



ACCC
FURTHER CONSULTATION ON UPDATING
THE DTCS SERVICE DESCRIPTION

SUBMISSION BY
VODAFONE HUTCHISON AUSTRALIA

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Introduction

Vodafone Hutchison Australia Pty Ltd (**VHA**) welcomes the opportunity to participate in the Australian Competition and Consumer Commission's (**ACCC**) inquiry into the declaration of the Domestic Transmission Capacity Service (**DTCS**).

In general, VHA supports the ACCC's proposed changes to the DTCS service description however we encourage the ACCC to consider these changes as part of a holistic approach to telecommunications reform.

VHA makes the following general and specific comments in response to the ACCC's further consultation paper on updating the DTCS service description.

VHA's general comments

Transmission markets have evolved since the service was first declared in 1997. Transmission services are acquired in different ways, with many extra features becoming industry standard over time. Despite the evolution of transmission services, the DTCS service description has remained unchanged for a number of years. This has resulted in DTCS services falling behind standard market services and has also allowed access providers to engage in questionable tactics to hinder access to DTCS.

VHA notes that the DTCS remains an essential input to a range of communications services and will continue to become more important as the mobile industry begin to transition to 5G services. The significant increase in data downloads and download speeds promised by 5G means that transmission services will become increasingly important, particularly for non-vertically integrated mobile network operators.

The growth in mobile broadband data consumption is well recognised, for example the ACCC's annual telecommunications report show a significant increase in downloads across mobile and broadband networks. Data downloads across broadband networks have increased by 52 per cent and 69 per cent across mobile¹.

The transitions to 5G means that it is critical that non-vertically integrated mobile network operators have access to efficient and competitively priced transmission services. This will enable effective competition in downstream mobile markets where those access seekers are at risk of being put at a competitive disadvantage by vertically integrated operators.

In VHA's submissions to the ACCC's Discussion Paper, VHA provided its views on Telstra's the all-or-nothing approach to providing transmission services. VHA notes that it appears other access

¹ <https://www.accc.gov.au/media-release/demand-for-data-driving-changes-in-telco-market>

seekers have made similar submissions to the ACCC's Discussion Paper. While VHA will not repeat points made in its submission to the Discussion Paper, VHA reiterates that Telstra's conduct has the effect of hindering access to the DTCS.

VHA considers this issue is particularly important in the context of the industry's transition to 5G as transmission services may continue to evolve technologically and importance in the near future. VHA considers that there is risk that Telstra could simply side step the intention of the ACCC by slightly tweaking non-material features of its transmission service to continue to hinder an access seeker's access to the declared service.

While VHA is encouraged that the ACCC is recognising this problem by updating the service description, VHA considers that there is still significant leeway for Telstra to engage in gaming behaviour. Given Telstra is Australia's largest vertically integrated telecommunications service provider, it is likely to have the incentives to continue to engage in questionable tactics to hinder access to the DTCS in the future.

In light of the above, VHA generally supports the ACCC's proposed changes to the DTCS service description. VHA's specific responses to the proposed changes are outlined below.

VHA's specific responses to the ACCC's proposed changes

Adding additional features to the DTCS service description similar to service features commonly available in commercial products currently offered in the market

VHA supports the ACCC's proposed change to include additional features to the DTCS service description, so as to more closely align the DTCS with commercial products currently offered in the market. In our previous submission VHA expressed concern that a failure to update the DTCS service description had resulted in DTCS services becoming irrelevant. VHA notes that the DTCS no longer reflects the ways in which transmission services are commonly bought and sold in the market. It is critical to the continuation of the DTCS that it aligns with the current transmission market.

VHA strongly believes that the DTCS service description should be expanded to include features commonly sold in areas where there is effective competition such as online ordering, head-end aggregation and the ability to acquire DTCS as a wavelength and Ethernet service. Such features give access seekers greater control over the way in which the service is used and increase an access seeker's ability to promote network efficiencies and innovation. Closer alignment between DTCS and competitive transmission markets means that access seekers would be able to acquire transmission services in non-competitive areas in a similar manner to the way in which they acquire transmission services in competitive markets. This would promote competition and promote efficient investment in infrastructure in non-competitive markets.

