



# WAFARMERS

## ACCC Review Inquiry into Domestic Mobile Roaming Declaration Inquiry

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**Prepared by:** Mr Grady Powell  
**Organisation:** The Western Australian Farmers Federation (Inc)  
**President:** Mr Tony York  
**Address:** 125 James Street  
Guildford WA 6055  
**Postal Address:** PO Box 68  
Guildford WA 6935  
**Phone:** [REDACTED]  
[REDACTED] [REDACTED]  
[REDACTED] [REDACTED]  
[REDACTED] [REDACTED]

## **Background**

The Western Australian Farmers Federation Inc. (WAFarmers) is the State's largest and most influential rural advocacy and service organisation. Founded in 1912, WAFarmers boasts a membership of over 3,200 primary production businesses including grain growers, meat and wool producers, horticulturalists, dairy farmers, commercial egg producers and beekeepers. Collectively our members are major contributors to the \$5.5 billion gross value of production that agriculture in its various forms contributes annually to Western Australia's economy. Additionally, through differing forms of land tenure, our members own, control and capably manage many millions of hectares of the State's land mass and as such are responsible for maintaining the productive capacity and environmental wellbeing of that land and the animals that graze it.

## **Introduction**

WAFarmers welcomes the ACCC's inquiry into the wholesale domestic roaming of mobile telecommunications in Australia. Agriculture is a sector that is expected to be worth approximately \$100 billion by 2030. For this projection to be achieved, productivity gains will need to be realised and implemented across the entire span of the State's agribusiness sector. Innovation in the agricultural sector is driven by technological advancements; the vehicle used for its delivery is telecommunications and the internet. As such, reliability and availability of telecommunication service is critical to individual farming businesses and the sector as a whole.

WAFarmers identifies competition in the telecommunications sector has the potential to benefit our members in regional Western Australia; however, competition cannot be at the expense of new investment or maintenance of existing infrastructure across the network. Telco customers living in rural areas need availability and reliability of coverage first and foremost.

Telecommunications underpin not only the basic communications such as emergency calls; they facilitate everyday business activities seen through online banking, weather information, commodity prices, education and social interaction with friends and families. These facilities have become enshrined in modern living, and rural residents have come to expect the same level of service as those living in the metropolitan areas.

## **The Need for Independent Economic Analysis**

WAFarmers is a member of the National Farmers Federation, as such; we have been involved with briefings provided by the major telecommunication companies within Australia. There were a wide range of opinions presented throughout the sessions; as a result WAFarmers has consulted other industry professionals as well as members within our own membership.

After conducting our own due diligence, WAFarmers is of the opinion there is a need for an independent investigation of wholesale mobile roaming and what impacts this will have on future infrastructure roll out, particularly in rural and regional Australia. The investigation will need to assess the economic impacts mobile roaming will have on current communication providers, their forward planning as well as their customers.

## **The Current State of Competition**

Network access and reliability is of significant importance to WAFarmers and our membership. With approximately 3000 members spread across the State and who are frequently on the move, we need to be able to access the network to conduct business activities on a daily basis.

Telstra's retail coverage area provides them with a larger market share amongst rural telecommunication customers. Telstra's mobile network covers 99.3% of the Australian population, and more than 2.4 million square kilometres. Of this, there is hundreds of square kilometres not covered by any other carrier. It is this vast coverage that provides Telstra with a comparative advantage over other providers.

Telstra has installed over 8500 base stations nationally, with half of those in regional centres. In 1999, Telstra possessed only 2000 base stations. Since the privatisation of the company, its roll out of infrastructure has increased significantly, much of which has further improve regional customers' ability to connect to a reliable and far reaching network.

Additional infrastructure was rolled out in 2011, with Telstra being the first carrier to extend 4G services into regional areas, and it now reaches 98% of the Australian population, 4G coverage now includes over 600 regional towns. Telstra is investing \$165 million to build 429 new 3G and 4G base stations and between 135 and 250 4G small cell base stations over a three year period, this is being rolled out via the Mobile Black Spot Programme.

