

Regional Telecommunications Review Secretariat  
Department of Infrastructure, Transport, Regional Development and Communications

By email: [secretariat@rtirc.gov.au](mailto:secretariat@rtirc.gov.au)

Dear Committee,

### **TPG Telecom submission - Regional Telecommunications Review 2021 Issues Paper**

Thank you for the opportunity to provide a submission to the Regional Telecommunications Review 2021 Issues Paper.

TPG Telecom is an Australian telecommunications company which is home to brands including Vodafone, TPG, iiNet and Internode. TPG Telecom owns and operates Australia's second largest fixed voice and data network and a leading mobile network comprising more than 5,600 sites and covering over 23 million Australians. As the second largest listed telecommunications company in Australia, TPG Telecom has a strong challenger spirit and a commitment to delivering the best services and products to its customers.

TPG Telecom (formerly Vodafone Hutchison Australia) has been constructively contributing to Regional Telecommunications Reviews over many years. While there have undoubtedly been significant improvements as a result of the NBN and, to a certain extent, the Mobile Black Spot Program, many people in regional areas continue to endure unreliable or non-existent mobile coverage and a lack of choice.

The ongoing digital divide between urban and regional Australians will not be narrowed by adopting the same approaches used in the past. Government policy settings must adapt to accommodate new telecommunications technologies and methods of delivery. Blunt "one size fits all" solutions need to be replaced with targeted government assistance in partnership with industry and communities. These programs should be operator and technology agnostic.

TPG Telecom encourages the Committee to make four key recommendations to the Government:

1. An independent review of the consequences of the ACCC's national domestic roaming decision, particularly with respect to its impact on competition in regional and rural areas for mobile services.
2. An independent review of the technology and systems used to deliver voice services under the USO, as identified in the agreement between the Government and Telstra for the 20-year USO contract.
3. Expediting work to establish the USG as a replacement for the USO.
4. An independent review of the Mobile Black Spot Program, from inception to Telstra's sale of publicly funded tower assets, to draw out key lessons and provide recommendations for future public funding of regional telecommunications infrastructure.

Public

## Competition is critical

While the Committee's Issues Paper highlights the investment challenges of deploying telecommunications infrastructure, attention must also be focused on the level of competition in regional and rural Australia.

Disappointingly, the word "competition" is mentioned just three times in the Issues Paper – twice when referring to the Australian Competition and Consumer Commission and once in relation to the Terms of reference as follows.

*4 a. In conducting the review, the committee is to have regard to the impact of the Government's policies and programs for improving connectivity, competition and digital literacy in regional, rural and remote areas, including rollout of the National Broadband Network, the Mobile Black Spot Program, the Regional Connectivity Program and the Regional Tech Hub.*

Traditionally, policymakers have focused on determining the adequacy of access to regional telecommunications services, neglecting the importance of competition and choice of provider. This approach has not tackled the fundamental constraints on delivering sustainable and ongoing improvements in regional telecommunications services. It has also led to a series of policies that have benefitted the incumbent telecommunications provider and the dependence of many regional Australians on this single provider.

Successive Regional Telecommunications Reviews have commented on this situation. Over time, concerns about competition in regional Australia have been consistent.

The 2002 Estens Review<sup>1</sup> found that:

*The Government should review arrangements for the costing and funding of the Universal Service Obligation. This should also include whether current arrangements are impeding the development of competition in regional, rural and remote Australia.*

The 2008 Glasson Review<sup>2</sup> noted:

*In remote areas where there is terrestrial mobile phone coverage, it is more likely that there is only one carrier. This not only means people in these areas are denied choice of supplier, it also means that customers of businesses in these areas are unable to make and receive calls unless they purchase a service from that one carrier. There is substantial controversy about the current USO arrangements and the Committee notes that nearly all stakeholders dislike the current arrangements. ACMA referred to the USO arrangements as a 'broken concept'.*

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<sup>1</sup> Estens, Regional Telecommunications Review Final Report, Australian Government, 2002, p. 109

<sup>2</sup> Glasson, Regional Telecommunications Review Final Report, Australian Government 2008, p. 137 & p.182.  
Public

The 2012 Sinclair Review<sup>3</sup> found that mobile coverage in regional areas was having a negative impact on the economic viability of regions:

*Poor mobile phone coverage affects business productivity and limits the ability of regional businesses to fully participate in the digital economy... The committee recommends a co-investment program, jointly funded by the Commonwealth and interested states or territory governments, to expand the mobile coverage footprint in regional Australia, focusing on priority regions selected with community input. Open-access arrangements for other carriers to tower infrastructure and/or domestic roaming arrangements should be a feature of the program.*

The 2015 Shiff Review<sup>4</sup> observed that:

*...infrastructure-based competition becomes more difficult in areas where there is insufficient traffic and higher costs. This reflects the natural monopoly character of parts of the telecommunications market and prompts different policy responses.*

*Roaming arrangements between operators (at least in areas where only one network was offering coverage) would similarly capture additional traffic and thereby improve the revenue opportunities at any given site.*

In 2018, the Edwards Review<sup>5</sup> avoided the issue of competition and choice altogether, despite proclaiming in its Issues Paper that:

*In general, competition leads to better outcomes for the end-user.*

The importance of finding the optimal policy and funding approach to addressing the regional competition problem cannot be overstated. Overcoming the roadblocks to competition in regional areas will ensure consumers and businesses receive more coverage, better value, better service and innovation.

