



The challenges & opportunities for regional telecommunications

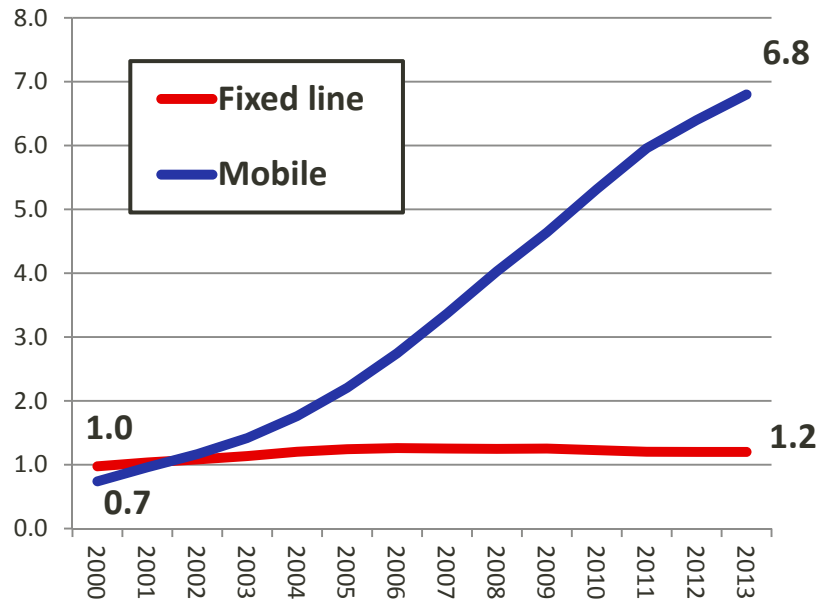
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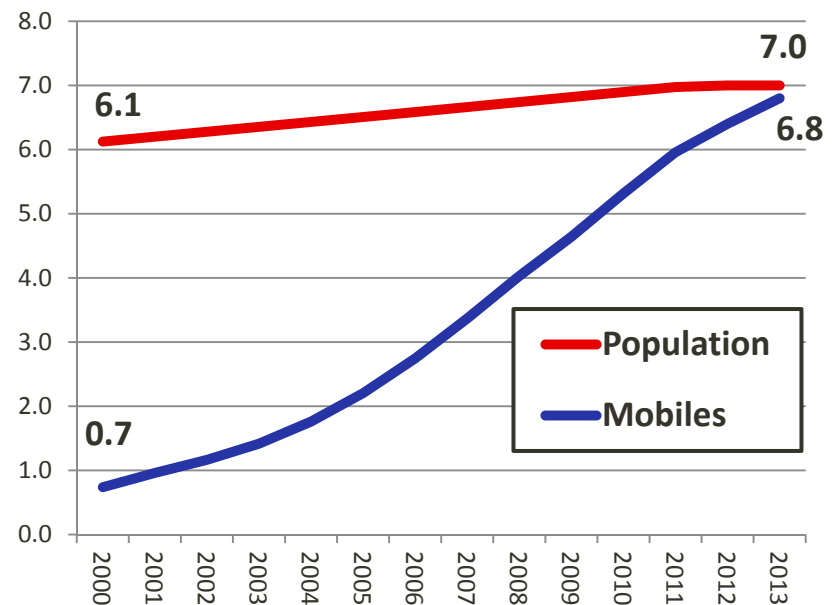
The rise of mobility.

A lot has changed in the last 15 years... and even more since the introduction of the smartphone.

