this submission please contact the LGAQ's Innovation Executive, Lou Boyle on [redacted]

Yours sincerely

Sarah Buckler
GENERAL MANAGER – ADVOCACY