



National Farmers' Federation

Submission to the Australian Competition and Consumer Commission's Inquiry into Domestic Mobile Roaming Declaration Inquiry

28 November 2016

NFF Member Organisations



Australian Chicken Growers' Council Ltd



CANEGROWERS





The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

Statistics on Australian Agriculture

Australian agriculture makes an important contribution to Australia's social, economic and environmental fabric.

Social >

There are approximately 132,000 farm businesses in Australia, 99 per cent of which are Australian family owned and operated.

Each Australian farmer produces enough food to feed 600 people, 150 at home and 450 overseas. Australian farms produce around 93 per cent of the total volume of food consumed in Australia.

Economic >

The agricultural sector, at farm-gate, contributes 2.4 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2016-17 is forecast at 58.5 billion – a 12 per cent increase from the previous financial year.

Together with vital value-adding processes for food and fibre after it leaves the farm, along with the value of farm input activities, agriculture's contribution to GDP averages out at around 12 per cent (over \$155 billion).

Workplace >

The agriculture, forestry and fishing sector employs approximately 323,000 employees, including owner managers (174,800) and non-managerial employees (148,300).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, but more than 40 per cent of the employed workforce is casual.

Approximately 60 per cent of farm businesses are small businesses. More than 50 per cent of farm businesses have no employees at all.

Environmental >

Australian farmers are environmental stewards, owning, managing and caring for 52 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 94 per cent of Australian farmers actively undertaking natural resource management.

The NFF was a founding partner of the Landcare movement, which recently celebrated its 20th anniversary.

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Executive Summary

The Australian Competition and Consumer Commission's (ACCC) decision to conduct an inquiry into wholesale roaming is welcomed by the NFF. Agriculture is one of the fundamental pillars of the Australian economy and it is vital that farmers have the opportunity to conduct their businesses as dynamically and innovatively as possible.

Just as telecommunications technology is evolving rapidly, so too is farming technology. Australia's farmers need to become more efficient in order to remain competitive in a complex global market place. However, at present a lack of access to reliable, affordable and sufficient telecommunications is hampering the adoption of innovative technologies that are so crucial to enabling agriculture to grow.

The NFF is of the view that greater competition in mobile services would be of immense benefit to regional, rural and remote (RRR) consumers. At the same time, in rural and remote areas there is a lack of reliable mobile coverage, or no coverage at all. Increasing overall coverage must be a priority.

The biggest risk for farmers in this process is that a declaration of wholesale roaming will counter incentives for future infrastructure investment. However, the NFF is keen to understand if the dilemma is that simple and improved competition will come at the expense of expanding coverage. It is assumed that this is an oversimplification of the issue and that there are a number of complexities that can balance the outcome. Independent economic analysis will be crucial to determining this understanding.

The ultimate outcome from this inquiry should be a determination that creates the appropriate competition settings for an increase in the number of Mobile Network Operators (MNO's) operating within the existing mobile coverage footprint, while at the same time creating the incentives for the coverage footprint to be expanded. This may be ambitious, but should be the outcome any determination by the ACCC strives for.

Currently, the two largest mobile network operators predict that a declaration of wholesale roaming would completely dis-incentivise the construction of new infrastructure as competitors will have the opportunity to utilise this expanded network. MNOs compete on coverage in the urban market and this also potentially negates any competitive advantages derived from constructing infrastructure. However, the third MNO has argued that a declaration of wholesale roaming would subsidise the costs of constructing new infrastructure.

If the appropriate market setting were in place, would roaming in fact expand the limits of the existing coverage footprint expansion as MNOs push the network further in search of competitive advantage?

Should the ACCC declare a wholesale market for mobile network roaming, the market settings, including pricing mechanisms that govern that market, will be crucial to ensuring the balance is correct.

Introduction

Our vision for Australian agriculture is to become a \$100 billion industry by 2030. The sector is a source of strength in the Australian economy, positioned to capitalise on growing global demand for safe, high quality food and fibre over coming decades.

To achieve our vision, the sector needs regulatory and public policy settings that foster growth and productivity as well as innovation and ambition. This includes adequate connectivity in order to capture the next generation of farming.

The Rural Industries Research and Development Corporation (RIRDC) recently conducted a ‘cross-industry innovation scan’ to establish which transformative technologies will shape agriculture in the future. According to this report:

“Digital disruption is said to be behind the next agricultural ‘revolution’, following the mechanical and scientific revolutions of the previous century. Agriculture can be characterised as having a ‘long-fuse’, but a ‘big bang’ when it comes to digital innovation, which could contribute to a 25-30% change in business metrics in the next few years.”

It is, however, not just the on-farm application of technology that is evolving. So too is the manner in which rural businesses conduct their affairs. Access to reliable telecommunications services are essential for all Australians living and running a business in rural and remote locations.

Quality telecommunications underpin not only basic communications such as emergency calls, they are also the foundation for everyday activities such as online banking, weather information, trading crops and livestock, online learning, webinars and the maintenance of livestock traceability systems.

The NFF’s members include some of the most innovative businesses and individuals in Australia. Yet we remain locked out of future economic growth and prosperity through the digital divide – undermining Australia’s productivity.