Worldwide subscriptions



Worldwide mobile penetration



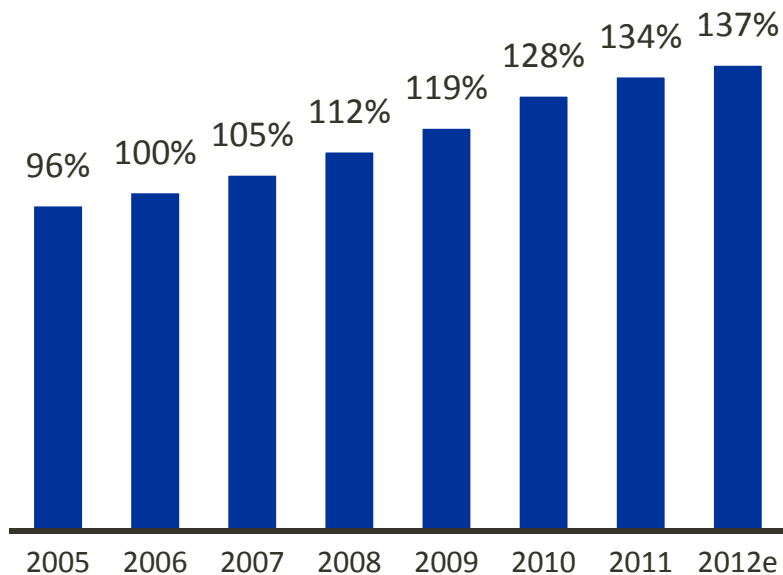
Source: ITU (2012/13 are projections)



Mobile is essential.

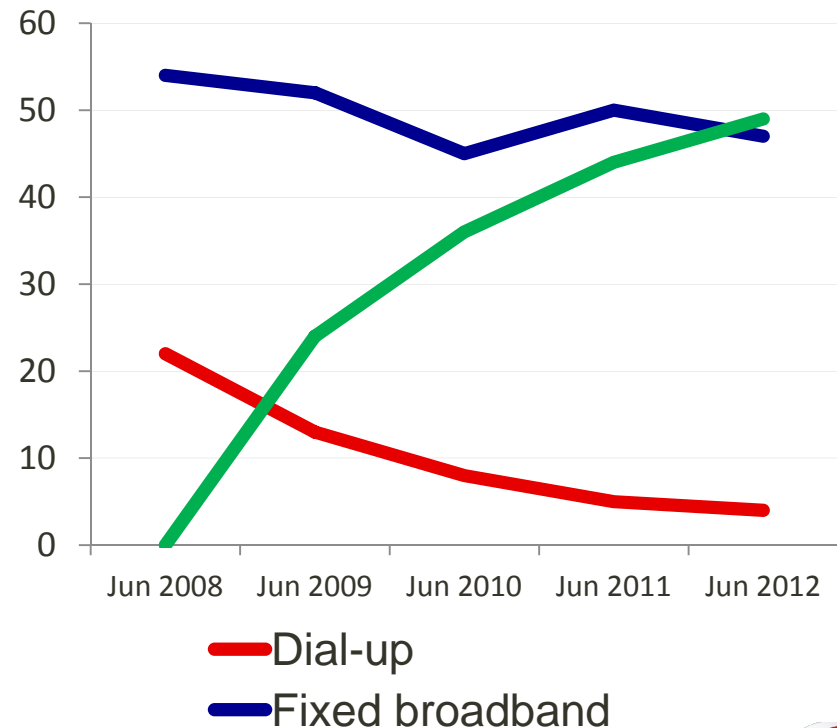
More consumers access the internet by a mobile device than via a fixed connection

Australian mobile market penetration*



* Total subscribers (Handset + MBB) over population

Australian internet use by access type



— Dial-up
— Fixed broadband



The key policy
challenge:

Delivering mobile
**coverage &
competition in
regional Australia.**

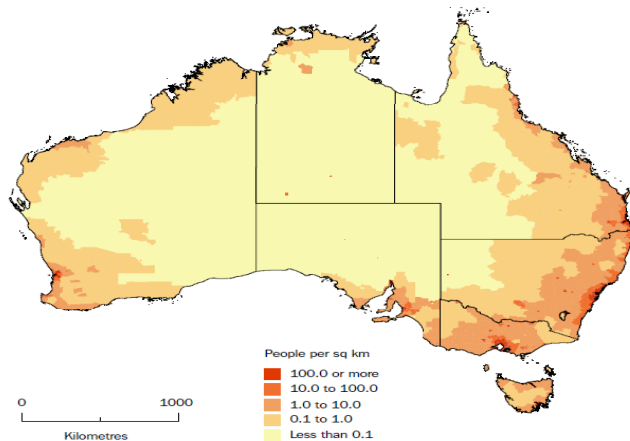


The Roadblocks: Geography

Australia's low population density drives high cost to serve and lower margins.

