



TELSTRA CORPORATION LIMITED

Telstra response to the Draft Guidelines for Mobile Black Spot Round 5A

4 November 2020



Introduction and summary

Telstra welcomes the opportunity to respond to the Mobile Black Spot Program (MBSP) Round 5A Draft Guidelines paper.

The mobile blackspot program has been an effective means for providing mobile coverage to rural and remote areas that are not economic for mobile network operators to invest in. To date, Telstra has been a significant participant in the program, contributing \$293 million out of \$560 million in co-contributions (Industry, State Governments and other third parties combined) in the earlier rounds, as part of over \$836 million in total investment.

There are some welcome new elements in the Round 5A guidelines. We were disappointed that many of the proposals Telstra and others put forward in response to the Round 5A discussion paper to improve the commercial viability of future rounds have not been adopted. This is despite the Government's recognition that the program is moving towards increasingly marginal markets. As such we are concerned that Round 5A, as envisaged in the Draft Guidelines, will not be as effective in facilitating the improved and expanded coverage that regional and remote Australians need.

Positive elements of the Round 5A Draft Guidelines

Having reviewed the Round 5A Draft Guidelines, we recognise that there have been several positive changes to the guidelines which applied in the earlier Round 5, with some of these changes reflective of suggestions made by Telstra. These include:

- The removal of the requirement for 3G services to be included as a part of funded Macro cell Mobile Coverage solutions, with 4G now the minimum required technology;
- Removal of the Funding Cap for individual Mobile Coverage Solutions, although only where more than one MNO will provide mobile coverage and connectivity;
- The ability to pool Funding Caps for solutions that involve multiple sites; and
- The ability to seek funding for the capitalised cost of backhaul services over the operational period of funded solutions, regardless of backhaul technology.

Telstra supports the emphasis on multi-operator solutions (i.e. co-location, and the provision of backhaul capacity where possible), but we continue to be opposed to any requirements for mandated active RAN sharing given the potential for such measures to introduce new complexities and costs, hamper network service differentiation, and diminish investment and service levels in regional and remote areas.

We also support the focus in the draft guidelines on solutions which provide new and improved mobile coverage in areas that are prone to natural disasters or designated major regional and remote transport corridors, and the use on testing new and innovative solutions.

Proposed measures to improve program economics that have not been adopted

Telstra was disappointed that many of the measures we suggested for improving the economics of the MBSP in response to the Round 5A discussion paper were not included in the Draft Guidelines. These suggestions, and some of their respective merits, include:

- **Encouraging co-location proposals by supporting earlier facility sharing discussions** – in previous MBSP rounds sites have been proposed by operators independently of each other, with discussions with other operators on co-location occurring after the tender stage, when successful sites are chosen by the Government. This results in few sites with multi-carrier interest being progressed. If the bid process and schedule encouraged operators to work together upfront to identify sites where there could be a joint interest in expanding coverage before the tender stage begins (subject to agreeing an appropriate Competition and Consumer Act 2010 (Cth) compliant framework), greater co-location and therefore greater economic outcomes could be achieved.



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- **Extension of MBSP location eligibility to include addressing mobile blackspots at or just beyond the fringe of major cities and to address indoor mobile blackspots in such areas as well as in regional and remote Australia** – A significant proportion of consumer coverage complaints, including those which find their way onto the government mobile blackspots registry, relate to poor/absent coverage in areas of rugged terrain and heavy vegetation on the fringe of the capital cities and also patchy and/or absent indoor coverage in such areas as well as in premises in regional and remote Australia. Many of these blackspots could be addressed in a commercially viable manner with government co-contributions, but the draft guidelines exclude site proposals for urban fringe areas.
 - **Increasing or remove the funding cap for single site mobile solutions** – fundamentally, after five rounds of the MBSP the economics of potential future MBSP sites are poorer than what has previously been the case. While we welcome the removal of the Funding Cap for individual Mobile Coverage Solutions where more than one MNO will provide mobile coverage and connectivity, in some cases there may only be a single MNO interested in deploying from a given site. This is especially the case in very remote areas where much of the coverage in the region is Telstra only and site costs are highest, and without the removal of the government cap on contribution for such sites, few if any will be able to be addressed. The draft guidelines also add to the required power resiliency standards of blackspots sites which in turn increases build and maintenance cost, which without increasing per site cap, falls to the Grantee alone to cover. Given the assessment formula is intended to support a ranking of all proposals based on required levels of funding by the Commonwealth, the current funding cap for individual solutions with a single MNO could be precluding solutions that represent better value for money than other proposals.
 - **Extending MBSP funding to cover ongoing operational costs** – the proposal to fund the capitalised cost of backhaul services for funded solutions regardless of backhaul technology is positive, but doesn't go far enough and overlooks the higher costs of ongoing site operation and maintenance in the remote locations that MBSP targets. In more remote areas the ongoing costs of operation typically dwarf the original build costs over the life of the site and assigning all operation and maintenance costs to the Grantee greatly reduces site economics. The peculiarity of the current approach can be illustrated with reference to the provisions for solutions in natural disaster prone areas within the Draft Guidelines. In particular, funding can be sought for additional resilience measures such as auxiliary power and redundant power, but not for any associated operation and maintenance costs¹ — the net effect is a further dampening of the economics for something that is already economically marginal in the first place.
 - **Extending the definition of MBSP eligible solutions to include coverage extension devices and satellite handsets** – this proposal, especially for coverage extension devices for vehicles, had broad community support as it dramatically increases existing coverage for those who use it and need it most. Extending the coverage of existing mobile towers using coverage extension devices is also the most cost-effective means of providing new handheld coverage in areas with very poor economics due to sparse populations.² Subsidy programs for coverage extension devices could be targeted to customers who are likely to benefit from them the most, greatly improving their mobile experiences. In respect of satellite handsets, these can be an effective and resilient way of attaining coverage in areas prone to natural disasters (especially when a natural disaster occurs), and should thus be candidates for funding. Any subsidy program for satellite handsets could also be targeted, possibly focussing on local government groups and/or organisations involved in disaster assistance activities.

¹ In our experience deploying maintenance staff to sites in very remote and disaster-prone areas can often involve high access costs, such as helicopter access, especially if a natural disaster has recently occurred.

² Telstra estimates that customers can benefit from an additional 10,000 kilometres of 4G coverage along some 60,000 kilometres of national highways and roads with the use of coverage extension devices.