The NFF firmly believes that access to better communications services across regional Australia will lead to better outcomes for the entire nation.

There are five fundamental outcomes that must be addressed to ensure equitable connectivity for regional and remote consumers. These are:

1. A universal service obligation that is technology neutral and provides access to both voice and data;
2. Customer service guarantees and reliability measures to underpin the provision of voice and data services and to deliver more accountability from providers and NBN;
3. Long term public funding for open access mobile network expansion in rural and regional Australia;
4. Fair and equitable access to Sky Muster for those with genuine a need for the service and access which reflects the residential, educational and business needs of rural and regional Australia;

5. Fully resourced capacity building programs that build digital ability and provide learning and effective problem solving support for regional, rural and remote businesses and consumers.

These outcomes are ambitious, achievable, and reflect the pressing need for change. However, they cannot be achieved without leadership and cooperation

Without leadership and without change, Australia risks growing and entrenching the digital divide between urban and rural telecommunications users. We risk undermining the opportunities presented by digital innovation to the farming community and rural Australia as a whole.

The Need for Independent Economic Analysis

In preparing this submission, the NFF sought briefings from the three major mobile network operators. While the arguments presented differed, all seemed rational and logical, and the MNOs adopted various economic reasoning for their positions.

With this in mind, the NFF believes there is a critical need for independent economic analysis on the potential impacts wholesale mobile roaming may have on long term infrastructure development which in turn would increase coverage – independent of the economic arguments presented by the telecommunications providers.

In addition, it may be advantageous for the ACCC to review the outcome of this inquiry in five years' time, and intervening period collect data regarding the rate of investment by MNOs in increasing coverage.

Recommendation 1 – That the ACCC undertake an independent economic analysis on the potential impacts wholesale mobile roaming may have on long term infrastructure development.”

Recommendation 2 – That the ACCC commence collecting data on the rates of investment by mobile network operators in increasing coverage.

The Current State of Competition

The Australian Government's 2015 Telecommunications Review confirmed that the quality and extent of mobile coverage was a major concern of people in regional Australia since there is generally a higher dependency on mobile phone usage than urban areas. The reasons for this vary, but the dependency on mobile phones is largely attributable to the fact regional Australians, including farmers, conduct business on the move and across a broad geographic area.

The physical coverage area of Telstra's retail mobile network gives them a significant competitive advantage over other carriers, and especially over new entrants who might want to challenge Telstra via the new NBN network. This is due to Telstra's ability to bundle superior internet and landline services with their retail mobile plans which cover a vastly greater geographical area than any other retail provider.

Farmers seeking reliable coverage across the largest possible geographical area in regional Australia are effectively forced to go with Telstra for mobile services.

- In a 2014 NSW Farmers' survey, 95 per cent of respondents said that their mobile provider was Telstra.
- A 2016 survey of Victorian revealed that 91 per cent of farmers who participated used Telstra.

This dominance of mobile services allows Telstra a larger market share for mobile and landline services than would otherwise be the case, and it demonstrates that, despite a higher dependence on the use of mobile services, there is still a clear lack of competition in the RRR market. Anecdotally, many farmers believe this lack of competitive tension leads to delivery of sub-standard service offers for rural and regional Australians.

Recommendation 2 – That the ACCC note that RRR consumers value coverage in an environment where some potential consumers have no coverage at all.

Recommendation 3 – That the ACCC note there is a lack of competition across the RRR market where the current coverage footprint extends.

Recommendation 4 – That the ACCC notes that farmers will pay a price premium for coverage and reliability of service.

Universal Service Obligation

The NFF supports the continuation of a telecommunications Universal Service Obligation (USO) to ensure farmers continue to have reasonable and equitable access to baseline telecommunications, regardless of where they live and work.

A contemporary USO should adopt a technology neutral approach for the delivery of minimum standards for voice and data services. Flexibility should be embedded in the delivery of the USO services and the standards that are set. Further, the current consumer safeguards should be updated to reflect the provision of voice and data services in a technology neutral environment. To this end, it is imperative that any declaration of wholesale roaming must be technology neutral.

Recommendation 5 – Any declaration of wholesale mobile roaming must be technology neutral.

A Single National Market

The NFF supports the ACCC considering the retail market for mobile services as a national market, noting that some variation exists between geographic areas in terms of what mobile services are used for and the levels of competition.

Segregating retail markets within Australia would be inappropriate. The agricultural sector comprises businesses which carry similar service requirements to those in urban areas– even though in many areas access to these services is not available.

The NFF is also concerned that a patchwork of wholesale declarations would make the national retail market unnecessarily complex.

Recommendation 6 – Any declaration of wholesale roaming must be made on the basis of a single national market.

Government Funded Programs

The NFF supports the current Mobile Blackspots Programme administered by the Australian Government as a measure for increasing mobile coverage and competition in rural and remote areas.

The NFF believes the blackspots program should be funded in perpetuity, given that it can play a critical role in unlocking economic growth for the agricultural sector and the communities that are supported by it.

