

14 October 2016

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**Re: Submission to the ACCC market study of Competition in Evolving Communications Markets**

Regional Development Australia (RDA) Central West is pleased to provide the attached submission in relation to the ACCC market study of Competition in Evolving Communications Markets.

RDA Central West has been heavily invested in progressing the development of telecommunications infrastructure across the region, including through the 2016 publication of a 'Telecommunications Infrastructure Support Guide', submission to the 2016 Productivity Commission's Inquiry into the Telecommunications Universal Service Obligation and submission to the 2015 Regional Telecommunications Review.

We trust that our feedback will be of assistance to the Commission and would welcome any further opportunities for input to the inquiry or regional engagement in Central West NSW.

Yours faithfully,



Peter McMillan

**Executive Officer**

encl.



# **Regional Development Australia (RDA) Central West**

**Submission to the ACCC market study of  
Competition in Evolving Communications Markets**

**October 2016**

## ACCC market study of competition in evolving communications markets - Response from RDA Central West to the Issues Paper

### Background and Introduction

Regional Development Australia Central West (RDA Central West) is a not-for-profit organisation, funded by the Commonwealth and State Governments, responsible for the economic development and long term sustainability of the NSW Central West region.

Approximately 174,000 people live in the region, which comprises the Local Government Areas of Lithgow, Oberon, Bathurst, Blayney, Orange, Cabonne, Cowra, Parkes, Forbes, Weddin and Lachlan.



The future of the NSW Central West economy is promising but a lack of telecommunications connectivity is a headwind for increased productivity, new business development and economic growth.

Challenges remain in ensuring that the telecommunications infrastructure planned for the Central Western NSW region is able to meet the needs of businesses and community members now and into the future.

These challenges are compounded by projected growth of the region. Central West NSW has been identified as the sixth largest 'fast growing' and 'high potential regional hub' in Australia capable of contributing \$17.4 billion GRP by 2031.<sup>1</sup>

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<sup>1</sup> Infrastructure Australia, 2016, 'Australian Infrastructure Plan', pp. 60-61,  
[http://infrastructureaustralia.gov.au/policy-publications/publications/files/Australian\\_Infrastructure\\_Plan.pdf](http://infrastructureaustralia.gov.au/policy-publications/publications/files/Australian_Infrastructure_Plan.pdf)

Investment in telecommunications infrastructure in the region is essential in order to support the digitalisation, professionalisation and increased connectivity of the workforce across all sectors of the economy.

RDA Central West considers telecommunications to be a key enabler of regional development and a significant issue for the region.

This has resulted in extensive research and consultation throughout 2016 as part of a regional telecommunications priorities project.<sup>2</sup> This work has involved the release of the 'Telecommunications Infrastructure Support Guide'<sup>3</sup>, as well as submissions by the organisation to the 2015 Regional Telecommunications Review<sup>4</sup> and the 2016 Productivity Commission's Inquiry into the Telecommunications Universal Service Obligation.<sup>5</sup>

## Terms of Reference

### Consumer Trends and Issues

#### Current and emerging consumer preferences

After a survey conducted by RDA Central West and regional firm Adloyalty in 2015, with 50 businesses in the Central West NSW region, 72% of respondents believed that their reliance on telecommunications differed from urban areas.<sup>6</sup> Further to this, respondents indicated that their reliance on telecommunications was greater in regional areas (due to distance, safety, isolation), and of an inferior quality than in urban areas. This is highlighted in the following comments:

*"Distances are further for our suppliers and customers so [we] are very reliant on good communications" (respondent A).*

*"Many of our clients are remote from our office and cannot attend our office without travelling long distances, a great deal of communication is done via telephone and internet. I have worked here for 15 years and never met some of my clients" (respondent B).*

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<sup>2</sup> RDA Central West, 2016, 'Telecommunications', <http://www.rdacentralwest.org.au/initiatives/telecommunications/>

<sup>3</sup> RDA Central West, 2016, Telecommunications Infrastructure Support Guide, <http://www.rdacentralwest.org.au/wp-content/uploads/2013/05/RDACW-Telecomms-Infrastructure-Guide-web.pdf>

<sup>4</sup> RDA Central West, 2015, submission to the 'Regional Telecommunications Review 2015 Issues Paper – Submission from RDA Central West', <http://www.rtirc.gov.au/submissions/>

<sup>5</sup> RDA Central West, 2016, submission to the 'Productivity Commission Inquiry into the Telecommunications Universal Service Obligation 2016', [http://www.pc.gov.au/data/assets/pdf\\_file/0012/202422/sub042-telecommunications.pdf](http://www.pc.gov.au/data/assets/pdf_file/0012/202422/sub042-telecommunications.pdf)

<sup>6</sup> RDA Central West & Adloyalty, 2015, business survey research.

