CABLE & WIRELESS
OPTUS

Submission to the House of Representatives Standing Committee on Primary Industries and Regional Services

Inquiry into infrastructure and the development of Australia's regional areas

1 Introduction

1.1 Cable & Wireless Optus is pleased to make a contribution to the House of Representatives Standing Committee on Primary Industries and Regional Services' inquiry into infrastructure and the development of Australia's regional areas.

1.2 Cable & Wireless Optus has not commented on all the terms of reference but has focused its submission on the infrastructure and services it can provide to regional Australia and the role that government can play.

1.3 Cable & Wireless Optus would be happy to discuss its submission with the Committee.

2. Deficiencies in infrastructure which currently impede development in Australia's regional areas

2.1 The ability to access telecommunications services is vital for all Australians wherever they reside or carry on business. It is an unfortunate fact that the range of services readily available to Australians living in regional areas is not comparable, in terms of technology, price and choice, with the services available to urban Australians. For example, the 4% of Australians who do not have access to ISDN (Integrated Services Digital Network) all live in remote areas.

2.2 This disparity in access to services such as the Internet and high speed digital data has the potential to disadvantage Australians in non-urban areas. Businesses in particular find it more difficult to operate on an equal footing unless they have access to advanced communications systems or to competitive services and prices.

2.3 With advances in technology it can no longer be argued that the reason for differences between urban and non-urban areas is solely geographic. Technologies such as satellite effectively eliminate the tyranny of distance so that telecommunications, multimedia and entertainment services can be provided to all Australians, regardless of where they reside or carry out business. The main difference between satellite-delivered and terrestrial services relates to the cost of the infrastructure, or more accurately, the cost of the equipment necessary for consumers to access the services.

2.4 The solution is to ensure a regulatory regime that allows competition to work to provide these services to non-urban consumers.

3 Factors that would enhance development in these areas, including the provision of infrastructure such as energy, transport, telecommunications, water supplies and facilities that deliver educational, health and financial services

3.1 Technology now means that any telecommunications service is capable of being delivered to every home or business in Australia regardless of where they are.

The issue is therefore essentially one of cost and it is this, more than any other factor, that limits the provision of services in regional areas.

3.2 Cable & Wireless Optus has demonstrated delivery of voice, fax and data (outbound speeds from 14.2 bit/s) services via satellite to homes in remote areas. This service can be extended to include high speed Internet (downlink speeds from 64kbit/s) and satellite television.

3.3 The major infrastructure item involved in satellite delivery of services is that of the satellite itself, so in that sense the infrastructure is already provided. Services once " up" are potentially available to everyone within the satellite footprint; in the case of Optus' satellites the footprints cover the entire Australian land mass and therefore every household and business.

3.4 In order to demonstrate the technical feasibility of providing these services by satellite, Cable & Wireless Optus has utilised readily available, off-the-shelf technology which has been in operation in a number of countries for a number of years, for example in Canada. In practice, however, the deterrence to such an application being broadly adopted is the cost to the consumer of the necessary equipment (dish, decoder, low noise converter etc) to enable reception of the services. Today, this equipment could be expected to cost around A$3,500 on the basis of present usage and small volumes. That price will inevitably come down significantly as production volumes increase and Cable & Wireless Optus believes that a unit cost of A$1,500 for a single channel voice service is both realistic and achievable.

3.5 Without the benefits of volume, Cable & Wireless Optus believes present prices would not be affordable or attractive to most consumers. Subsidising this equipment in the early stages of deployment is one way of assisting take up and it would also serve to accelerate affordability in the long term by generating demand and volume growth. However, any proposed subsidy to this equipment must work in tandem with the Government's plans to tender out the provision of the Universal Service Obligation (USO).

3.6 It is in this area that Government should take the lead if it is serious about providing not just services but choice of services to people in regional, rural and remote areas.

3.7 The services are already potentially available, so that is not the issue. The issue is cost and some form of government subsidy or USO funding for the equipment would be an appropriate means of encouraging service take up and achievement of the critical mass required to achieve affordablity and a viable rollout.

3.8 There are many examples of businesses being able to maintain national networks of offices supported by telecommunications solutions. For large organisations Cable & Wireless Optus' VSAT (very small aperture terminal) satellite technology provides cost-effective,

interactive data, voice and video capabilities between sites; for example, a network can be established to link a company’s head office or data centre to an almost unlimited number of remote sites or branch offices using small satellite dishes. Current applications involve several hundred sites.

