



Regional Connectivity Program

Draft Grant Opportunity Guidelines

March 2020

Comments by Pivotel

13 March 2020

1. Background

- 1.1 Pivotel is an Australian owned and operated company which commenced operations in 2003 and today operates a mobile and satellite telecommunications network pursuant to a carrier licence issued by the Australian Communications and Media Authority (ACMA) and has invested more than \$75 Million in telecommunications network infrastructure.
- 1.2 Pivotel employs over 125 staff predominantly in Australia, as well as New Zealand, the USA and Indonesia, with its Australian offices located on the Gold Coast, Brisbane, Sydney, Melbourne, Dubbo and Perth. In regional Australia Pivotel supports over 200 dealers and 100 value added resellers.
- 1.3 Pivotel maintains a mobile carrier licence and operates ground infrastructure in Australia, making it the fourth mobile carrier in the country. It is the only Australian carrier with direct connection to all four major mobile satellite networks: Iridium, Inmarsat, Thuraya and Globalstar.
- 1.4 Pivotel's 4G / LTE mobile network, marketed as ecoSphere®, extends its carrier network to deliver mobile services to rural and remote Australians. Using innovative small cell technology and a unique network architecture, ecoSphere® can cost effectively deliver wide area cellular and IoT coverage to remote communities, mining, agriculture and pastoral properties using satellite or terrestrial backhaul, complemented by satellite point to point, IoT and high-speed data services.
- 1.5 Currently Pivotel has 28 LTE base stations in operation and is planning for a further 50 base stations to be added to the networks by end 2020.
- 1.6 Through its strategic satellite holdings and LTE (4G) / NB-IOT mobile network, Pivotel is well placed to deliver on the 'place based' approach of the Regional Connectivity Program (RCP) which focusses on the priorities of a particular location with tailored solutions, through its experience and historical focus on connecting regional, rural and remote communities in Australia. We look forward to participation in the program and playing an active role in improving digital connectivity for regional Australia.

2. Pivotel's comments and feedback

2.1 Grant period and timing:

- 2.1.1 The Project Period states that all Funded Solutions must be completed by 30 June 2021 (clause 2.2). This is only achievable on the basis the grants have been approved within a suitable time frame and there is sufficient time to build and provision the requisite Grant Opportunity.
- 2.1.2 Section 6, Table 1, provides for a 22 week period for approvals to be granted after the final Guidelines are released and applications are open. It is unclear when the final Guidelines will be released after the Departments reviews comments and feedback and this 22 week timeframe will commence.
- 2.1.3 If, for example, applications open after 3rd April 2020, giving the Department 15 business days to finalise the Guidelines, Grant Opportunities may not obtain final approval until the 4th September 2020.
- 2.1.4 Some builds may take 12 months or more, allowing for planning approvals, obtaining suitable spectrum access, site acquisition, backhaul provisioning, ordering of equipment, installation and testing. A number of these requirements are outside of Pivotel's control and can be lengthy processes, especially backhaul provisioning and planning and spectrum approvals.
- 2.1.5 In order to address this timing issue it may therefore be necessary to extend the project period to 12 months from the date of final approval of the Grant Opportunity, or reduce the timeframes for assessment, negotiations of Grant Agreements and approval of outcomes of the Selection Process. The latter option is least preferred due to the compressed timeframes and inherent timing challenges.
- 2.1.6 The draft Guidelines also do not appear to stipulate what happens if a project failed to complete by the due date. Clause 9.4 states that there "may" be an initial payment on execution of the Grant Agreement and subsequent payments as Asset completion is achieved, but there is no real detail on when payments will be made and what happens if a project fails to complete by the close date. For example, if a project is 90% completed by the close date will 90% of the Grant funds be paid out?

2.2 Eligible expenditure

- 2.2.1 The RCP discussion paper under 'Eligible Expenditure' made reference to the capitalisation of satellite Backhaul as eligible expenditure, however there is no reference to this in the draft guidelines. Pivotel seeks clarification on the inclusion of capitalised satellite backhaul costs as the inclusion could have a major bearing on the viability of certain projects.
- 2.2.2 Additionally, Pivotel in its response to the RCP discussion paper under questions 9 and 10, requested that capitalised non-satellite transmission backhaul costs also be eligible. The rationale being that certain projects may require high(er) speed access and transmission backhaul to deliver the required benefits. In Pivotel's experience high speed backhaul is the most significant cost element of delivering remote area coverage

and is a major factor in determining financial viability of a project. Pivotal therefore seeks clarification on the inclusion of capitalised high speed transmission backhaul costs.

2.3 Awareness Program

- 2.3.1 Pivotal acknowledges and appreciates the Department's hosting of the RCP noticeboard to help facilitate linkages between telecommunications carriers and communities as recommended in Pivotal's discussion paper response submission.
- 2.3.2 Pivotal would also be interested in understanding if the Department is considering any communications programs amongst relevant state and local government authorities, industry groups, Indigenous and remote / rural communities, Rural Developments Corporations, etc to help promote awareness and participation in the RCP program?
- 2.3.3 A comprehensive awareness program will ensure all relevant parties have an equal opportunity to apply for projects ensuring those with the highest social and /or economic benefit receive Grant funding and are delivered via the RCP.

2.4 Financial co-contribution

- 2.4.1 The RCP discussion paper under Clause 3 states "the total Commonwealth funding cannot exceed 50 per cent of eligible project costs". Pivotal would like to confirm this level of contribution continues to apply to the final RCP Guidelines, as there does not appear to be any specific mention in the Draft Guidelines regarding the level of Commonwealth contribution.

2.5 Operational Period

- 2.5.1 Pivotal acknowledges that all Funded Solutions must provide retail services for a minimum period of 10 years after the Asset becomes operational.
- 2.5.2 Pivotal has no issue with this obligation, however Pivotal has some very real concerns that the Asset may become obsolete or unviable, if other competing solutions are built in the same area and thus making the co-funded Asset redundant during the 10 year term.
- 2.5.3 As such Pivotal recommends each RCP co-funded Asset should have exclusive access to service that location during the 10 year term.
- 2.5.4 Additionally, if an incumbent operator proceeds to build a similar solution with the same or similar coverage characteristics, the Grantee has the option to de-commission the Asset, should it become financially unviable and place an unreasonable financial burden on the provider of the solution.
- 2.5.5 To dis-incentivise incumbents over building, and to ensure all relevant end users benefit from the RCP program, Pivotal recommends all RCP co-funded solutions be built as 'open access' networks such that all operators and providers using the same or similar technology can re-sell services using the co-funded solution.

3. Pivotel's comments and feedback

3.1 Pivotel is well placed to play a unique and relevant role in improving coverage and bringing innovation to parts of regional and remote Australia and stands ready to work with the Commonwealth, and State and Local Government authorities, to help close the digital divide that exists between the city and the bush.

3.2 Apart from commercial viability, which programs like the RCP are hoping to address, there are a number of other challenges associated with this important objective, like access to relevant spectrum, cost effective backhaul pricing and the lack of progress on sharing of networks and infrastructure in remote and regional areas.

3.3 Pivotel is looking forward to working collaboratively with relevant Government and Industry stakeholders to progress these issues to help improve coverage and access for all Australians.

3.4 For any questions in relation to this submission please contact:

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Yours sincerely

Pivotel Group Pty Limited