

OPTUS

**Regional Connectivity
Program**

*Submission to the
Department of
Communications and the
Arts*

September 2019

EXECUTIVE SUMMARY

Optus welcomes the opportunity to provide input into the Department of Communications and the Arts (the Department) discussion paper on the Regional Connectivity Program. Optus recognises the importance of investment in connectivity and digital literacy for regional Australians given our unique position as the only network provider in Australia to own and operate network infrastructure across the three platforms of fixed line, mobile and satellite.

Before providing responses to the specific questions raised in the paper, Optus has a number of general comments relating to the Regional Connectivity Program.

Firstly, Optus would welcome further details around the timeframes that would be proposed under the Regional Connectivity Program noting that carriers are continuing to work on submissions for, and delivery of, Mobile Black Spot Program sites.

Secondly, Optus notes that the successful delivery of solutions under the Regional Connectivity Program may be predicated on issues that fall outside the control of the bidder (such as council approval for a mobile tower), and that there should be mechanisms in place to take this into account.

Thirdly, Optus commends the Department's comments in the paper regarding the use of the Regional Connectivity Program to further develop the Universal Service Guarantee (USG) and to undertake voice trials. Given the vast sums expended on the Universal Service Obligation, Optus considers that the additional government expenditure allocated to programs such as the Regional Connectivity Program further illustrates the urgent need to modernise the regime. Optus would welcome the opportunity to explore this in more detail noting our previous public statements.

Optus suggests that any activities associated with the USG should be very clearly aimed at delivering proof-of-concept trials that provide an evidence base to make decisions about the implementation of the USG. In particular, the Department should consider what technical capabilities are required to provide adequate end user protection. Optus reaffirms its prior commitment to support such trials, given its unique ability to provide satellite connectivity.

Optus would welcome the opportunity to discuss any aspects of this submission in further detail.

RESPONSES TO QUESTIONS

Question 1: Are there additional key elements that should be incorporated into the design of the Regional Connectivity Program?

Response: Optus suggests that the Department should consider how infrastructure sharing—including, but not limited to colocation—as well as co-building opportunities (including with non-traditional telecommunications partners) can be included within the program on relevant proposals to ensure that it is not used in a way to lock in a regional monopoly.

Optus acknowledges that in a number of instances this may not be possible due to the circumstances of the proposal (such as a local wifi or a satellite small cell solution).

Question 2: Should other parties, for example local government authorities, business organisations or industry groups, be allowed to lead a bid for Regional Connectivity Program funding?

Response: Optus is supportive of non-carriers being able to lead a bid under the program, assuming a licensed telecommunications carrier is under a contractual arrangement with the bid leader, and that appropriate arrangements are in place regarding the 10-year retail obligations.

Optus further considers that there is an opportunity for assistance to be offered under this proposal outside the regular tower building contribution process. For example, a local government authority that is leading a bid could offer favourable land rental fees to a partner carrier, or a power company could lead a bid with assisting with delivering free power connections given they will receive ongoing operational payments through the 10-year lifespan.

Question 3: Are there other organisations beside local, state and territory governments that could be considered 'trusted sources of information' for the purposes of identifying local telecommunications priorities?

Response: Optus suggests that there would be a broad range of organisations beyond government that could identify local telecommunications priorities (such as chambers of commerce), but there would be a need to ensure that the organisation was able to speak with enough authority on the local priorities beyond a call for greater coverage or connectivity. This could be taken care of through the proposed inclusion that applicants would need to consult with the local government or state government on bids.

Question 4: Are there ways that the Department can facilitate linkages between potential infrastructure providers and local communities?

Response: Optus notes that the Department already provides linkages to telecommunications carriers under the Mobile Black Spot Program. We would expect similar processes would be equally as effective under the Regional Connectivity Program but suggest that any linkages are made with organisations that have the appropriate level of authority (as mentioned in the response to the previous question).

Question 5: Are there any comments that you wish to make in relation to co-contribution?

Response: Optus notes that the Mobile Black Spot Program has taken much of the “low-hanging fruit” off the table when it comes to providing mobile solutions. While the Regional Connectivity Program has different aims and parameters, Optus considers that care needs to be taken with limiting contributions to cash only.

