



## **Optus Submission**

To Regional Telecommunications Independent Review Committee

2011–12 Regional Telecommunications Review

**December 2011**

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## 1. Executive summary

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- 1.1 Optus welcomes the opportunity to respond to the review of telecommunications services in regional, rural and remote parts of Australia.
- 1.2 This inquiry raises important questions about the role of telecommunications in regional communities. These include how to:
- accelerate the role of telecommunications services and information and communications technology (ICT) in delivering benefits to regional economies;
  - improve familiarity with and access to internet and broadband services in Indigenous communities;
  - leverage mobile and satellite technologies to improve mobile phone coverage in regional areas; and
  - address consumer issues unique to rural and remote parts of the country.
- 1.3 Optus plays a key role in overcoming the digital divide by improving access and offering more choice in telecommunications products and services – both directly and in partnership with the Government.
- 1.4 A reliable, high-performance telecommunications network is critical for Australians living in regional, rural and remote areas. It enables them to connect with family and friends, run businesses and access vital public health, education and social services. However, equity of access remains a challenge, with many communities still lacking reliable, affordable telecommunications services and a choice of supplier.
- 1.5 We believe the Federal Government’s National Broadband Network (NBN) represents a major turning point in rural and regional Australia’s access to affordable and reliable telecommunications services. The NBN will play a key role in delivering true competition and choice to consumers and businesses across Australia. As a retail service provider delivering services across the five NBN release sites, Optus is now offering fixed-line phone, broadband and television services in regional Australia on a level playing field with the incumbent provider.
- 1.6 Competition is essential if regional Australia is to derive real value from new telecommunications services. Over the past three years, we have invested more than \$1.6 billion in improving our Optus Open Network. We established Optus Country, a business unit dedicated to meeting the needs of consumers in regional areas. In the past two years, over 350 towns in rural Australia have benefited from Optus’ regional network rollout, finally enjoying competitive rates that city residents have had for many years. In a number of instances, we have brought dedicated 3G mobile services to remote regional towns for the first time.
- 1.7 However, the NBN is only one part of a larger picture. Optus believes mobile communications services will be equally important in delivering better business and social outcomes for regional residents. It is critical that policymakers maintain a holistic view of telecommunications and consider fixed, mobile and satellite technologies in combination when developing legislation.

- 1.8 Optus believes more can be done to improve access to telecommunications services for Australians in regional, rural and remote areas. Our research shows that while more regional Australians are tapping into the digital economy, there are still barriers to greater participation. The challenge in building a digitally active society is to ensure high-speed fixed-line, wireless and satellite technologies are used to their maximum capacity and by a greater number of people.
- 1.9 Mobile and satellite technologies are ideal for meeting the unique needs of regional and remote communities. Both are well suited to populations that are dispersed and often highly mobile. Optus has made significant investments in its mobile network over the past five years and will soon launch its sixth satellite into orbit.
- 1.10 We are also rolling out next-generation mobile technology on our 2G and 3G mobile networks. Our Long Term Evolution (LTE) initiative will provide customers with lower latency and faster wireless data speeds. In addition, we are trialling LTE services in the 700MHz band, after becoming the first Australian carrier to be awarded a scientific licence to do this. The 700MHz band is well suited for deployment across regional Australia because of its ability to provide coverage over long distances.
- 1.11 Optus has argued strongly in favour of accessing digital dividend spectrum on a geographic basis as analogue television signals are progressively switched off. Early access to the digital dividend will increase competitive access to LTE services and bring forward significant economic productivity benefits, including new regional 4G services before 2015.
- 1.12 The public inquiry into the declaration of wholesale ADSL announced by the ACCC on 9 December is a positive development for competition in telecommunications services in regional, rural and remote parts of Australia. The ability for the ACCC to regulate and set prices for wholesale ADSL services would allow other carriers to compete with Telstra on a level playing field in the lead-up to the NBN. This would open up opportunities for more competitive broadband services in regional Australia.
- 1.13 Optus has an active presence throughout Australia and continues to work hard to improve telecommunications services. Proper guidelines and the conscious promotion of true competition will ensure all citizens in regional, rural and remote Australia reap the benefits of fair, transparent, affordable and world-class telecommunications services.