Australia	
Population	23.2 million
Geographic area	7.68 M sq. km
2011 Mobile EBITDA	27% (Canada 35%)

Country	Population/km ²
Australia (Total)	3.02
Netherlands	400
UK	250
USA	32
Canada	3.4
Australia (Metro)	28



Even in metropolitan areas, Australia's population density is lower than average.



The unlevel competitive playing field

Incumbent build economics



Build base station with pre-existing fixed dominance (+Govt funding)



Use own backhaul at (depreciated) incremental cost



100% market share and high prices = **monopoly profits**

New entrant build economics



Build base station in a new market, low brand recognition



Pay high prices for incumbent backhaul



Limited market share, slow payback = **uneconomic**

return

Images: 123RF



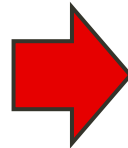
Government Policy has not helped.

It is hard to justify further Telstra subsidies for their exclusive benefit without tackling the issues.

Since 1998 the incumbent has received:

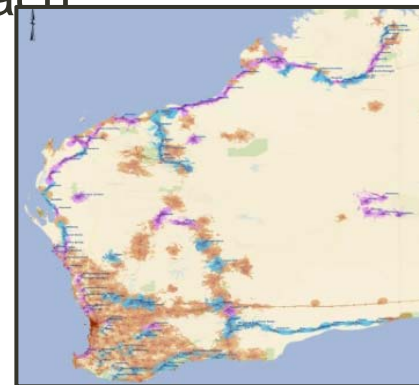
- Over **\$450 million** in direct Cth and State taxpayer subsidies.
- Over **\$880 million** in industry subsidies via Universal Service Obligation (USO).

Government subsidies have distorted competition and created a regional dependency on Telstra.



Example: WA's 'Regional Mobiles Communications' Project

- No effective 'open access' obligation so many consumers cannot access the network.
- NT Government has recently executed the same policy approach