Optus considers that limited in-kind contributions should be considered in the overall capital cost assessment, as these contributions can have the added benefit of accelerated solution delivery (for example access to tower space, or zero land rental fees). This is particularly useful for occasions where local or state governments are leaders of a bid. Similarly, as outlined in the response to Question 2, non-traditional contributions (such as free power connection) should be considered.

Question 6: What types of projects should be considered for funding through the Regional Connectivity Program?

Response: Optus considers that all connectivity solutions that meet the key design principles should be considered through the Regional Connectivity Program.

Optus would particularly support projects that leveraged innovative satellite capability to deliver solutions to regional Australians.

Question 7: Are there any comments that you wish to make in relation to the proposal that all Funded Solutions will provide Retail Services for a minimum of 10 years after the Asset has become operational?

Response: Optus agrees with the proposed 10-year minimum period of service operation but suggests that flexibility should be maintained for technology upgrades over that time period (for example decommissioning of 4G capability and replacing with 5G) assuming the same connectivity and coverage objectives are met. Optus would contend that no solution should be reliant on 3G technology in an MNO response.

Question 8: Are there any comments in relation to the proposed Eligible and Ineligible areas?

Response: Optus considers that a consistent level of comparative service should be considered as part of any assessment of existing service coverage. Rather than using public coverage maps, Optus suggests using a consistent signal strength across networks more relevant to customer experience requirements for inbuilding and in vehicle coverage for example.

Optus further considers that proposed solutions should not be reliant on the planned development or construction of third-party infrastructure unless there is support by that infrastructure builder within the bid proposal. For example, there should not be any funding allocated to an organisation seeking to co-locate on commercial third-party mobile infrastructure that is yet to be built unless that third party is signed up to the bid. This avoids situations where an infrastructure builder is receiving pressure to deliver on a government program where they are not a signatory to an agreement.

Optus suggests that Ineligible areas should be carefully considered so as to not preclude the delivery of innovative solutions through a blanket ban. For example, Optus contends that there may be bespoke, innovative 5G projects in 4G or nbn fixed-line areas that could meet the key design principles and should be considered under the Regional Connectivity Program. However, Optus agrees with the principle that a generic technology upgrade should not be eligible for funding (e.g. a project that upgrades a site from 4G to 5G).

Question 9: Are there any comments that you wish to make in relation to the proposed eligible and ineligible expenditure?

Response: As outlined in our response to Question 5, Optus considers that much of the low-hanging fruit has been taken with regard to providing connectivity solutions, and there may be circumstances where subsidisation of operational expenditure could be considered. Optus suggests that any bid

with such a proposal would need to argue the case for such an inclusion, noting that such a bid would only be approved under special circumstances.

Question 10: Are there particular circumstances where it may be appropriate for the Commonwealth to make some contribution to ongoing operating expenses?

Response: Optus considers that there may be a case for the Commonwealth to contribute to operational expenditure and welcomes commentary around the ability for providers to capitalise components of ongoing satellite backhaul expenditure. Optus suggests that flexibility be maintained in considering contributions in areas where operational costs may be prohibitive (for example, rental costs).

Question 11: Is there a case for a third category for highly localised solutions for projects that, for example, are seeking funding of less than \$200,000?

Response: Optus does not see any advantages in creating a further category of project for consideration below \$200,000 noting that the Department is not proposing any limits in either of the other categories.

Question 12: Are there any other design principle that should be considered?

Response: Optus considers that the design principles support the stated aims of the Regional Connectivity Program. As outlined at the start of our submission, we would welcome further information regarding the proposed timeframes for the program, and appropriate provisions for elements that are outside the control of the funding applicant.

Question 13: Do you have any comments on the proposed assessment criteria?

Response: Optus considers that the proposed assessment criteria support the general objectives of the Regional Connectivity Program. However, Optus would welcome the opportunity of further clarification as to how the economic benefit and social benefit criteria are to be measured, and how competing solutions would be compared on these criteria.

[SUBMISSION ENDS]