## **2. Optus' commitment to regional Australia**

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- 2.1 Optus has a long-term commitment to improving telecommunications services in regional Australia. We are the country's second largest provider of telecommunications services, delivering a rich array of mobile, fixed-line and satellite-based services to more than nine million customers in metropolitan, regional and remote Australia.
- 2.2 In 2010, Optus focused on rural and regional Australia to provide real choice for businesses and consumers in those parts of the country that have typically been served by a single provider. We created Optus Country, an independent department dedicated to servicing the needs of regional consumers and driving network expansion.

- 2.3 Since 2009 Optus has embarked on a major network expansion in regional Australia. This has included over 500 new mobile sites across regional Australia.
- 2.4 A number of new Optus sites are in areas where the community has long been lobbying for mobile coverage – and where the incumbent provider has been reluctant to expand. We brought 3G coverage for the first time to regional towns such as Digby (Victoria), Kyalite (NSW), Dingo Beach (Queensland) and Carpenter Rocks (SA). In 2012, the community of Mt Sylvia will receive dedicated mobile coverage for the first time, when Optus expands its mobile coverage across the Lockyer Valley in Queensland.
- 2.5 Over the past 12 months, we have increased our mobile sites in regional South Australia by more than 50 per cent. On the Eyre Peninsula alone, we have built 20 new mobile towers. In November 2011, Corny Point on the York Peninsula was the 350th town to benefit from our commitment to a regional network rollout, enjoying dedicated mobile coverage for the first time.
- 2.6 In May 2011, Optus announced it will invest \$25 million to roll out more than 80 new base stations in 45 Tasmanian towns over the next two years. This will expand mobile coverage across Tasmania to more than 100 sites and increase our voice and data coverage to more than 96 per cent of the population. It will also give Tasmanians far greater choice and competition in their mobile services, and Optus products will be available in more than 170 retail outlets across the state.
- 2.7 In bringing choice and competition for mobile and wireless broadband services to more regional Australians than ever before, we are helping customers reduce their communications costs. A 2011 Optus research report showed that regional customers can save between \$100 and \$300 off their yearly mobile phone bill, now that they have the choice of an alternative mobile services supplier.
- 2.8 Our commitment to rural and regional Australia extends to supporting local businesses and communities. As we expand our presence, we employ local residents to work at our Optus branded ‘yes’ stores and team up with business owners and operators. Wherever and whenever possible, we aim to contribute to the local community by helping create jobs and new business opportunities.
- 2.9 Optus is a leader in the Australian satellite communications space. We are the only full-service telecommunications provider in the country that owns and operates satellite services alongside national mobile and fixed networks. We have five satellites in orbit and will launch our next satellite (Optus 10) in 2013, to further enhance the resilience of our fleet.
- 2.10 Our satellite capabilities are also recognised globally. We provide a range of specialist services to other satellite providers, with Optus people supporting more than 70 commercial satellite launches around the world.

### **3. The digital economy**

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- 3.1 The ‘digital economy’ is the local and global network of economic and social activities enabled by information and communications technology (ICT). Optus believes the availability of technology can lead to a better connected, more productive and inclusive

society. However, a number of barriers must be overcome to ensure regional communities can fully participate in the digital economy.

- 3.2 There is evidence to suggest that an increasing number of people in regional Australia are tapping into the digital economy. For example, the *Optus Smartphone Survey*, published in October 2011, indicated that the use of smartphones is on the rise within regional Australia. Half the regional residents we surveyed owned a smartphone and 17 per cent more were planning to upgrade to a smartphone in the next 12 months. Regional residents use their smartphone to take photos and videos (87 per cent), browse the Internet (76 per cent), check the weather (70 per cent) and send and read emails (69 per cent). Some 41 per cent said they now couldn't live without their smartphone.
- 3.3 The survey also revealed that mobile social networking continues to grow. Social networking platforms play an important role in connecting residents who live in remote areas with their friends and family. 60 per cent of surveyed regional residents have downloaded and used a social networking application. One in two surveyed regional residents had used a gaming application, a further 50 per cent had used a navigation application, and 39 per cent had used a news application.
- 3.4 The introduction of the NBN will bring opportunities for regional Australia to fully participate in the digital economy, by providing a platform for improving health and education outcomes, growing local economies, increasing business efficiency through activities such as teleworking, and delivering government services and programs.
- 3.5 The delivery of high-speed broadband access must be supported by other initiatives that aim to get more people online. To build a digitally active society, the challenge is to ensure high-speed fixed-line, wireless and satellite technologies are used to their maximum capacity and by a greater number of people.

