

# **Review of Telecommunications Specific Competition Regulation**

*Response to the Productivity Commission's Examination  
of Additional Matters Under Reference*

by the Department of Commerce and Trade  
Western Australia

February 2001

## INTRODUCTION

To understand the implications of Telecommunications Specific Regulation in Western Australia is to understand the State's demography and geography.

Western Australia is characterised by large distances and sparse population. The State covers 2.5 million sq km and has a population of approximately 1.9 million. However, more than two thirds of the population of Western Australia resides in the Perth metropolitan area. Despite its massive size, the state has only 9 centres outside the Perth-Mandurah corridor with populations that exceed 10,000.

The largest country town in Western Australia, Bunbury, has a population of less than 30,000. This is less than half the population of Ballarat, a city where carrier competition commenced in 1997 but faltered and is now considered marginal at best. The small size of Western Australian towns and the distances between them is highlighted when it is considered that of the State's 168 towns (defined as having a population of more than 200) only 33 have a population that exceeds 2000.

A manifestation of the State's scattered population is the inordinate number of "non viable" areas. GDP figures may indicate that a region is rich, but the population is not large enough to provide a commercial return for providers considering regional investment in telecommunications. Whilst the larger cities have sufficient market size to support multiple carriers the same is not true in the country. **In such instances, regulatory intervention appears to be the main remedy, supported by incentive intervention in appropriate cases.**

## TELEPHONY

It is suggested that the market in Western Australia could be viewed as comprising three distinct groupings:

- *Metropolitan*  
Dense population and sufficient market capacity to support multiple carriers and multiple infrastructure. This category also includes only the largest regional centres. Regulatory environment permits and encourages open competition between carriers.
- *Country*  
Small towns and low population. Sufficient market capacity to support multiple service providers but insufficient market capacity to support multiple infrastructure. Requires re-sale at the customer service end. Regulatory intervention necessary to ensure that negotiations with the dominant carrier for access and resale are sensible and timely.
- *Remote*  
Very sparse populations and distances between towns too great for facility sharing. Currently classified as extended zones for telecommunications purposes. Insufficient market capacity to provide a commercial return to

telecommunications providers. Requires regulatory and incentive intervention to establish adequate facilities. The current tender process for extended zones (where a carrier is selected to exclusively service an area for a contract period) is considered an appropriate model.

## COMPETITION

The poor profitability of rural and remote telecommunications is seen as the main impediment to the competitive presence of other carriers. Declaration of services in Regional Australia would result in some additional competition in larger regional centres, but it would have limited positive effect on those outside the larger centres.

## INTER CARRIER ROAMING

Inter carrier roaming in non-metropolitan areas remains an important issue for both mobile phone and satellite phone users in country Western Australia.

## GSM MOBILES

The Perth Metropolitan area is well served with mobile carriers. Telstra, Cable and Wireless Optus, Vodafone and OneTel operate GSM networks in the Metropolitan area. The country areas of Western Australia however are not so well served. Telstra, Cable and Wireless Optus and Vodafone have a reasonable GSM presence in the larger country towns but the coverage is limited or non-existent outside of these larger centres. It is unlikely that more GSM base stations will be built in country Western Australia.

**Inter carrier roaming in non-metropolitan areas would allow mobility between the various GSM networks and allow mobile use in areas having coverage from at least one of the GSM networks.** It would not be a threat to carriers, only a source of additional revenue from calls that otherwise could not be made. Inter-carrier roaming is not sought in metropolitan areas.

Telstra operates a CDMA network throughout Western Australia. This network is expanding and State and Federal initiatives will see the service expand even further. However there is no interworking between handsets of one system and base stations of the other. With country coverage of CDMA already exceeding that of GSM there is little reason for those that live in the country (or regularly travel to the country) to purchase anything other than a CDMA phone. This strengthens the case for inter-carrier roaming for GSM in non-metropolitan areas in order to cater for metropolitan people travelling to the country as well as for those in the country with a GSM phone.

## SATELLITE TELEPHONE SERVICES

The Government of Western Australia has introduced a subsidy scheme to help remote residents purchase satellite phones. These satellite phones will operate either via satellite or land-based GSM networks. They are configured to least-cost route between GlobalStar and Vodafone GSM.

Roaming between GSM networks would extend the useability of these phones in areas having service from at least one of the GSM networks.