However, the program has been limited in creating increased competition and, in many ways, has reinforced the current competitive imbalances that exist in the mobile network market. It also continues to inadvertently promote infrastructure duplication.

One possibility for evolving the program is to increase competition into the framework of the program and to make infrastructure sharing and co-investment a stronger element of the program. It has to be noted that spectrum access and regulation of transmission services may be an issue in some areas.

Recommendation 7 – That the Mobile Blackspots Programme is funded in perpetuity by the Australian Government as a means of increasing coverage.

Recommendation 8 – That the Australian Government consider building competition into the framework of the Mobile Blackspots Programme, including mechanisms for greater infrastructure sharing and co-investment.

Infrastructure Sharing

The NFF has limited information about the rate infrastructure is being shared under the Facilities Access Regime. The NFF would encourage the ACCC to source these figures so that a greater understanding of the current market situation - noting that spectrum holdings and the need to still access transmission infrastructure is an impediment to co-sharing. Nonetheless, the concept of infrastructure sharing is one the NFF supports.

It is difficult to determine if these mechanisms would be an effective substitute for wholesale mobile roaming given the complexities of spectrum holdings and the current extent transmission services are regulated.

There is a train of thought that wholesale roaming could, in fact, be the most effective means of infrastructure sharing, given that it potentially negates the need for duplicate spectrum holdings and equipment. It is in this scenario that the correct wholesale pricing settings would be crucial.

Wholesale pricing settings would need to cover things such as construction and maintenance of infrastructure, including transmission services, so that the commercial imperative to construct in the first place is not negated.

The NFF supports the current ACCC's practice of setting both price and non-price terms for access to regulated transmission services and notes that the number of regulated transmission services should increase under improved regimes for infrastructure sharing.

Recommendation 9 – Should a wholesale roaming declaration be made, that any pricing mechanisms and market settings take into account the recurring costs of network maintenance and upgrades.

Commercial Roaming Arrangements

It is important to note that a wholesale declaration of wholesale roaming would immediately entitle an MNO to have roaming access to a tower. Access would need to be a commercial decision of another carrier whether to invest in roaming access at the regulated wholesale rate.

The current regulatory environment does not lend itself to commercial arrangements being achieved for wholesale roaming access. One reason for this is that the dominant MNO in terms of coverage is Telstra which derives market advantage from its coverage. Access prices are likely to be significant and would carry limited value without continuous coverage.

Thus, if a roaming declaration was made, the ACCC would need to get the market settings correct so that commercial arrangements for roaming access can be made in a manner that promotes continuous coverage.

It is possible that if the wholesale regulatory settings are incorrect, competition may not be automatic as competitors with less coverage gradually build their coverage through the existing network as they are commercially capable of doing so.

Recommendation 10 - Should a wholesale roaming declaration be made, that any pricing mechanisms and market settings seek balance so as to preserve commercial activity and not detract from network expansion.

Any to Any Connectivity

Preserving Any-to-Any connection must be a consideration of the ACCC in making any determination. As stated earlier in the submission, agricultural technology will redefine the industry and it is crucial that the network has the necessary upgrades. The NFF would argue that if wholesale roaming was to be implemented it must be technology neutral (?) and not be distinguished by network capability.

This also raises the question whether roaming would introduce additional load on the network and therefore place greater pressure on its capacity. This reiterates the need to include a

provision for system upgrades and maintenance in any potential pricing mechanism the ACCC may determine as part of wholesale roaming declaration.

Comparison with International Markets

The NFF notes that comparisons with international markets that regulate wholesale roaming offer guidance. Nonetheless, the NFF is aware that the Australian market is unique in its geography and regulatory framework. For this reason, the context in which wholesale roaming is being considered differs, and the Australian market must be assessed on its own circumstances.

For example, in New Zealand national roaming was declared so as to allow the entry of new mobile network operators to create competition after the state-owned MNO was privatised (not sure whether I remember this correctly).

It is generally acknowledged that the most comparable market to Australia is Canada, given its geography and population. Regulated wholesale mobile roaming was introduced in Canada in 2008 with the motivation of increasing coverage. Canada also built infrastructure sharing mechanisms into the broader framework when national roaming was introduced. However, the outcomes of the Canada experience suggest that the increase in coverage was not as widespread as was hoped.

Importantly, across most comparable markets where wholesale roaming is regulated, there is no evidence to suggest that infrastructure construction and investment have declined as a result of a roaming declaration.

Recommendation 11 – That the Australian mobile services market is unique and any comparisons to international markets must be guidance only.

Conclusion

A number of things are clear in considering this issue:

- RRR consumers are generally more dependent on mobile services than urban counterparts and value coverage as a priority;
- There are areas where RRR consumers do not have access to mobile coverage at all;
- In RRR areas with coverage, there is generally a lack of competition.

Subject to the outcomes of independent economic analysis, the NFF concludes that any contemplation of a wholesale roaming declaration must carry the appropriate market regulation so that any potential negative impact on infrastructure investment is minimised, and that the costs of maintaining the system and any upgrades must be built into costs.

The NFF is not in a position to propose what those mechanisms are. However, we look forward to working with the ACCC throughout this process and would welcome the release of draft recommendations as soon as possible.