More than five years ago (as Vodafone Hutchison Australia) we proposed domestic roaming as a solution. In 2017, the ACCC decided against mandating national domestic roaming because it supported Telstra's arguments that doing so would reduce Telstra's incentives to invest in regional and rural Australia. With this decision, the ACCC cemented Telstra's monopoly status in regional and rural Australia for mobile services.

The Committee ought to recommend an independent review of the consequences of the ACCC's national domestic roaming decision, particularly with respect to its impact on competition in regional and rural areas for mobile services.

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<sup>3</sup> Sinclair, Regional Telecommunications Review Final Report, Australian Government, 2012, p. 34-35

<sup>4</sup> Shiff, Regional Telecommunications Review Final Report, Australian Government 2016, p. 512, p.43

<sup>5</sup> Edwards, Regional Telecommunications Review Issues Paper, Australian Government 2018, p. 12  
Public

## Universal Service Obligation

The Universal Service Obligation (USO) is a prime example of much needed, long overdue change. Many thousands of pages and reports have been written about the need to reform this relic of the 1980s and yet, in late 2021, taxpayers and industry are still funding the USO to the tune of \$330 million every year to maintain voice services on payphones and copper wire.

While it has long been identified that the current USO policy settings are not delivering effective outcomes for regional Australians, the pace of reform has been glacial. This is despite an inquiry by the Productivity Commission in 2017 which found that the USO is no longer serving the best interests of the Australian community and should be wound up following the completion of the NBN.

In response, the Government announced its intention to establish a Universal Service Guarantee (USG). This also followed the 2015 Shiff Review which recommended reforms to the USO and the provision of subsidies for NBN's non-commercial fixed wireless and satellite services through a new consumer communications fund.

In 2017, the Australian National Audit Office (ANAO) identified that the agreement between the Australian Government and Telstra for the 20-year USO contract (the Telstra USO Performance Agreement, or TUSOPA) did not reflect value for money principles. The report found there was a lack of clear evidence that a net public benefit has been realised as a direct result of the introduction of the agreement with Telstra.

The ANAO's report also noted that an independent review of the USO is due this year:

*2.42 When the TUSOPA was first established a number of flexibility mechanisms were built into the Agreement. One of these is a formal review in 2021 of the technology and systems used to deliver the services as described in Modules B (STS) and C (payphones) of the agreement. This review is to commence in July 2021 and is to be conducted by an independent third party<sup>6</sup>.*

As of the time of writing this submission, there has been no Government announcement regarding the timing or process of this independent review.

As part of its ongoing work to establish the USG, the Department of Infrastructure, Transport, Regional Development and Communications has identified significant cost savings through the delivery of voice services using mobile, satellite and NBN fixed wireless services. Trials to evaluate alternative ways of delivering voice services in regional areas, including over NBN fixed wireless, satellite and mobile, are underway and will conclude in mid-2022.

In order to provide coverage to those currently without an adequate voice service, the USG could subsidise the expansion of mobile coverage and/or alternative technologies such as low-earth orbit (LEO) satellites. This should be in the form of a technology-neutral, contestable and transparent fund to replace the existing telecommunications industry levy that funds the USO.

The Committee ought to recommend an independent review of the technology and systems used to deliver voice services under the USO as well as recommending the Government expedite its work to establish the USG as a replacement for the USO.

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<sup>6</sup> ANAO Report No.12 2017–18 Management of the Contract for Telephone Universal Service Obligations, p.33 Public

## Mobile Black Spot Program

Telecommunications investments, particularly public investments, should encourage rather than prevent retail competition. Infrastructure duplication is wasteful and costly in regional and rural areas and is an impediment to further competition.

In our submission (as Vodafone Hutchison Australia) to the 2018 Edwards Review<sup>7</sup>, we provided a detailed commentary on how the Mobile Black Spot Program had strayed from its original objective to deliver mobile coverage *and* competition. Through ineffective infrastructure-sharing obligations and Telstra's overwhelming dominance in securing funding, an unfortunate outcome of the program has been the further entrenchment of Telstra's monopoly at the expense of taxpayers. In the past three years, despite the best intentions of the Government, this situation has continued.

As a principle, providing funds to one mobile network operator to expand coverage that only benefits that operator's customers is not an effective use of public funds. There is a strong public benefit argument for all mobile sites which have been built with public funding to be subject to open-access obligations. In other words, infrastructure built wholly or partly using public funds should be able to be used by customers of all mobile network operators.

Nothing demonstrates this better than Telstra's sale of its tower assets which includes publicly funded sites under the Mobile Black Spot Program.

The ACCC will soon publish the extent of government funding for telecommunications networks under its Infrastructure Record Keeping Rules. This means the public will finally know how much of Telstra's network has been built using public funding. TPG Telecom and others supported this change, while Telstra argued against it.

The Committee ought to recommend an independent review of the Mobile Black Spot Program, from inception to Telstra's sale of publicly funded tower assets, to draw out key lessons and provide recommendations for future public funding of regional telecommunications infrastructure.

TPG Telecom  
September 2021

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<sup>7</sup> <https://www.infrastructure.gov.au/sites/default/files/submissions/vodafone.pdf>  
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