



Regional Connectivity Program – Round 2 Grant Guidelines Consultation 2021

Commpete—an industry alliance for competition in digital communications—welcomes the opportunity to make this submission in relation to the proposed Round 2 Grant Guidelines for the Government’s Regional Connectivity Program 2021 (the **Guidelines**).

1. Introduction

- 1.1 Commpete is an alliance representing non-dominant telecommunication service providers (challengers) in Australia. Our members are some of Australia’s most dynamic digital communications providers who build, operate and provide, 4G, 5G, fixed wireless networks, retailing and wholesaling of fibre and broadband and mobile voice and data services across a range of customer segments, including residential / consumers, SME, corporate, and government, in our cities as well as rural, regional and remote regions across Australia.
- 1.2 For over 20 years, Commpete and its members have engaged with and helped to design policy and regulatory reforms that have increased competition and encouraged both challenger and incumbent telecommunication service providers to deliver more to their customers, especially those in regional Australia.
- 1.3 Today, Commpete remains firmly supportive of policy that supports a pro-competitive industry structure and technology neutral regulation – elements critical to a level playing field, which leads to vibrant competition, and better outcomes for end-users. Therefore, Commpete strongly supports government funding to stimulate telecommunications infrastructure builds and improve telecommunication services offerings in regional Australia.
- 1.4 We recognise that regional Australia is highly underserved due to the dual effects of:
 - 1.4.1 limited telecommunication infrastructure; and
 - 1.4.2 the limited choice in telecommunications service providers.Simultaneously, we caution that funding initiatives like the Round 2 Regional Connectivity Program should not address the former at the expense of the latter.
- 1.5 In our view, the success of such funding programs should ultimately be measured by the extent to which the program supports the ability of **all telecommunications market participants** to deliver **value, flexibility and choice** for consumers and businesses in regional and remote communities during the funding period and in a manner that can be self-sustaining in the longer term.



2. Executive Summary

- 2.1 Commpete strongly supports the government committing funding that is focussed on expanding the existing reach of telecommunications infrastructure and services in regional Australia, including under Round 2 of the Regional Connectivity Program (Program).
- 2.2 Commpete also supports the objectives of Round 2 of the Program to:
- 2.2.1 use a place-based approach to target telecommunications infrastructure investment, which we take to mean a tailored local solution that is specifically designed to cater for the shortfall of infrastructure and consumer and business demand of the location;
 - 2.2.2 respond to local priorities;
 - 2.2.3 maximise economic opportunities and social benefits for regional communities and businesses; and
 - 2.2.4 complement (and not duplicate) existing investment in the National Broadband Network, the Mobile Black Spot Program and existing, market driven, own initiative commercial investment in telecommunications infrastructure.
- 2.3 Commpete's members see the Guidelines and the terms and conditions of funding as an opportunity to enhance the return on investment in telecommunication infrastructure in regional Australia, by:
- 2.3.1 incentivising open access infrastructure; and
 - 2.3.2 ensuring that the wholesale settings are appropriate to maximise economic opportunities and social benefits for regional communities and businesses
- because we believe that government funding can deliver better outcomes for the community if it is allocated in a way that not only stimulates network investments, but also maximises the potential for retail service layer based competition.
- 2.4 In this way, the Program presents a great opportunity for challengers to be enablers for regional Australia and to deliver better choice through presence of competitive providers.
- 2.5 As part of our submission, we have provided a mark-up of the Guidelines with proposed amendments which, if made, would enhance the outcomes of Round 2 of the Program.
- 2.6 In summary, Commpete considers that the key amendments required to the Guidelines are:
- 2.6.1 Merit criteria should clearly include the promotion of competition, potentially with applicants being disqualified if they do not provide wholesale access to other retail service providers;
 - 2.6.2 that there should be a greater emphasis/weighting given to proposals/applicants that/who propose solutions that will close coverage gaps than to those that merely propose an upgrade to existing infrastructure in regional areas;
 - 2.6.3 that there is a greater emphasis/weighting to pro-competitive proposals providing open access arrangements or pro-competitive wholesale access arrangements to stimulate service layer competition for example where applicants could be required to disclose what steps they will take to encourage co-location); and

- 2.6.4 applicants/projects are also assessed based on demonstrable commitments to:
- (a) create or stimulate the local jobs market through using local field workforce where possible;
 - (b) diversity and inclusion;
 - (c) measures to combat modern slavery;
 - (d) environmentally sustainable infrastructure projects.

Wholesale access and open access priority play a key role in improving value, flexibility and choice for regional Australia

- 2.7 We support Infrastructure Australia’s finding that a sustainable investment model is required in order to continue to realise coverage aims for growing communities in regional Australia.
- 2.8 A wholesale access and open access priority should be added to the Guidelines in a manner similar to the way that the “local community priority” is dealt with in the Guidelines at section 2.3.3.
- 2.9 All proposals that demonstrate the potential for open access and improved wholesale access to the same facilities should be prioritised over ones that do not.
- 2.10 Notably applicants should be strongly encouraged to demonstrate how their proposal:
- 2.10.1 improves wholesale terms of access to infrastructure in the regional area, including terms of access to new / emerging technologies and applications such as eSIM and network slicing capabilities;
 - 2.10.2 is pro-competitive; and
 - 2.10.3 will stimulate or encourage entry of new or different retail service providers for the benefit of the local economies.