*“We rely on phones/skype for meetings with partners that would otherwise be undertaken in person. For example, it is not practical to drive to Sydney for a 1 hour meeting (it takes 4 hours each way) and therefore we are dependent on a reliant high performance communications infrastructure” (respondent C).*

*“Distance, remote locations mean reliance on telecommunications is critical when working/travelling alone in case of emergency. Isolation is also a burden and access to telecommunications and internet provide a crucial link to maintaining contact and remaining connected” (respondent D).*

*“These community members rely on telecommunications for their livelihood, socialisation and at times safety” (respondent E).*

*“When you get stuck on the side of the road in the bush how can you call” (respondent F).*

*“[It is] slower and more expensive” (respondent G).*

In the same survey<sup>7</sup>, businesses from within the region indicated that some of the communications issues they experienced in expanding or operating their businesses included:

- Inability for some farm businesses to benefit from additional income streams with internet speeds not effectively supporting home-based offices
- Difficulty in accessing Australian Government online services, such as Australian Taxation Office and Medicare portals
- Difficulty in effectively treating patients when information about health programs is not easily accessible online
- Inability for tertiary education students to complete study at home during holidays
- Decreasing, and in some cases preventing, the amount of work able to be conducted by businesses during peak traffic hours as internet capacity is reached
- Inability to fully utilise cloud-based services, conduct web conferencing or use accounting software
- Inability for business clients to access real-time updates of commodity pricing

These productivity caps are extremely concerning for the future of the Central Western region.

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<sup>7</sup> RDA Central West & AdLoyalty, 2015, business survey research.

In the Report 'Value Adding to Agriculture in Central West NSW', RDA Central West found that the majority of businesses actively trading in Central West NSW are in agriculture.<sup>8</sup> Significant opportunities were identified for the region's agribusinesses in e-commerce, traceability and digital platforms connecting agribusinesses to capital.<sup>9</sup>

However, the report also outlined that this was not possible with the telecommunications infrastructure currently available in the region; "there is an urgent need for robust, future-proof and wide-reaching telecommunications capabilities in Central West NSW, specifically the rectification of mobile black spots and sufficient NBN capacity, without which the agriculture sector will not be able to grow domestically or compete on an international level. Growth in the region is currently stunted by inadequate telecommunications".<sup>10</sup>

To remain on a level playing field with overseas farmers, and indeed those closer to metropolitan areas, yields and productivity are increasingly being improved through technology associated with yield mapping, stock tracking, and automated plough and harvest operations. The lack of telecommunications and high speed broadband connectivity threatens to hold these improvements back.

The same could be said for the potential growth in other regional industries such as Professional, Scientific and Technical Services which were the highest value import (\$358.3M) into the Central West Region in 2009-10.<sup>11</sup>

These illustrations are indicative of the way in which demand for greater telecommunications capabilities within the NSW Central West region is not being met by the communications market, adversely affecting the productivity of businesses, connectivity to global markets, access to education and educational resources, tele-health services and personal safety.

Telecommunications infrastructure, which enables new types of jobs and services to be undertaken in regional areas, contributes positively to the productive capacity of the region and is essential.

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<sup>8</sup> RDA Central West, 2016, 'Value Adding to Agriculture in Central West NSW', p. 49, <http://www.rdacentralwest.org.au/wp-content/uploads/2016/09/RDACW-Value-Adding-to-Agricultureweb.pdf>

<sup>9</sup> Ibid., pp 20-23.

<sup>10</sup> Ibid., p. 20.

<sup>11</sup> AEC Group for RDA Central West, 2014, NSW Central West Export/Import Contribution Study, access via <http://www.investnswcentralwest.com.au/opportunities-by-region/invest-nsw-central-west/>



## Meeting consumer needs

RDA Central West's survey research<sup>12</sup> also revealed that from the perspective of regional businesses themselves, the availability of more wide-reaching and accessible mobile networks the region would transform the way business respondents live and work in the following ways:

- Reducing replication, through real time communications, plus real time accounting and scan/voice to text
- Utilising new software
- Electronic payment systems
- Video, web conferencing and other business communications options
- Full participation in the “digital economy”
- Ability to conduct business while travelling
- Ease of working at home
- Offer more online services to clients
- Ability to contact the Rural Bushfire Brigade (RFS) in the event of an emergency

Business needs for wide-reaching mobile networks in the region is demonstrated by the contribution made by Jemalong Irrigation to the Australian Governments' Mobile Black Spot Program (MBSP) Round 1. Jemalong Irrigation identified the transformational capacity mobile coverage would make to their business operations and members through the availability of precision agriculture and telemetry of water.