While it is important that the DTCS service description accurately reflects standard in-market services, it is unlikely to resolve the issues raised by access seekers in previous submissions while access providers can enforce all-or-nothing restrictions on the purchasing of transmission services.

Non-vertically integrated carriers rely on the services for the basic operation of their networks and will continue to be disadvantaged as long as these practices are allowed to continue. Applying a static solution to a dynamic market is ineffective. VHA encourages the ACCC to consider whether these practices are indeed allowed under part XIC and whether they serve the long term interest of end-users (LTIE).

Identifying mobile backhaul markets as a distinct route type in light of the unique demand, supply and cost characteristics inherent in the delivery of mobile backhaul services (particularly in regional areas)

VHA supports the ACCC's proposed change to identify mobile backhaul markets as a distinct route type under the DTCS. VHA has consistently advocated for regulation that expressly recognises the economic challenges of deploying mobile network infrastructure outside of metropolitan areas including our submissions as part of the ACCC's inquiry into domestic mobile roaming and the inquiries into the Universal Service Obligation.

The ACCC has previously recognised the economic challenges of deploying mobile network infrastructure outside metropolitan areas in both the domestic mobile roaming inquiry in 2017 and the Communications Sector Market Study in 2018. The Regional Telecommunications Independent Review Committee has also recognised that low population density and higher operational costs present barriers to infrastructure-based competition in regional and rural Australia², owing to their natural monopoly characteristics of these areas.

It is likely that the identification of regional mobile backhaul markets as a distinct route type under the DTCS would have a positive effect on marginal business cases to deploy new mobile sites in regional and rural Australia. While recognising that this change will likely have a positive impact on regional telecommunications markets, VHA notes that transmission is only one part of the radio access network, and the economic challenges of deploying duplicate mobile infrastructure is unlikely to be overcome by improving DTCS regulation alone.

Due to the low population density of many parts of Australia, those areas exhibit natural monopoly characteristics. This means that many regional communities have not had a choice of mobile provider and have been forced to pay higher prices to the incumbent as a result.

² <https://www.communications.gov.au/sites/g/files/net301/f/rtirc-independent-committee-review-2015-final.pdf>

In other markets, most notably New Zealand, the mobile industry has embraced infrastructure sharing as a means of overcoming the barriers raised by low population densities. New Zealand's three Mobile Network Operators, Vodafone, Spark and 2degrees formed a joint venture, The Rural Connectivity Group to jointly build, own and operate around 500 mobile towers throughout the country.

The project involves all three mobile network operators co-building towers and sharing one set of radio access network equipment and the capacity on each tower built by the partnership via Multi Operator Core Network (MOCN) technology. All antennas, equipment, transmission and power supply is shared and each operator pays a monthly fee based on the amount of capacity its customers use on each tower. The project which is slated for completion by late 2021 will deliver new mobile and wireless broadband coverage to at least 30,000 rural homes and businesses and provide mobile coverage to a further 1,000 kilometres of state highways³.

Closer to home, the Victorian Regional Rail Connectivity Project (VRRCP) is another example of how collaborative approaches to network building can deliver the best outcomes for mobile users. The \$18 million project will see 35 new towers built along the state's five busiest regional rail corridors through a co-building partnership between Vodafone, Telstra and Optus. While each operator installs their own radio access equipment and transmission, the project involves full sharing of designs, joint site acquisition and power-sharing. While this approach uses a less effective model of infrastructure sharing than the one currently underway in New Zealand it is still effective in increasing both coverage and choice for end users.

In both case studies, there are overarching commercial and/or regulatory incentives which drive industry participants to come together and cooperate to efficiently deploy infrastructure in areas where the economics of infrastructure deployment is challenged on a standalone basis. It is not contentious that these "co-build" scenarios are pro-competitive, and VHA has consistently advocated for industry and Government to work together to co-build in regional parts of Australia to provide mobile coverage sooner, cheaper and in a way that promotes downstream competition.

While VHA is encouraged that the ACCC is recognising that regulation has a role to play to encourage economically efficient deployment of mobile infrastructure in regional Australia, VHA considers that a piecemeal approach can only address symptoms but would not address the root causes of the challenges of efficiently deploying mobile infrastructure in those areas.

³ <http://www.ruralconnectivitygroup.com/>