## UNIVERSAL SERVICE OBLIGATION (USO)

With the introduction of contestability arrangements for the USO it should no longer be possible for a telecommunications carrier to earn excess returns in remote regions. Until now this could occur with improvements in technology where the carrier used last years USO subsidy with next years technology. **The USO should be extended to data and internet access up to 128kbps and with price controls, and be reviewed and revised regularly in response to user demands.**

## PAY TV AND REGIONAL TELECOMMUNICATIONS

### CURRENT SITUATION AND PROGRAMMING ARRANGEMENTS

Pay Television has not made a substantial impact on regional, or for that matter metropolitan, Western Australia. Once again, it is the tyranny of distance and the vastness of the state with its sparse non-metropolitan population that daunts otherwise intrepid entrepreneurs and the noblest of the Productivity Commission's intentions.

There is only one Pay Television provider in Western Australia – Foxtel, which has extensive exclusivity arrangements. Thus, legislation that would expand access to services would be welcome. Whether this would mean encouraging competition or making life easier for Telstra and Foxtel is debatable. **At first glance, it is assumed that the proposed prohibitions on exclusivity would encourage competition and choice. This would be welcome, especially, if it came with enhanced telecommunications services.**

In Perth, the roll out of Telstra/Foxtel broadband cable ended after reputedly passing through only 30 of 300 suburbs. Foxtel claims incorrectly that this broadband passes by one-third of Perth homes.

**Ending of vertical exclusivity and access to that cable would provide a full array of services.** Enterprises such as Optus, Swiftel and Amcom have installed broadband cable from the CBD to various parts of the metropolitan area such as Fremantle, Joondalup and Bentley. Broadband use for Pay TV and telecommunications services would be welcome by consumers within easy reach and may spur additional cable to be installed to cover the remainder of the metropolitan area.

With a solid base in the metropolitan area, new players in the marketplace might consider extending these services to regional areas. **If prohibiting exclusivity is the key to such extensions, it would be supported.**

Foxtel is currently available in non-metropolitan Western Australia via the Optus B3 satellite. The transponder used focuses a signal on the Perth area and the Southwestern portion of the State in an arc that runs from Geraldton across to Kalgoorlie and on to Esperance. As the beam is focused on Perth, the farther away

one is from the centre of the beam, the larger a satellite dish is required. A 60cm-90 cm dish can be used in Perth, while a 2-metre dish would be necessary at the outer edge of the arc in Geraldton, Kalgoorlie and Esperance.

Outside the arc, costs for an appropriate-sized dish becomes prohibitive and in any event the signal is too weak to be of use. Foxtel argues that to increase the power of the signal transmitted from the satellite to the limited population outside the arc is economically unfeasible. This does leave around 80,000 people, at least 5% of the State's population, without access to Pay Television under the current arrangements.

**The State would welcome any new arrangement that would make Pay Television accessible to those who are currently unserved.**

## ANTI-SIPHONING RULES

The new arrangements for AFL television coverage have already sparked fears in regions where the second commercial television service (WIN) cannot be received terrestrially. A satellite-delivered Pay Television service carrying football is not the answer to those viewers. **Until the AFL coverage issue is examined and addressed, anti-siphoning is not an issue** to these benighted consumers.

---

### Contact Officers:

Phillip Skelton  
Leader, Telecommunications Task Force  
Office of Information and Communications  
Department of Commerce and Trade  
PO Box 7234  
Cloisters Square  
PERTH WA 6850

Phone: (08) 9327 5627  
Fax: (08) 9481 4191  
Pager: (08) 9476 0222  
E-mail: pskelton@commerce.wa.gov.au

Dan Scherr  
Broadcasting Services Policy Officer  
Office of Information and Communications  
Department of Commerce and Trade  
PO BOX 7234  
Cloisters Square  
PERTH WA 6850

Phone: (08) 9327 5242  
Fax: (08) 9481 4191  
E-mail: dasc@commerce.wa.gov.au

Jeffrey Beale  
Beale Telecommunications  
PO Box 534  
MOUNT LAWLEY WA 6050

Phone: (08) 9443-5454  
Fax: (08) 9443-6767  
E-mail: bealecom@bigpond.com.au

*Mr. Beale's contribution was made under contract to the Department of Commerce and Trade.*