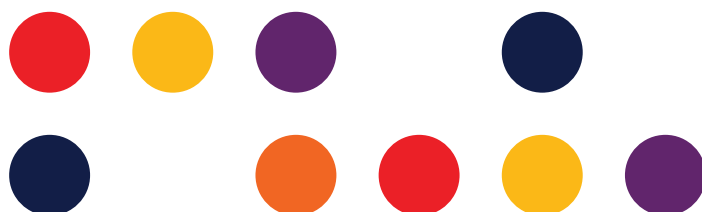


# Regional Mobile Infrastructure Inquiry – Report on Preliminary Findings

ACCC

May 2023

Public version



## Summary

TPG Telecom welcomes the opportunity to provide its feedback on the ACCC's report on preliminary findings in the Regional Mobile Infrastructure Inquiry (**Preliminary Findings**).

TPG Telecom supports most of the ACCC's Preliminary Findings and offers the following observations and suggestions:

1. When assessing matters related to access to towers and associated passive and active infrastructure provided by telecommunications and other infrastructure providers, the ACCC could further clarify its findings by examining two scenarios, being:
  - access to greenfield infrastructure, i.e. where a mobile carrier contracts a tower operator to build a new site, and
  - access to existing infrastructure, i.e. where a mobile carrier rents space from a tower operator on an existing site.
2. When assessing the feasibility of temporary mobile roaming services to be provided during an emergency, the cost of establishing such a system would depend on its implementation and the degree to which mobile carriers will need to build additional network capacity. If additional network capacity is required, then the cost of establishing a temporary mobile roaming service could be uneconomic.

## Access to towers and associated infrastructure

### ACCC should identify whether co-location fees reflect actual costs

The Preliminary Findings could be improved by identifying the difference in costs associated with providing greenfield infrastructure, versus costs associated with providing co-location access on existing infrastructure.

The first case relates to expanding mobile coverage to areas without it, while the second case relates to mobile carriers' ability to access existing towers and passive and active infrastructure in order to share existing infrastructure.

Infrastructure sharing should be a key theme in this inquiry. The Explanatory Statement to the *Telecommunications (ACCC Inquiry into Access to Regional Towers and Associated Infrastructure) Direction 2022* refers to the 2021 Regional Telecommunications Review report that "considered ways of improving coverage competition, such as shared network access as well as access to necessary inputs".<sup>1</sup>

Improving the affordability of accessing existing infrastructure would result in improved competitiveness in downstream markets. If cost barriers for co-location are reduced, the

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<sup>1</sup> Explanatory Statement, *Telecommunications (ACCC Inquiry into Access to Regional Towers and Associated Infrastructure) Direction 2022*, page 1.

ability for a second or third carrier to expand its coverage or improve its depth of coverage increases. This in turn improves the user experience and substitutability between networks in a localised area.

The status quo unfortunately trends towards less co-locations in areas where co-location rates should be high. The ACCC’s Mobile Infrastructure Report 2022 shows the level of passive co-location decreases as remoteness increases:

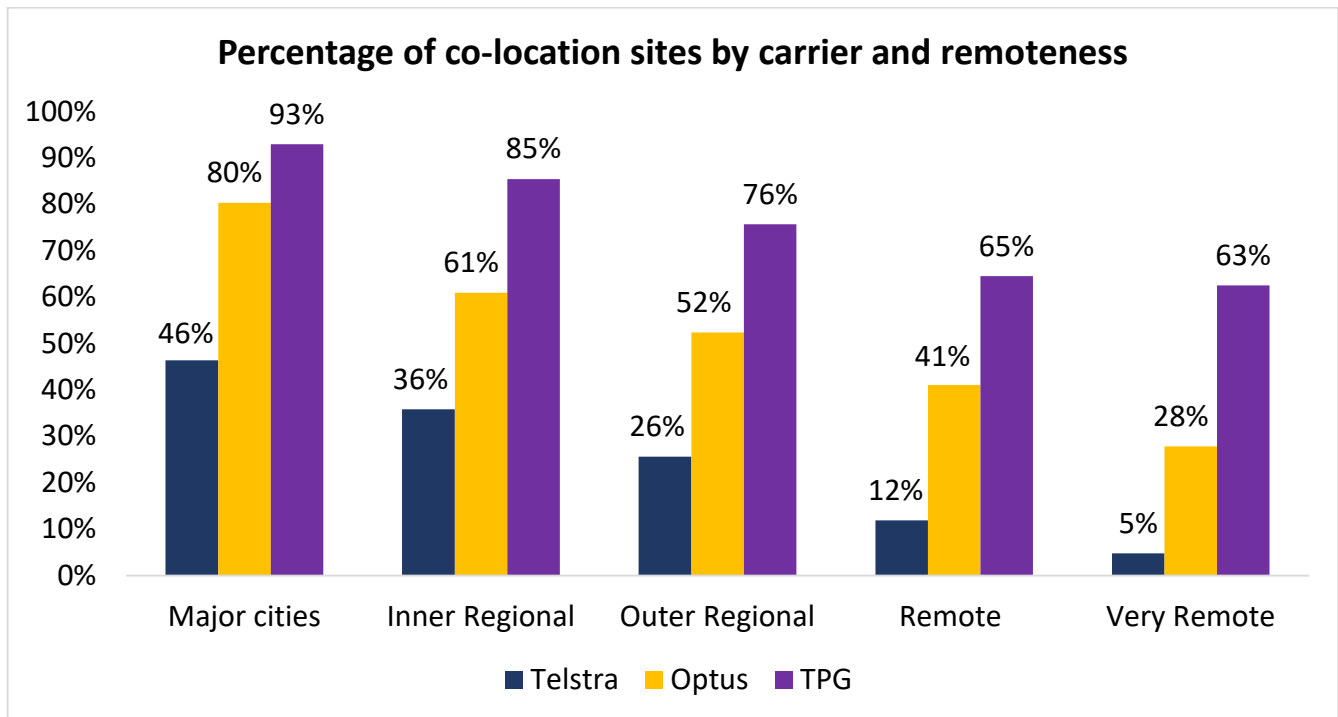


Figure 1: Percentage of co-location sites by carrier and remoteness<sup>2</sup>

Greater co-location of passive infrastructure should be encouraged by policy makers and the ACCC. However, the regulatory and policy environment appear at best ambivalent and at worst hostile to meaningful infrastructure sharing in areas that would most benefit from it.

Infrastructure sharing would create immediate opportunities to improve customer and service outcomes than the current situation. For example, in inner and outer regional areas, there are 2,853 Telstra-only sites and 1,249 Optus-only sites,<sup>3</sup> which could immediately offer a significant opportunity for co-location for smaller network operators like TPG Telecom.

One of the ongoing barriers to more co-location are the access fees required by tower companies. TPG Telecom notes the ACCC identified tower companies will ensure all costs associated with building a new mobile site are recouped from the anchor tenant over time. This raises the question of what legitimate costs are being recouped from a second carrier. The ACCC should consider whether the access fees demanded by tower companies are a

<sup>2</sup> Source: ACCC Mobile Infrastructure Report 2022 – output tables, table 53.

<sup>3</sup> ACCC Mobile Infrastructure Report 2022 – output tables, table 56.

significant hindrance to competition. Certain costs such as strengthening costs appear justified, but the basis for annual access charge fees for co-location is unclear.

The ACCC should identify the actual costs tower companies incur to host a second or third carrier on existing mobile infrastructure in regional and rural Australia. This should include cost categories and specific dollar amounts.

### **Facilities access regime needs improvement**

The facilities access regime under the *Telecommunications Act 1997* is ineffective in practice in assisting access seekers to gain access to existing passive infrastructure on reasonable commercial terms.

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The ACCC should be aware of these limitations. Other telecommunications access services historically also operate under a negotiate-arbitrate model. However, they were replaced with a more effective declaration-FAD model under Part XIC of the *Competition and Consumer Act 2010* because of the drawbacks of a negotiate-arbitrate model.

