



Australian Competition + Consumer Commission  
Discussion Paper

**Domestic Mobile Roaming  
Declaration Inquiry: Response to  
draft declaration**

**Victorian Farmers Federation Submission**

May 2017

# The Victorian Farmers Federation

22 May 2017

The Victorian Farmers Federation (VFF), Australia's largest state farmer organisation and only recognised consistent voice on issues affecting rural Victoria, welcomes the opportunity to provide insight into domestic mobile roaming and ongoing telecommunications investment in rural and regional Victoria.

Victoria is home to 25 per cent of the nation's farms and thousands of telecommunications consumers. They attract neither government export subsidies nor tariff support. Despite farming on only three per cent of Australia's available agricultural land, Victorians produce 30 per cent of the nation's agricultural product. The VFF represents the interests of our State's dairy, livestock, grains, horticulture, flowers, chicken meat, pigs and egg producers.



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Dear Sir/Madam

The Victorian Farmers Federation (VFF) has made a November 2016 submission to the ACCC in on the inquiry into whether to declare a wholesale domestic mobile roaming service.

We have reviewed the draft decision from the ACCC and are disappointed the regulator has found insufficient evidence to declare roaming within the market or to take meaningful steps to address inequities despite recognising their existence.

The VFF continues to support domestic mobile roaming in rural and regional areas on the basis it improves competition, price and coverage for those living and working in rural communities. Data collected from the VFF Telecommunications Survey (2015) indicates that the market is largely operating as a monopoly in rural and regional Victoria. Even if roaming were declared the ACCC would supervise an oligopoly.

The ACCC draft decision states:

*“...the ACCC has found that competition in the national market is generally effective, we acknowledge there is often little choice of effective network operator for those consumers who value geographic coverage.”*

The draft decision finds:

- Telstra is likely to retain a coverage advantage in the foreseeable future
- Telstra has an advantage in competing for consumers who value or require regional coverage, owing to its extensive geographic network coverage
- Choice is limited for rural and regional customers now and into the future

The cost burden of a restricted mobile network market with a dominant key player clearly falls on rural and regional Australia. The VFF concludes that the costs of rural telecommunications in Australia are negatively impacted by lack of a true competitive market.

The VFF agrees with the observation of Vodafone in its response to the ACCC draft decision:

*“The telecommunications divide between the cities and regional areas will only continue to widen, as no other operator will be able to close the coverage gap between Telstra and the rest of the industry.”*

By world standards, Australia is poorly served with competitiveness in mobile networks on a world scale with Nepal and Fiji. The VFF notes that countries such as the United States and Canada which have declared mobile roaming and similar challenges of geography have found no evidence that regulation undermined or distorted investment incentives in those markets.

The VFF observes that the ACCC has found competition to be ‘generally effective’ in the market which almost echoes the notion it is ‘good enough.’ Australia deserves better than good enough. With respect, the Commission has failed to examine international benchmarks or relevant comparators and assess the optimally competitive national market for mobile. It has, in our view, strayed from an objective assessment of the market into a preferred view of the existing market and its challenges. In short, the existing state of the market has influenced the objectivity of the finding.

The VFF has struggled to find empirical analysis on which the ACCC has based its position. We also note, for example, that mobile providers in New Zealand currently work together on regional coverage. To assume the mobile players would not appropriately collaborate for mutual benefit in the apposite competitive climate is an error of judgment.

The ACCC states that there is insufficient evidence to suggest that better market roaming would have a significant impact on overall competition, but also accepts that the market could be more competitive. The ACCC cannot know with certainty what the MNO market participants would do in the event roaming is declared. The regulator runs the risk of making hypothetical assessments about the strategic response of the various market players.

The VFF accepts that it is unlikely the ACCC will alter its draft decision. In that instance, we consider the ACCC should recommend the government take steps to incentivise Telstra to enter commercial agreements on roaming and infrastructure sharing, particularly in rural and regional Australia where Telstra and the ACCC already acknowledge there is relative disadvantage for customers.

There are commercial ways to address monopoly positions. The VFF advocates that the ACCC should treat Telstra’s market position as a barrier to competition and where Telstra retains that privileged position it should be subject to considerably more regulatory pressure to demonstrate it is achieving high quality market service and consumer outcomes. It should use benchmarks to ensure that the quality of competition in rural and regional areas approximates that of rural areas in similar countries such as New Zealand.

The view of the VFF is that the findings of the ACCC reflect a satisfactory situation for customers in metropolitan Australia, but the draft decision identifies a significant rural/metropolitan challenge. We suggest the ACCC consider a two tier finding where the strategic solutions for rural and regional Australia are treated differently.

The ACCC has specifically sought comment on

- Improving transparency around MNOs’ investment plans and commitments in regional Australia,
- Providing consumers with information about network quality,
- Improving the effectiveness of infrastructure sharing, and
- Ensuring that, given spectrum is an essential input into mobiles markets, the spectrum regulatory framework promotes competition.

We provide comment below:

<p><b>Improving transparency around MNOs’ investment plans and commitments in regional Australia</b></p>	<p>The VFF welcome any moves that increase transparency and information that will support rural customers to understand the strategy for investment. In fact, we believe that greater transparency is essential to demonstrate Telstra is serving rural Australia well.</p> <p>Notwithstanding, we have concerns that the draft decision is a continuation of the status quo and that</p>
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	Telstra's existing approach to rural customers demonstrates extent of their commitment to rural Australia.
<b>Providing consumers with information about network quality</b>	<p>MNOs should be transparent and accountable with respect to quality of coverage. This is recognition that coverage is one part of a two part equation, the other being quality.</p> <p>We believe the metrics for network quality must be established by an independent entity P3 to provide benchmark information and determine the parameters for quality and reporting to the public.</p>
<b>Improving the effectiveness of infrastructure sharing</b>	<p>The foundation for efficient sharing of infrastructure is best laid when market participants have equitable access to contestable government subsidies.</p> <p>We note that roaming and co-location are both forms of infrastructure sharing.</p> <p>Even if declaration is not the preferred option for the ACCC, the VFF consider the government should find ways to encourage and incentivise Telstra to reach commercial agreements on infrastructure sharing.</p>
<b>Ensuring that, given spectrum is an essential input into mobiles markets, the spectrum regulatory framework promotes competition</b>	<p>We do not see that the promotion of spectrum competition is meaningful without change to the fundamental structure of the MNO market.</p> <p>Further, spectrum access still largely benefits metro consumers.</p>

The debate on equitable customer access to all forms of digital technology will continue in Australia. The VFF has concern that Australia will only address the productivity threat from the mobile and telecommunications environment when it is faced with a crisis. It would be unacceptable to the VFF that Australian farmers lost the global digital race in agriculture.

Yours sincerely



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