Jemalong Irrigation employed a consultant to gather information and co-contributions (including their own “six figure sum” and contributions from Forbes and Lachlan Shire Councils) resulting in the successful award of funding for the mobile towers under Round 1 MBSP.<sup>13</sup> The tower has not yet been erected.

Not all business and community groups have similar resources to incentivise investment by Mobile Network Operators (MNO's) in regional areas. This does however demonstrate the need for mobile services that are currently not being met in regional communications markets. Telecommunications represent an essential service that is not yet universally accessible.

The provision of “blackspot free” mobile coverage could arguably be seen in the same light as the provision of road infrastructure in remote and regional Australia – that is, as a community service obligation. Should there be technical impediments in

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<sup>12</sup> RDA Central West & AdLoyalty, 2015, business survey research.

<sup>13</sup> Parkes Champion Post, 2015, 'Mobile coverage boost for region', 2 July,

<http://www.parkeschampionpost.com.au/story/3186096/mobile-coverage-boost-for-region/>

providing the same download or upload speeds and reliability in service provision, reduced services should be provided on a no-less favourable charging basis in comparison with metropolitan areas. Currently, with the provision of mobile phone and data services to rural areas resembling monopolistic characteristics due to limited available service providers, regional Australians can pay significantly more for the same data and voice quotas.

RDA Central West is aware that the investment priorities of Mobile Network Operators (MNO's) do not necessarily reflect community and business needs regarding mobile black spot rectification. RDA Central West found that during consultations with over 21 regional stakeholders during 2016, concern and confusion was expressed about how to get better mobile network coverage and provide input to the MBSP.

Moreover, the Auditor General's Report reiterated this finding that local community and business needs could be better addressed and reflected in the award of R1 MBSP<sup>14</sup>.

Recognising this disconnect, RDA Central West has recently released a 'Telecommunications Infrastructure Support Guide'<sup>15</sup> to encourage Local Government, business and community input to MNO's to facilitate the rectification of mobile black spots that align more closely with local needs across the region.

Further work is required however in planning and mapping where infrastructure changes will need to occur to meet community and business needs now and into the future. Ongoing input from stakeholders is required at a local level in order to secure investment for the benefit of the region.

### **Mobile network infrastructure sharing**

It is essential that telecommunications infrastructure across the region is better used and constructed for the benefit of local businesses and communities; a full range of innovative solutions should be considered including infrastructure-sharing, co-location and roaming where suitable.

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<sup>14</sup> Australian National Audit Office, 2016, The Auditor-General ANAO Report No. 10 2016-17 Performance Audit, 'Award of Funding under the Mobile Black Spot Programme: Department of Communications and the Arts', p. 8, [https://www.anao.gov.au/sites/g/files/net1661/f/ANAO\\_Report\\_2016-2017\\_10.pdf](https://www.anao.gov.au/sites/g/files/net1661/f/ANAO_Report_2016-2017_10.pdf)

<sup>15</sup> RDA Central West, 2016, Telecommunications Infrastructure Support Guide, <http://www.rdacentralwest.org.au/wp-content/uploads/2013/05/RDACW-Telecomms-Infrastructure-Guide-web.pdf>



## Competition in the mobile sector

There remains a lack of competition in Central West NSW, in particular among mobile service providers, resulting in widespread concern across the region that consumers pay high prices for what are often inadequate services.

In other mobile black spot areas there is no competition at all. RDA Central West recognises that MNO's have made significant investments in mobile networks in recent years. However there are 369 reported mobile black spots in Central West NSW<sup>16</sup> alone and only 25 sites were awarded funding under Round 1 MBSP<sup>17</sup>.

RDA Central West considers there to be a need for an ongoing Mobile Black Spot Program which genuinely and effectively increases mobile coverage and competition, responding to business and community needs.

It appears that without similar investment incentives for the rectification of mobile black spots, industries within the region will not be able to grow domestically or compete on an international level.

RDA Central West would be pleased to work more closely with MNO's and facilitate engagement with businesses, local government and community groups in order to identify mobile black spot priorities for investment across the region.

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<sup>16</sup> This figure is based on the number of Mobile Black Spots nominated by community members prior to the announcement of Round 1 MBSP funded mobile base stations, accessed through [data.gov.au](https://data.gov.au) <https://data.gov.au/dataset/community-reports-of-poor-or-no-mobile-coverage> This figure does not include the number of MBS's that are planned to be rectified after upgrades to mobile base stations allocated funding under Round 1 MBSP (25 in the RDA Central West NSW area).

<sup>17</sup> RDA Central West, 2016, Telecommunications Infrastructure Support Guide, p. 7, <http://www.rdacentralwest.org.au/wp-content/uploads/2013/05/RDACW-Telecomms-Infrastructure-Guide-web.pdf>