

# McPherson Media Pty Ltd

## Submission in response to Broadband Connect discussion paper, November 2005.

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### Provider's current and future services

McPherson Media is a licensed carrier and currently supplies broadband services to Shepparton/Mooroopna residents within a radius of 16 kms from the Angus Communications tower situated at 22 Adams Avenue, Shepparton. We use a Data Over Cable Systems Interface Specification (DOCSIS) MMDS wireless network in licensed 3.4Ghz spectrum with CPE equipment from Canadian supplier VCom. Customers require direct line-of-sight between the tower and CPE equipment.

In early April we are deploying a WIMAX 1.9Ghz solution in the neighbouring towns of Tatura, Kyabram and Echuca (Network Diagram – see Attachment 'A') that will have a range of 30kms from each base station. Lack of wireless spectrum availability has currently limited our additional infrastructure deployment to these towns; should we be successful in securing further spectrum it is highly likely that we will expand the network where appropriate.

Service speeds start from 1.5Mb/256K with scalability available up to a capacity of 11Mbps per customer for the purposes of voice and data.

**Q 2 What means can/should be used to encourage further capital investment in infrastructure that will support competitive networks and services under Broadband Connect and beyond?**

We operate in a relatively densely populated regional area where the dominant telco used HiBIS funding to quickly deploy ADSL infrastructure in all but the smallest local exchanges.

This has deterred us from planning competitive wireless infrastructure in a number of these areas, since our higher-speed/higher quality service is necessarily more expensive and initially becomes a “fill-in” service for premises not reached by the ADSL deployment.

A common occurrence is that business customers, in particular, become impatient with ADSL limitations and approach us for connection – a cost which is of course no longer eligible for subsidy.

If competitive services are a goal in regional areas – as they should be – then subsidy settings need to take account of such dynamics.

**Q 6 Should participating providers be required to commit formally to service the areas they identify in registration applications?**

While the many issues surrounding wireless spectrum availability may not be within the subject matter of the discussion paper, there is no doubt that delays and frustrations in negotiating for spectrum in marginal/overlap areas is time consuming and has relevance to the proposed time-limits for subsidy claims.

The fact that several providers are “sitting on” unused spectrum across vast areas is a very real impediment to rolling out competitive networks and the proposed “up-front” incentive payments have potential to further distort the market – ie. by allowing such providers to bring forward their infrastructure but do little to actively connect customers until commercial conditions are optimum.

**Qs 12-17 (Innovative technologies)**

Our wireless infrastructure employs equipment manufactured by the Canadian company VCom, which also operates wireless networks in significant areas of rural Canada. VCom has repeatedly made the point to us that wireless spectrum

in the 600-800 Mhz range is particularly well-suited to rural applications – range is up three times greater than the 3.4Ghz band, the signal is non-line-of-sight allowing it to negotiate topographical and man-made obstacles and the customer equipment, particularly the receiving aerial, is substantially simpler to manufacture and hence cheaper – about a third of the cost of equipment required in the 3.4 Ghz band. These cost settings make a huge difference in the potential viability of rural wireless networks.

Our enquiries and discussions with ACMA over this issue have so far proven fruitless, essentially because of the stranglehold the ABC has over this spectrum range. However, much of it is not used effectively in regional areas and, in our view, the advantages of having some blocks of spectrum within this range released for rural wireless communications are so significant that government should consider moving or re-allocation spectrum within the AM band. DCITA's support in advancing this matter is fundamental to success.

**Q21 Should funding be provided:**

**-based on the number of customers connected?**

**-the number of premises with potential access?**

**-a combination of both methods?**

We have very real concerns about the distorting influence of upfront subsidies calculated according to potential premises. The behaviour of providers sitting on unused wireless spectrum, as outlined above, is a good indication of what is likely to happen: ie such providers may use the infrastructure subsidy to satisfy ACMA's requirement (at least under the recently-released 1.9Ghz spectrum) to "use it or lose it," but make no effort to actively connect customers at competitive prices while the commercial opportunities are more profitable elsewhere.

**Q 23 How can methods of payment under Broadband Connect be better structured to ensure that providers are not over-compensated for the supply of broadband services?**

Theoretically, providers should be required to nominate the infrastructure and customer-connection costs in each service area. Given the likely administrative burden of such a requirement, it could be refined by requiring any Provider who seeks subsidies outside the 12-month time limit to furnish such supporting information.

A strict 12-month time limit discriminates against smaller providers who may be unable, for example, to deploy large numbers of customer-connection staff to blanket an area, then move them on to another service area, and so on. Some technologies are also more difficult and time-consuming to connect than others, yet may result in a far superior service.

While we acknowledge that a goal of Broadband Connect is to encourage the roll-out of competitive infrastructures as quickly as possible, there is no guarantee that actual customer connections will result from the “up front” subsidy proposal or even the use of time limits; it is not difficult for the dominant telco to defray its initial infrastructure costs by connecting a certain number of customers quickly then, as is now happening in certain areas, slowing down the availability of (less profitable) customer connections.

Another relevant feature of rural customers is that “word of mouth” plays a very significant part in decision-making. We have found that demand for our high-speed service in a given area has often accelerated after one farmer in the area has connected, or replaced his ADSL service with ours. Country people often think long and hard about committing to regular expenditures.

Our experience is that ADSL has generally soaked up pent-up demand, but that demand for competitive and faster services continues to grow steadily. The 12-month subsidy time limit will, in our view, severely discourage the roll-out of competitive services in many areas.

**Q 29 Should a greater range of price caps be introduced than the two currently available?**

Our experience outlined in the answer to Q. 2 where our service has tended to become a “fill-in” service after ADSL roll-out - then evolves gradually into a competitive service (without access to subsidy) - illustrates the inadequacy of two price caps. Our preparedness to add on infrastructure nodes in marginal areas, under the proposed arrangements, will be constrained by uncertainty about the availability of subsidy assistance over the medium-longer term. The maximum subsidy level, for example, covers the customer connection cost plus a small margin – not a sufficient one to significantly assist the infrastructure investment.

Larger providers have the advantage of being able to cross-subsidise between areas; local providers must make a commercial decision on every infrastructure deployment. If competitive services are genuinely desired, policy settings should be sophisticated enough to take the needs of the smaller provider in account.

# Attachment 'A'