Competition to differentiate coverage claims drives regional investment. This has been recognised with 15% of Telstra's mobile network investment being spent on the 2% of the Australian population living in rural and regional Australia. This investment theme has been consistent for the last 10 years. It is this growing infrastructure in regional centres that cannot be jeopardised.

Telstra's investment into regional Australia is due to the business electing to do so; there are no barriers or regulations preventing competitors from investing in regional infrastructure. If mobile roaming was to be implemented, it could seriously stall or cease future infrastructure developments in regional centres. This will harm profitability, productivity and liveability of those working, living and investing in rural and regional centres across Western Australia and further afield.

## **Universal Service Obligation**

In submissions addressing this issue, WAFarmers was a supporter of continuing the current USO. This ensures families and businesses in regional towns had access to baseline telecommunications regardless of where they lived and worked.

Any future changes to the USO should accommodate a technology neutral approach for the delivery of minimum standards for voice and data services in Australia. Flexibility should facilitate the delivery of the USO services and the standards that are set. Current consumer safeguards should be updated to reflect the provision of voice and data services in a technology neutral environment. It is imperative that any declaration of wholesale roaming must be tech-neutral.

## **A Single National Market**

WAFarmers supports the ACCC considering the retail market for mobile services a national market. However, there is some variation between geographic locations and what mobile services are used for.

Segregating retail markets within Australia would be inappropriate. The agricultural industry comprises of many small, medium and large businesses which all carry similar service requirements to those in metropolitan locations.

Adopting a fragmented wholesale roaming market would lead to a complex patchwork which will create consumer confusion.

## **Government Funded Programs**

Western Australia is the recipient of Mobile Black Spot funding from the Commonwealth, but also through the WA State Governments own Black Spot Project. The Western Australian Government has overseen the Regional Mobile Communications Project which is complete and is now implementing the Regional Telecommunications Project. These initiatives have been implemented through the WA Department of Commerce with assistance of Royalties for Regions funding. Under the Western Australian Government's initiative there will be approximately 266 towers rolled out by 2018-19. The project will be supplemented by the additional towers provided through the Commonwealth funded scheme.

The Western Australian model allows emergency services to attach their communication devices to the new towers. Not only do the towers themselves cater for increased mobile coverage, but also assists in expanding emergency services capacity.

Public safety has been greatly enhanced with reduced callout times for emergency services. Communities now have options to request these services via mobile telephone, text or email. Emergency response personnel are able to communicate more effectively improving safety operations and service delivery. Western Australian ESOs such as the WA Police, DFES and St John Ambulance, as per the RMCP funding agreement, were granted a 'Right of Use' provision to co-locate their digital radio communications equipment at each of the RMCP sites with no ongoing rental or maintenance fees. This provided an excellent government solution, supporting public safety within the emergency response communities.

## **Infrastructure Sharing**

Towers funded through these initiatives allow for competing operators to co-locate their infrastructure onto the tower and increase their coverage. This has yet to occur in Western Australia. Telstra is the only company who is placing their transmitters on the new towers as they become available; there is no regulation or barrier preventing other companies from installing their own infrastructure on the towers. The lack of competition for mobile coverage in regional WA is simply due to a lack of investment from the company.

Towers built under the MBSP generally have increased capacity

If mobile roaming is implemented, this could act as a disincentive for Telstra to maintain its current rate of rollout, and bring into question future investments. Additionally, the issue of on-going maintenance will become an issue, as it blurs the line of infrastructure ownership and responsibility.

## **Commercial Roaming Agreements**

Any wholesale declaration would immediately entitle a mobile network operator (MNO) to have roaming access of a tower and transmission facility. Any access would need to be a commercial decision between carriers. Access will need to be a commercial decision of another carrier whether to invest in roaming access at the regulated wholesale rate.