#### **4. Communications needs of Indigenous people and communities**

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- 4.1 While the use of telecommunications services in some parts of regional Australia is steadily increasing, Australian Bureau of Statistics data indicates that more than one-third of Australians aged 15 years or older living in outer regional and remote areas has not used the internet.
- 4.2 This is particularly the case in Indigenous communities in remote Australia, where only 20 per cent of households have an internet connection, compared to 60 per cent of non-Indigenous households in the same statistical area. Other issues include poor digital literacy and a lack of awareness of the opportunities provided by the digital economy.
- 4.3 In 2010, Optus Country launched its Optus Regional Community Grants Program as part of our commitment to support local initiatives in regional communities. The program offers up to \$10,000 in funding to support regional projects across the areas of sport, arts, the environment, local community development, social inclusion and supporting disengaged youth. The maximum grant allowance increased from \$7,500 last year to \$10,000 for 2011. Increased investment means the program now provides a total of up to \$100,000 to all regional community groups across Australia.

- 4.4 Optus has recently partnered with The Smith Family to aid children's literacy using mobile technology. The Smith Family's *student2student* program matches students who need to improve their reading skills with older reading buddies who are trained to help others develop their literacy skills. The home based program sees the students reading to their buddy over the phone three times a week with the pair sharing the same book.
- 4.5 Optus has provided mobile handsets with pre-paid credit to 260 primary and early secondary level students without access to landline phones to enable them to participate in *student2student*. The 2011 program has been expanded to 25 locations across regional New South Wales, Victoria, South Australia, Tasmania and Queensland following the success of a pilot program last year with 50 students from Dubbo, Toowoomba and Orange.
- 4.6 Our commitment to communities in rural and regional Australia is more than just building a base station. A vital component of Optus' presence in regional Australia is supporting regional communities through local sponsorships and activities.

## **5. Developments in the terrestrial mobile phone sector**

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- 5.1 We are expanding the Optus Open Network (our terrestrial mobile phone network) to ensure Australians in rural and remote areas have access to cost-competitive and innovative mobile services. We are also investing in next-generation mobile technologies.
- 5.2 Since 2006, we have invested more than \$2.2 billion in the Optus Open Network. In FY10–11, we invested \$575 million to roll out more than 660 new mobile sites, an increase of 15 per cent year-on-year.
- 5.3 As stated previously, Optus is currently rolling out next-generation mobile technology on its combined 3G (900MHz and 2100MHz) and 2G mobile networks, which could significantly improve mobile phone coverage in regional Australia. Our Long Term Evolution (LTE) initiative is an important milestone on our technology roadmap that aims to provide customers with lower latency and faster wireless data speeds.
- 5.4 Phase one of the LTE network rollout began in October 2011. The first 4G LTE services will be available from April 2012 in the regional centres of Newcastle, Port Stephens, the Hunter Valley and Lake Macquarie. Sydney, Melbourne and Perth will follow mid-year. Phase two of the rollout will involve extending 4G LTE services to other capital cities and selected regional centres.
- 5.5 In September 2011, Optus became the first Australian carrier to be awarded a licence to trial LTE services in the 700MHz band, a radiofrequency spectrum freed up as a result of the switch from analog to digital television signals.
- 5.6 We believe the 700MHz band is ideal for 4G LTE services, especially in regional Australia, because of its ability to deliver coverage over long distances. Where 4G LTE services can be made available, regional and remote individuals and businesses will enjoy much faster mobile internet and data services, and more reliable phone calling. This will greatly increase convenience and connectivity, and further reduce traditional service inequalities between metropolitan and rural areas.

- 5.7 Optus is conducting its 700MHz LTE trial in Bendigo, Victoria with technology partner Huawei. The trial is measuring the speed and coverage of 700MHz LTE technology compared to other LTE technologies. We are also testing the performance of smartphone applications, mobile TV services, IPTV, low-latency gaming and high-definition videoconferencing within the LTE environment. In November 2011, we successfully connected Australia's first LTE data call in the 700MHz band.
- 5.8 Access to the digital dividend post auction will increase competitive access to next generation mobile broadband services and bring forward significant economic productivity benefits, with the gross productivity from mobile broadband in Australia over the period 2013 to 2020 estimated to be around \$143 billion - provided that sufficient spectrum in appropriate bands is available<sup>1</sup>.
- 5.9 Optus would like access to the digital dividend spectrum post auction on a geographic basis as analog television signals are progressively switched off. We recommend the Australian Communications and Media Authority (ACMA) considers what licensing arrangements could be developed or what legislative provisions should be relied upon, to ensure access to the radiofrequency spectrum as it becomes available.

