LOCAL GOVERNMENT ASSOCIATION OF QUEENSLAND

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Australian Competition and Consumer Commission
"Competition in Evolving Communication Markets"
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Dear Sir/Madam

The Local Government Association of Queensland (LGAQ) is the peak body for local government in Queensland. It is a non-for-profit association set-up solely to serve councils and their individual needs. The LGAQ has been advising, supporting and representing councils since 1896, allowing them to improve their operations and strengthen relationships with their communities. The LGAQ does this by connecting councils to people and places that count; supporting their drive to innovate and improve service delivery through smart services and sustainable solutions; and delivering them the means to achieve community, professional and political excellence.

The LGAQ welcomes the opportunity to provide comment to "Competition in Evolving Communication Markets" as it is vital for our communities to be able to grow as a result of benefits of participating in the digital economy.

Rather than addressing specific issues, the LGAQ will make some general comments about the issues affecting Queensland Councils.

"Fix our Towns"

While much of the discussion paper focusses on evolving services based on next generation technologies, the LGAQ believes that there are still a number of communities where the lack of basic telecommunication services should be included in any discussion.

The need for core and access telecommunication infrastructure that underpins the ability for communities to access the services that form the basis of the discussion paper, should be recognised as an issue. The LGAQ has lobbied for the need to ensure that administrative towns of a local government area, as a minimum should have the network capacity and robustness that allows local government to access evolving products and services.

In Queensland, and the situation exists in other local government areas in other states, there are a number of councils where towns do not have adequate backhaul or core infrastructure in which access infrastructure delivers the services that is the basis for consideration.

Shires Councils such as Barcoo, Burke and Diamantina and the towns of Stonehenge, Jundah, Windorah, Burketown, Bedourie and Birdsville, respectively, are examples where telecommunications policy has failed to evolve resulting in those communities undertaking a 15-year lobbying campaign at the Commonwealth for funding to provide services similar to other councils. This includes a robust and scalable backbone and a suite of access services such as mobile base stations, and exchange infrastructure such as ADSL and Ethernet Lite.

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Funding for those projects was only made available in the past 12 months, which involved significant contributions from the Commonwealth ($12m) and the State Governments ($6m). The Councils, many of which were significantly financially impacted by the worse drought since records were kept, contributed nearly 25% of the $24m project.

More importantly, many indigenous communities in Cape York, the Torres Strait, and the Gulf of Carpentaria, do not have the backhaul capacity nor access technologies that allows the services that are identified in the discussion paper of being delivered.

Telecommunications is an enabler which in many ways overcomes the tyranny of distance. Yet, in these communities, the delivery of government services, which are a fundamental service in mainstream towns are challenged because of the lack of infrastructure and investment.

The paper recognises the role of the NBN and its contribution to the delivery of services. But, the NBN, as a commercial entity, does not provide a mechanism to fix the needs of these small administrative and service centres that are the hubs for rural and remote communities.

That is, the technology that has been identified for these rural parts of Australia, is largely SkyMuster, has yet to be subject to an Australian summer and the extreme weather that can occur. The NBN has recognised that the satellite service is unreliable in certain weather conditions (heavy rain, or dust). Because much of northern Australia is subject to monsoon, it is expected that there will be significant and regular outages due to rain attenuation disrupting the signal.

Telecommunications – Global Position

The issues paper focuses its discussion on the Australian context, but consideration should be given to recognising that the industry is dominated by global companies that make commercial decisions in the interests of its shareholders.

A comparison based on market capitalisation and subscribers of the three main companies in Australia, demonstrates the size and the ability to invest in infrastructure.

Company	Market Capitalisation	Number of subscribers
Vodafone	$180 Billion*	435,000,000
Singtel-Optus**	$215 Billion	600,000,000
Telstra	$49 Billion	17,200,000

**Vodafone market capitalisation July 2014*
***Singtel is owned by Temasek, which has a market capitalisation of $215B.*

Hence, the view that the LGAQ has developed is that carriers like Vodafone and Singtel-Optus make investment decisions based on the best possible outcome on a global basis. Investment is usually based on strategic marketing opportunity, which constrains their investment in the Australian mobile market. Their investment in Australia is not because of being unable too, but rather recognising there are more strategic opportunities elsewhere in the world in which to invest.

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This is an important consideration when third-party bodies intervene to create competition in a market place. Competition occurs at a global level has determined the level of investment that a carrier is will to make in the Australian environment.

