



Friday, 12 April, 2013

The Secretary
Joint Committee on the National Broadband Network
PO Box 6021
Parliament House, Canberra ACT 2600

Email: jcnbn@aph.gov.au

Please find attached Vodafone Hutchison Australia's submission to fifth review of the Joint Committee on the National Broadband Network.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'M Lobb'.

Matthew Lobb
General Manager Industry Strategy and Public Policy
Email matthew.lobb@vodafone.com.au



Vodafone Hutchison Australia (VHA)

Submission to the fifth review of the Joint Committee on the National Broadband Network

April 2013

Vodafone Hutchison Australia (VHA) welcomes the opportunity to make a submission to the fifth review by the Joint Committee (the Committee) on the National Broadband Network.

Vodafone supports the roll out of a ubiquitous high speed fibre network and believes that it will be the foundation of a broad digital revolution that will lead to sustainable economic and productivity growth.

VHA congratulates the Committee for identifying that there are significant opportunities to use the NBN to improve regional mobile services. We welcome the Committee's recommendations in its fourth Report that NBN Co explore the synergies between fixed and mobile telecommunications networks with a view to using the National Broadband Network to improve mobile telecommunications.¹

The Importance of Mobile

In VHA's view the NBN presents outstanding opportunities to improve both coverage and choice for regional consumers and they should be pursued as a matter of priority. This will ensure the full benefits of the NBN can be realised. Convergence of fixed and mobile/wireless technologies means that the old paradigm of separate fixed and mobile services is no longer relevant and a more holistic approach to telecommunications infrastructure should be the new public policy focus:

- According to the OECD the mobile device is now the primary communication path, with 63% of total access paths in the OECD area now mobile.²
- Australia has the second highest adoption rate of Internet enabled smart phones in the world.³
- Between 2011 and 2025 mobile technologies are expected to deliver an \$11.8b productivity benefit to the economy⁴ and deliver game changing technological advances in areas Machine to Machine communication, mobile commerce, labour productivity, agriculture and farming, irrigation, health and transport.
- The 2009 Access Economics report commissioned by IBM predicted that the widespread adoption of wireless smart technologies in the key sectors of electricity, irrigation, health, transport and broadband communications would increase the net present value of Australia's GDP by \$35-\$80 billion over the first 10 years of their deployment.

As outlined in the diagram below, more Australian's connect to the Internet every day using a mobile device than a fixed connection, thus the role of mobile is a critical part of the modern Digital Economy and must be recognised by policy makers.⁵

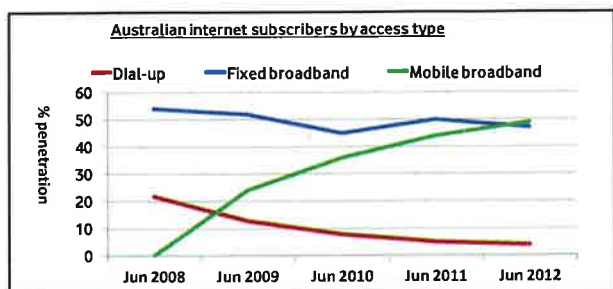
¹ Review of the Rollout of the National Broadband Network, Fourth Report February 2013 Recommendation 4

² OECD Communications Outlook 2011

³ Google

⁴ 2011/12 AMTA Deloitte Access Economics Mobile Nation Report

⁵ Australian Bureau of Statistics



Given the importance of mobile and wireless technologies to the economy it is imperative that there be a greater recognition of infrastructure convergence and the benefits that NBN could deliver by enhancing the delivery of mobile solutions.

The NBN and mobile technologies should be seen as complementary technologies rather than as competing alternates. Mobile data performance is increased as "cells" get smaller and base station transmission capacity is increased. In other words, mobile/wireless data performance is dependent on fixed line connections to manage scarce spectrum capacity. The infrastructure for these technologies (and their markets) has become intrinsically linked. VHA therefore submits that the NBN should embrace the convergence of technology and develop products with this in mind.

NBN and Mobile in the Regional Australia

One of the key goals of the Australian Government's National Digital Economy Strategy is to narrow the gap between households and businesses in capital cities and those in regional areas. VHA supports this vital policy objective and believes access to the Digital Economy is vital to the growth of regional economies.

The 2012 Sinclair Review of Regional Telecommunications found that mobile coverage in regional areas was having a negative impact on the economic viability of regions.⁶ Traditional expectations about investment in Australia's mobile telecommunications infrastructure have relied heavily on the assumption that the market would drive competition and investment into the regions. Policy makers have always assumed that the second and third market participants would eventually build-out coverage to match that of Telstra. However, expanding coverage beyond the existing footprint is increasingly uneconomic owing to the cost of fixed infrastructure needed to support mobile, such as backhaul transmission.

In comparison to other nations, the dispersal of Australia's population and the size of the geographic landmass results in more challenging economics for building mobile infrastructure and serving the needs of the population. Optus and VHA, recognising the challenges and lack of economic incentive to expand alone, have signed a joint venture to expand coverage together, share sites and co-build. Even jointly, the economics of building out are currently not viable; in part because of the high cost of fixed infrastructure needed to support the mobile network.

As identified by the Committee it is vital that the NBN operates to assist the expansion of the mobile footprint and thus overcome this potential digital divide. NBN could significantly improve the business case for coverage expansion through offering a lower cost backhaul option. In addition to enabling mobile expansion, this would also significantly improve the business case for NBN by adding an additional revenue stream through the use of its fibre network for mobile backhaul.

⁶ 3.4 FINDING—Poor mobile phone coverage affects business productivity and limits the ability of regional businesses to fully participate in the Digital Economy



Utilising NBN for backhaul was a key recommendation of the Sinclair Review and of the Committee in the report of its fourth review. VHA believes that the NBN should adopt this recommendation as a policy to develop regional backhaul solutions on its network and thus deliver the full benefits of the Digital Economy to all Australians.

Conclusion

VHA believes that there is significant virtue in developing parallel NBN strategies to improve fixed-line connections and enhance mobile network capability. Every opportunity must be taken to enhance the connectivity, coverage and competitive landscape of *all* telecommunications services regardless of the end-use technology by which such services are delivered to consumers.

NBN should not just be viewed as a fixed-line copper replacement initiative; it must focus on delivering the fibre requirements of the mobile industry. This need not increase the cost of the project; indeed it will increase the use of services over the NBN and improve its business case.

We would urge the Committee to explore these opportunities more fully. We have had good discussions with Government on this issue and see significant advantages in the Committee ensuring that the Australian public better understand the mobile opportunities that the NBN will bring.