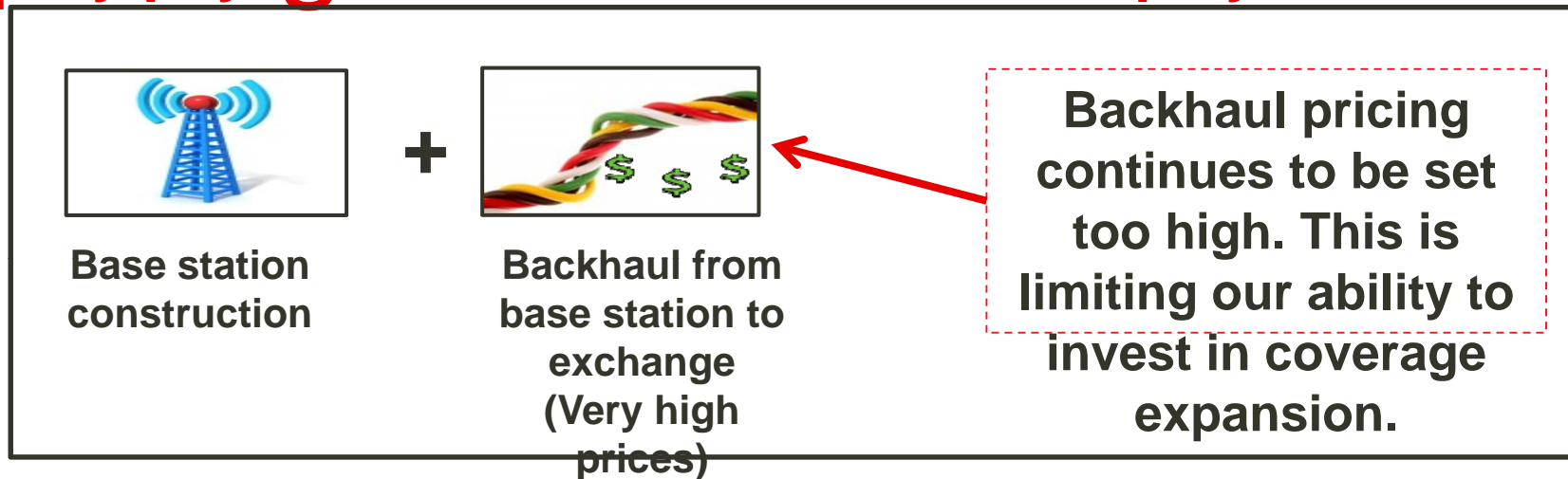


Source: WA Govt



Solutions: Review backhaul pricing

Key physical costs for base station deployment



Opportunities

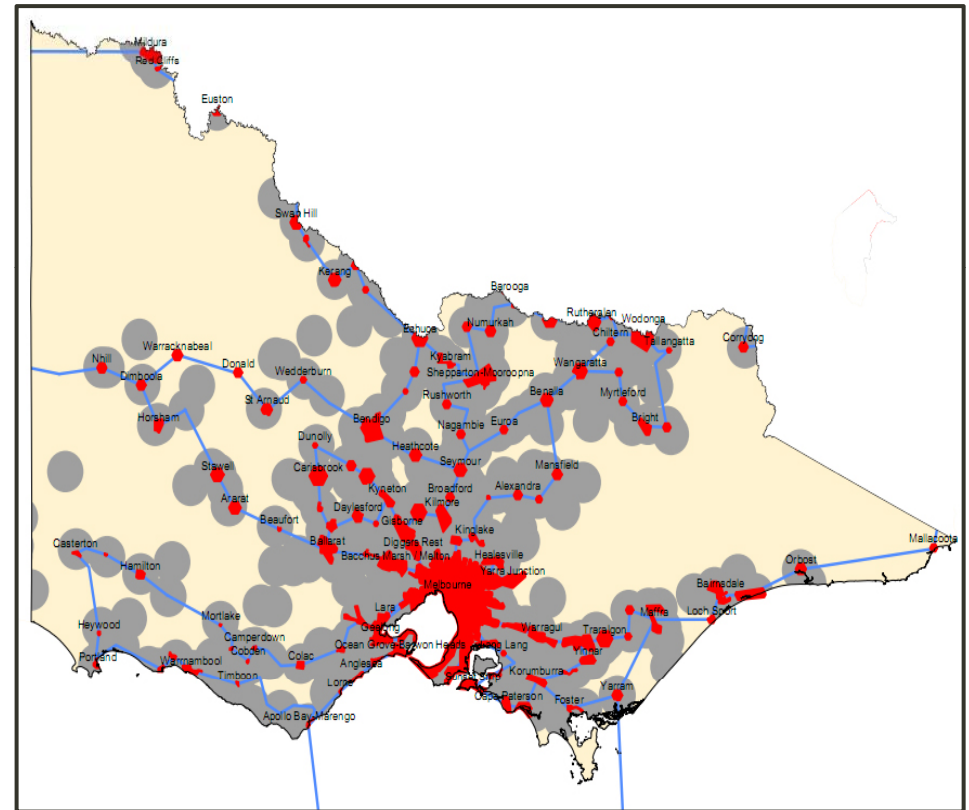
- The ACCC must reduce the regulated price of transmission.
- NBN can play a vital role in delivering access 'tails' to connect to backhaul provider networks.

Images: 123RF



Solutions: Leverage the NBN

- NBN can connect 'backhaul' fibre links to mobile base stations.
- NBN's fixed wireless network is an excellent opportunity to expand mobile coverage, in regional Australia.



Source: NBN Co



Solutions: Industry review

Telco industry review

- Comprehensive review to maximise the competitive opportunities in a converged NBN world.
- Examine how to promote investment and consumer choice in regional Australia.

Pro competition government funding

- Government funds (e.g. USO) should be used to promote coverage and choice in fixed and mobiles.