Involvement of other levels of Government and the private sector

- 2.11 The Guidelines outline (at section 2.3.2) that the Commonwealth encourages applicants to seek and leverage a substantial cash contribution from other levels of Government (state and local) and/or from the private sector.
- 2.12 We caution that the greater the cash contribution from the private sector, the more likely it is that the private investor will want to realise its own commercial return on the co-contribution investment.
- 2.13 The terms and conditions of funding should include conditions on private sector co-contribution, including that co-funding agreements must not contain restraints or exclusivity provisions that could have the effect of delivering more significant benefits to a private co-investor (from the grant) than to the community at large or the interests of local end users.
- 2.14 The conditions of grant should also require reporting to the Commonwealth on the ways third parties have leveraged the Commonwealth funding and managed the assets over the longer term for the continued benefit of the local community and against all of the original objectives of the grant.

Access to towers/coverage areas by MVNOs

- 2.15 Australians have the right to more choice and competition, especially when it comes to infrastructure paid for with taxpayer money.
- 2.16 Commpete has in the past urged the Federal and State Governments to ensure all subsidised sites (for example those funded through Mobile Black Spot Program, but also through other programs) are made available to wholesale MVNO's.
- 2.17 Commpete has identified 148 sites that have received public funds under the Mobile Black Spot Program which are not accessible to the MVNO's on those host networks. In effect, this means that the MNO's are leveraging public funds to build and entrench an unfair market advantage for themselves, by unfairly withholding their full mobile network footprint from would-be competitors in an area.
- 2.18 For regional Australians this means that there is less choice of alternative providers because the service just is not available from other providers in that area.
- 2.19 Despite the upshot that people living and working in the affected areas may now be better served in terms of access (i.e. they now have access where previously there may have been none), they continue to be underserved in terms of choice. Critically, this means that public funds will have been used to deny them the better value, innovation, and customer experience that vibrant competition from MVNO's can bring.
- 2.20 Thus, publicly funded programs should instead seek to improve both coverage and competition, for the ultimate benefit of end-users.

Conditions to minimise duplication with nbn Co's efforts and business as usual strategy

- 2.21 Large telco providers have in the past been awarded funding under similar programs to upgrade existing infrastructure when such migration was already part of their existing roadmap under a business as usual (publicly announced) strategy (for example from 3G to 4G).
- 2.22 Our concern is that in the past, the funding has not necessarily stimulated investment in telecommunications infrastructure that would not otherwise have occurred as part of forward, publicly announced plans. In those circumstances there is no competitive gain and no greater outcome for regional communities flowing from the investment of Government funding.
- 2.23 Commpete supports that the proposed projects should demonstrate the potential to deliver a demonstrable improvement over existing telecommunications solutions in the relevant area (at section 2.3.1 of the proposed Guidelines) and that like for like proposals need to show a substantive improvement in service quality, coverage, reliability and/or speed.
- 2.24 Commpete also supports that there is an eligibility criterion requiring that construction cannot have started and must not be part of the participating telecommunications provider's forward build network or upgrade plans within the window commencing from the date the Grant Opportunity opens until 30 June 2025. However, rather than this period commencing from when the Grant Opportunity opens, we would suggest that the date 6 months prior to the release of the draft guidelines would be a more appropriate time for the relevant date range to commence.
- 2.25 Commpete also supports that the Eligible Locations for proposed projects cannot include areas that nbn Co predominantly services or proposes to service with fixed-line technology. We submit that this could be extended to ensure that there is also no overlap with nbn Co's infrastructure expansion roadmap. Although we appreciate that

it will be for the Government and nbn Co's shareholder ministers to provide appropriate information to determine whether a Proposal duplicates planned nbn Co investment or upgrades out to 2025, as this information is unlikely to be available to applicants.

- 2.26 Commpete believes those providers selected to receive funding under Round 2 should be subject to periodic quantitative reporting which is directed at the measure of success of the funding program including the extent to which the program has stimulated service based competition (as well as measuring performance against each of the other original program objectives).

Support for neutral host infrastructure models (particularly in wireless)

- 2.27 In our view, emerging neutral host infrastructure models are incredibly promising. The potential to allow multiple operators to utilise the same infrastructure should increase the rate of return on investment if utilisation can be maximised.
- 2.28 We would support the inclusion of assessment criteria that weighed in favour of proposals that support neutral host, open access arrangements over those that do not.
- 2.29 We believe all major mobile providers should support these models commercially to maximise effectiveness of the program and should be compelled to ensure backhaul transmission to these locations are not unduly or commercially constrained.

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