## **6. Developments in the satellite communications sector**

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- 6.1 In remote and regional areas, Optus can deliver 3G mobile services by using its satellites to provide backhaul transmission. This is an important capability that enables 3G mobile services to be delivered to remote communities without the need to build fibre or transmission links.
- 6.2 During the floods in Queensland in January 2011, Optus used satellite technology to provide vital communications services in the worst affected areas. For example, we deployed a portable satellite base station at Murphy's Creek in the Lockyer Valley and provided residents in Mt Sylvia with mobile satellite phones, restoring mobile coverage to the region. The satellite base station at Murphy's Creek will be made permanent in 2012.
- 6.3 School children at 200 regional locations and remote homesteads across NSW rely on an Optus Private IP satellite to connect to the NSW Department of Education and Training's wide area network. The satellite solution allows them to access primary, secondary and TAFE educational resources, view videos and interact with teachers and other students through voice and data.
- 6.4 The satellite-based solution is capable of providing interactive, remote education to any location in Australia. The 'network' infrastructure comprises a core Hub in Sydney, which connects the e-Distance Learning studios to Optus satellites and to a remote management console in Dubbo.
- 6.5 More than 400 Kimberley Diamond Company employees based in the remote Kimberley region can use mobile phones to contact their family and friends, thanks to an Optus

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<sup>1</sup> [The Future Deployment of Mobile Broadband Services - Network Strategies, June 2010](http://www.amta.org.au/files/Network.Strategies.2.5GHz.Report.June.2010.pdf) accessed at <http://www.amta.org.au/files/Network.Strategies.2.5GHz.Report.June.2010.pdf>

GSM/GPRS mobile backhaul solution over satellite. The solution provides coverage up to a radius of 30 kilometres.

## 7. Consumer issues

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- 7.1 Choice and competition for fixed voice and broadband services in regional Australia remain restricted. The 2008 Regional Telecommunications Review by Dr Bill Glasson made it clear that competition in regional areas is significantly less robust than in urban areas.<sup>2</sup>
- 7.2 Optus has observed this firsthand, with many regional customers unable to access its fixed plans and services, due in part to the regulatory framework that enables the incumbent provider to charge exorbitant wholesale access prices in regional areas.
- 7.3 For instance, when we introduced a fixed voice and broadband bundle product called *Optus Fusion* in 2007, it became one of the most popular offers we had ever developed. Unfortunately, while we received strong interest for the service in many regional areas we were unable to provide it because of the incumbent's access terms.
- 7.4 Optus believes the NBN provides the opportunity to remove the barriers of competition for fixed services across Australia. We will be able to offer more competition and choice to regional Australia than ever before, through the open access and pro-competition benefits provided by the NBN.
- 7.5 The benefits of this national infrastructure project will help Australians to invest in business and communities outside the traditional populated centres. It will provide 'tree-changers' and 'sea-changers' with the possibility to move their businesses to rural and regional areas. This could see a real demographic shift as well as the flow-on effects and benefits that such a shift would provide.
- 7.6 This support for investment in regional towns will allow the Government to revisit decentralisation planning. The chance of attracting professionals to regional areas also greatly improves with appropriate ICT infrastructure at the regional level.
- 7.7 As mentioned previously, the public inquiry into declaration of wholesale ADSL announced by the ACCC on 9 December is a positive development for competition in telecommunications services in regional, rural and remote parts of Australia.
- 7.8 If the service is declared it will help address the industry's long-standing concerns about Telstra's anti-competitive practices in setting access terms for ADSL, which have for some time hampered competing operators in the provision of services in non-metropolitan areas.
- 7.9 The ability for the ACCC to regulate and set prices for wholesale ADSL services would allow other carriers to compete with Telstra on a level playing field in the lead-up to the NBN. This would open up opportunities for more competitive broadband services in regional Australia.

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<sup>2</sup> Regional Telecommunications Independent Review Committee Report 2008, Framework for the Future, p231.

## **8. Conclusion**

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- 8.1 Optus is pleased to respond to this review of regional telecommunications. We believe Australians living in regional, rural and remote areas deserve full and fair access to telecommunications services and we have made significant investments in recent years to strengthen our network and improve our services.
- 8.2 While the NBN will bring the benefits of high-speed broadband to regional Australia, it is critical to use an intelligent mix of fixed-line, mobile and satellite services to derive real value from telecommunications services. Fostering competition among service providers is also important, and we believe some regulatory fixes are necessary if policy goals are to be realised.