

Senate Standing Committee on Environment and Communications

Answers to Senate Estimates Questions on Notice

Budget Estimates May 2017

Communications Portfolio

Department of Communications and the Arts

Question No: 24

Program 1.1

Hansard Ref: Page 69-70, 24/05/2017

Topic: Backhaul Build

Senator Urquhart, Anne asked:

Senator URQUHART: You also told the committee that for the backhaul build as part of the program mobile network operators get a discount if they co-locate on a tower. Can you provide details of how often that has occurred and the approximate level of the discount?

Mr Paterson: I can tell you some of that right now, but there are other bits I will need to take on notice. The way it is structured under the funding deeds is you must offer another carrier discounted backhaul, but they do not have to do it. They could put their own backhaul in or it might be that they have a better national backhaul agreement, for example. I cannot just go through all the co-location towers and say, 'Are you providing discounted backhaul on all of these co-location towers?' I actually have to go to the carriers and say, 'In which instances are you doing that?'

The way it actually applies in practice is it is a rental holiday on your normal backhaul costs. I am going to get a little bit technical. I do apologise. The ACCC regulates backhaul on a digital subscriber line, DSL, basis. That is the regulated price. We have something in the program where you must provide a managed lease line service, which is a higher value service that is not regulated by the ACCC. You must provide an MLL service and you must offer it at your regulated DTCS ACCC rate minus the discount we have negotiated under the program. Then the discount is applied through a rental holiday where you basically say in the first year it will be two per cent off what the normal charges would be. If you have a two-year contract, it might be that you get four per cent off and in the third year you might get 10 per cent off. The longer you contract the bigger the discount. That is basically what we have done.

Senator URQUHART: How often has that occurred and what is the approximate level of discount?

Mr Paterson: I can probably give you the information around the discount level, but how often it has occurred, again, I have to go to the carriers and actually ask. We do not track how often they would actually utilise the backhaul discount. We would need to ask them that question.

Senator URQUHART: Are you able to take that part on notice?

Mr Paterson: I will take it on notice for you, yes.

Senator URQUHART: And the level of discount?

Mr Paterson: I can take that on notice. I do not have it with me, but that is in the funding deeds.

Answer:

Under the Mobile Black Spot Program, where a Mobile Network Operator (MNO) is receiving funding for a base station for which they also own or control the backhaul service, they are required to offer discounted backhaul services to other MNOs wishing to co-locate on that base station.

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The specific terms of the discount varies slightly between rounds 1 and 2, however both operate on a similar principle where the funded MNO applies a credit to the monthly charge based on the length of commitment.

Under round 1, the funded MNO applies a two month credit for a commitment of three years, a five month credit after five years and a one year credit for a ten year or greater commitment. The discount applies to a fibre MLL unprotected backhaul service, however it does not apply to microwave backhaul services.

Under round 2, the funded MNO will apply a two month credit for a commitment of two years, a five month credit after five years and a one year credit for a ten year or greater commitment.

The discount on backhaul is referenced to the Australian Competition and Consumer Commission's Access Determination for the Domestic Transmission Capacity Service (DTCS), as applicable at the time the funding deeds were executed.

The MNOs have advised that under round 1 they have elected to build their own backhaul links for commercial reasons or have used existing commercial agreements, including for microwave links. The MNO's are still negotiating co-location agreements for round 2 of the program.