The current market and regulatory setting does not accommodate commercial arrangements being implemented for the use of wholesale roaming access. Access prices are likely to be significant; this is partly due to Telstra's vast coverage as a result of their infrastructure investment across the country. Telstra should not be penalised for their investments, as such, they would have to be satisfactorily remunerated for allowing roaming from their towers and transmitters. The roaming telco may choose to cherry pick which towers they access; ultimately this will lead to a patchwork of coverage and consumers satisfaction for its associated consumers.

If roaming was to be granted, the ACCC will need to ensure that the correct market setting are put in place so that continuous coverage could be achieved, but also ensuring that particular telcos and their customers are not penalised or disadvantaged. The incorrect market setting could lead to a reduced rate of new infrastructure being rolled out across the network; this ultimately impacts the consumer's ability to access a vast and reliable network.

## **Any to Any Connectivity**

Any-to-Any connectivity must be protected during considerations being undertaken by the ACCC. Innovation and technology are driving the growth of the agricultural sector. The internet of things is now seen in soil probes, machinery and weather stations that is driving productivity across the farming enterprise. Access to reliable telecommunications is critical to facilitating primary producers to carry out their daily business requirements.

This also raises queries surrounded whether the current infrastructure has the capacity to support baseline use in conjunction with roaming customers. If roaming customers lead to local farmers being unable to fulfil business tasks, WAFarmers will not support the introduction of domestic roaming.

## **Comparison with International Markets**

WAFarmers has looked at international markets to assess how roaming has been implemented and regulated. Due to Australia's geography and regulative environment there does not appear to be a model that would be suitable for the unique circumstance applicable to the Australian telecommunication market that would cater for domestic roaming.

Despite what some may suggest, there has not been a shift towards implementing domestic roaming internationally. Rather, there has been a shift away with many markets who had domestic roaming reverting back from this practise.

### **Canada**

Canada has regulated rates and terms of access that national carriers provide to local providers, not to each other. Australia does not host local providers, it instead has a wholesale market serviced by three national carriers.

### **France**

France has mandated roaming the past, however they have begun phasing it out as they believe it will stimulate the market and return network investment. This is similar to Australia, as domestic roaming has real potential to constrain carrier's investment back into network infrastructure.

### **United States**

The United States mandates access, but allows prices to be set commercially. This market can manage to settle without tight regulation due to the large amount of providers in the telecommunication market. Again, Australia has three national providers who can service the demand of the current population, with intentions of increasing the network where possible.

### **New Zealand**

New Zealand has also mandated access, with pricing being set commercially. The two national carriers had incompatible technology and the new entrant had a monopoly supplier. Australia has a market where each carrier possess infrastructure for their customers, with no regulatory boundary preventing further rollouts.

Internationally there has been evidence that even with shared infrastructure mechanisms coverage has not increased. Despite some evidence showing that with the introduction of roaming infrastructure build has not declined, it does not show that the rate of construction has maintained or improved. WAFarmers wishes to improve access and reliability to the network, particularly in rural and regional areas. Domestic roaming does not lead to an increase in service, and may lead to the contrary; our membership cannot accept this risk as telecommunications are an essential service.

## **Conclusion**

WAFarmers major concern is reliable access to telecommunications with extended rollout of technology across rural and regional areas. While competition and choice is good for consumers and the market, we cannot accept the risk this may bring in terms of jeopardising future investment. Furthermore, with technology becoming so entwined with businesses and social aspects of everyday living, maintenance of this infrastructure is critical. The responsibility and ownership of telecommunication infrastructure is critical. Any scope for ambiguity has the potential to lead to confusion and loss of service for consumers.

Should the ACCC wish to investigate further, we implore them to ensure that the market settings are correct, that also offer protections of access, pricing and reliability to rural customers. It cannot be overstated how critical the network is to our membership, and any risk to this service will not be acceptable to the organisation or the agricultural sector.