Australian Market

The LGAQ is a supporter of the concept of a capitalist free-market western democracy, in which government intervention is required when markets fail.

Under this model, it is no surprise then that all carriers have made considerable investment in metropolitan and provincial areas. Indeed all carriers admit to providing coverage to in excess of 97% of the Australian population. Carriers have made this investment seeking to obtain the best commercial outcome for their shareholders.

Carriers compete against each other in order to gain subscribers. This results in competitive pricing, innovative offers, new products and services, which is delivered from an evolving technology platform that underpins mobile broadband speeds, building penetration and base station footprints.

Consumers have benefitted from this robust competition. Because the price that is offered by the carriers is national pricing, there is no discrimination where the user lives or uses the mobile device. The price that subscribers pay for a service is Canberra or Sydney is the same for subscribers who live in Charleville or Surat.

When the market has failed in rural and regional Australia, the Commonwealth has stepped in and has encouraged carriers to invest in new areas by offering once-off capital incentives. These programs were basically aimed to make uncommercial sites attractive for carriers to also contribute and invest.

Historically, these funding sources included Networking the Nation, and a series of programs that were the result of recommendations from the Besley Report. More recently the Abbott and Turnbull Governments have allocated significant funding for mobile blackspots. While Mobile Blackspots Round 1 has been announced more than a year ago, Mobile Blackspots 2 imminent and promises made for Mobile Blackspots 3 during the recent election, an additional $220 million has been made available for carriers.

All Commonwealth programs involved a tender process which allowed carriers to develop a response in order to expand their network into areas that are commercially unviable. Telstra was successful in most instances. However, an irony exists that while Telstra was successful in receiving a once-off capital contribution, the subsidised sites became integrated into the Telstra network which involves an ongoing commitment in terms of maintenance and servicing. Importantly, the sites have also required investment as technology evolved. The migration from 2G to CDMA to 3G, 4G and other LTE technologies demonstrates the significant investment that has been made by Telstra, which would be significantly more than the original funding made available by the Commonwealth. Carriers like Vodafone and Optus have also travelled similar paths.

Telstra commitment to regional Australia is understandable. While Telstra has a global footprint, its primary market has always been Australia. It has invested in increased footprint through additional mobile phone base stations, but importantly has invested in the future through the purchase of radio spectrum.

Another key aspect in the Australian market has been for carriers to access Telstra infrastructure that have been deemed a "Declared Service". That carriers wanting to invest are able to access tower, exchange and backhaul infrastructure, at a rate which if is deemed unfair can be referred to an independent third party for determination.

Skills and Awareness

People need to have the skills and awareness to obtain the optimum benefit from technology. Through-put speeds are only as fast as the weakest link. How people access services through fixed line, radio or satellite is no different in that there needs to be a level of competency to maximise speed. As an example, this could include a public awareness campaign about the benefits of external aerials and car-kits.

This is particularly relevant for people who travel through rural and regional areas, but is also important in improving the performance of mobile devices in many other areas that are on the edge of network coverage.

Part of the awareness campaign would require consumers to check network coverage maps before travelling to rural and remote areas. This would encourage consumers to plan and ensure they had the necessary technology to be contacted and to access on-line services.

Conclusion

Technologies continue to evolve but rely on a telecommunications network so that people, and an increasing number of things, can connect in new ways to access new services and content.

The LGAQ believes that all people should be able to access these services, but we recognise that a range of delivery platforms - fixed-line, radio and satellite are required. Each platform has advantages and disadvantages in regards to cost, maintenance, performance and evolution.

The LGAQ is concerned that many small communities, particularly communities in the Cape, Gulf and Torres Strait do not have the network infrastructure that will allow evolution to occur. Indeed, at present these communities struggle to access "basic" services.

These communities are in many instances the centres of local government, where schools, health clinic, police and are a local hub for the delivery of state government services. It is imperative that these sites access a robust and scalable core network and have the access infrastructure that will underpin evolving markets.

Because of the size of these small communities, remotes and difficult geography, it is unlikely that there would be competition at the infrastructure level. Unless government considers how our towns will be serviced, the 15-year campaigns that were required for Barcoo and Diamantina Shires will become more common and in the interim those places will be left behind.

The LGAQ also recognises the role for on-going awareness to maximise through-put speeds at the consumer level.

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Finally, the LGAQ believes that the companies that are providing these services are usually global companies. Investment decisions are made strategically to ensure the best outcomes. The artificial creation of competition brings with it with a different set of challenges for communities.

Yours sincerely

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