There is an opportunity to explore whether the facilities access regime should be updated to a model that is similar to Part XIC, whereby the ACCC can set reference access prices for passive infrastructure.

### **Incumbent mobile networks in regional and rural Australia will not be overbuilt**

Even with lower barriers to co-location, a challenger carrier like TPG Telecom still faces limits in expanding coverage in regional and rural Australia. TPG Telecom agrees with the ACCC's Preliminary Findings that:<sup>4</sup>

*“It is unlikely that any of Telstra’s competitors will have the realistic ability to absolutely match Telstra’s network coverage in regional areas.”*

*“Neutral hosts are unlikely to have a significant enough effect that mobile network operators utilising the infrastructure will be able to challenge Telstra’s coverage advantage to any great extent.”*

This supports TPG Telecom's view mobile coverage in parts of Australia is a natural monopoly, and why it argued for the ACCC to regulate domestic roaming in 2016. Sharing existing network infrastructure is the only realistic option to increase competition in regional Australia.

The ACCC has expressed similar views in other contexts. For example, in its September 2021 submission to the 2021 Regional Telecommunications Review, it acknowledged “*regional mobile coverage may be sub-optimal if left to the market alone*”, and that the market will only

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<sup>4</sup> ACCC *Regional Mobile Infrastructure Inquiry – report on preliminary findings – April 2023*, page 41.

*“deliver incremental improvement to regional mobile coverage through infrastructure competition, this alone will unlikely be sufficient in delivering the coverage outcome required by regional communities”.*<sup>5</sup>

The ACCC also recognises government co-contribution programs *“have become the key driver of coverage improvements in regional and remote areas”.*<sup>6</sup>

Despite acknowledging the market will not meet the needs of regional communities, and network expansion is primarily driven by public funding, we are not aware of any examples where the ACCC has advocated for changes to policy or regulation that would improve this situation and it has made positive decisions that have sustained the status quo, including deciding in 2017 not to declare regional roaming and its December 2022 decision to not authorise the TPG-Telstra regional network sharing arrangement.

This inquiry is an opportunity for the ACCC to evaluate its telecommunications policies and decisions over the past 10 years, and determine what changes are needed to improve competitiveness in regional Australia in the next decade.

## **Temporary roaming in emergency situations**

TPG Telecom would caution policy makers to not assume temporary roaming can be implemented quickly, cheaply, or easily.

There are likely large variations in how temporary roaming could be implemented or designed, depending on location, which will have a significant impact on practicality and usability.

In cities and large towns where population density is high it is unlikely that a single mobile network could handle the additional users of one or both of the two other networks in an emergency roaming situation.

Commercial mobile networks are designed to only support their own customers' needs. To have confidence its network could also support the customers of two other networks, a network operator would need to increase capacity at both core and radio access networks. There is usually a significant surge in traffic during national disasters, due to people trying to stay up to date with the latest information and keeping in touch with others. Temporary roaming capacity will have to accommodate an uplift of higher than usual traffic. This would be very costly and time-consuming.

Alternatively, if MNOs do not build capacity, temporary roaming solutions may cause congestion that may make a surviving network unusable. This outcome is counterproductive.

The situation would be different in regional and rural areas where population density is lower. TPG Telecom expects the congestion challenges of a temporary roaming service would be

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<sup>5</sup> ACCC Submission to the Regional Telecommunications Review 2021, page 6.

<sup>6</sup> Ibid, page 6 and 7.

relatively more limited in those areas.

Further, we anticipate significant investment would also need to be made into reliable ongoing operations and support for keeping a temporary roaming solution always available in a secure and resilient manner. These costs will be associated with secure interconnections that demand higher capacity and availability than usual roaming links, enhancing the operational support processes for reliability of the solution, increased regression testing across a suite of network changes and continued life cycle management for keeping the solution up to date.

The differences between the geographical boundaries between operators for granularly controlling temporary roaming may present a challenge in limiting the scope of where temporary roaming is enabled. This would require some alignment between the operators, which in turn would drive more cost if there is a need to adjust the boundaries.