3.9 VSAT technology provides an economical way of extending the coverage of terrestrial networks in remote areas due to its ease of installation and scalability, distance-insensitive pricing, predictable equipment costs and flexible bandwidth allocation among sites: in essence it is a cost effective solution.

Examples:

- Centrelink uses Cable & Wireless Optus' VSAT technology to distribute training and business television programming to staff in over 400 offices. The technology has enabled Centrelink to place offices and/or staff in any area of Australia and conduct effective business. Centrelink also announced in January 1999 that it would be opening more than 100 new service outlets throughout rural and regional Australia.

- To date well over 2,000 Cable & Wireless Optus HealthPoint systems have been installed in doctors' surgeries around Australia: the highest penetration of any e-commerce solution in the health industry.

  Cable & Wireless Optus' HealthPoint product was developed following a request from the Health Insurance Commission to help solve its communications problems. HealthPoint is targeted at smaller practices, including GPs, specialists and optometrists who are not yet computerised with Mediclaims capability. Each practice is supplied with a HealthPoint terminal, a laser printer and a modem (they do not need ISDN access) which enables lodgement of claims for fees payable under Medicare and Veterans Affairs; immunisation reporting; receipt and printing of pathology and radiology reports; and full EFTPOS functionality. Cable & Wireless Optus has also expanded the offering with the introduction of the new HealthClaims application. This enables private health fund members to perform on-the-spot claims when they visit a dentist or optometrist, and to use their own credit card to pay the gap cost to the provider.

- In recognition of Cable & Wireless Optus' expertise in health communications, the Commonwealth Department of Health and Aged Care is funding Cable & Wireless Optus for the development of a blueprint model electronic health community, based around a major hospital.

4 The extent to which infrastructure development would generate employment in regional areas

4.1 Cable & Wireless considers it to be self evident that infrastructure development generates employment in regional areas. Access to telecommunications services can enable businesses to be located in regional areas and to achieve significant cost savings. A good example of this is the development of Call Centres.

These Centres manage the telecommunications traffic for (often large) corporates but are located off-site and can be interstate or even overseas.

4.2 There are also numerous examples of businesses flourishing in regional areas because they have been able to advertise and trade on the Internet. However, this would not have been possible unless those businesses had access to the requisite services.

5 The role of the different levels of government and the private sector in providing infrastructure in regional areas

5.1 While there is no doubt that the private sector can contribute capital and expertise to infrastructure projects, it needs to be recognised that the private sector should not be assumed to be an instrument of Government social policy. The Government's primary role in most sectors is the establishment of appropriate regulation, and this includes the extent to which sector-specific regulation is warranted or whether special arrangements are needed to ensure equitable delivery of services.

5.2 In the telecommunications sector, for example, access to basic services is assured through the USO regime while the development of more advanced infrastructure and provision of advanced services is seen as a matter for competition and market forces. While the USO is currently provided by Telstra, all other licensed carriers contribute to the cost with the largest contributor being Cable & Wireless Optus. In this instance, the Government has provided an appropriate regulatory framework within which the industry has been able to maintain its place at the forefront of technological developments and at the same time contribute to the maintenance of minimum standards of service access.

5.3 The Government has recently announced that access to 64 kbps digital data capability will be included in the USO providing access on demand to a broadly comparable service via satellite downlink for the 4% of the population currently without ISDN access. Significantly, a key part of that decision is provision of a 50% subsidy on the purchase price of the necessary receiving equipment. In Cable & Wireless Optus' view it is important that this subsidy is introduced in a way which is coordinated with USO tendering.

5.4 The Government has also allocated specific funds for telecommunications infrastructure projects, most

notably through the Regional Telecommunications Infrastructure Fund (RTIF). Measures such as this are most welcome and the Government should be applauded for taking such initiatives that enable developments in areas that otherwise would not have the demand or population to justify the investment or sustain the service.

5.5 The RTIF projects are also characterised by their bottom up approach. That is, the projects under this fund must be community driven. Cable & Wireless Optus considers this to be the most appropriate means of prioritising such developments, particularly where the long term objective is that the service be self sustaining. Community driven projects are the only realistic means of efficiently allocating scarce resources, which otherwise could be wasted on an underutilised scheme that was nothing more than a good idea.

5.6 Nevertheless, programs like RTIF do rely on a level of awareness, knowledge and the ability to be proactive within individual communities. To that extent, they do not necessarily provide assistance to communities where there is greatest demand or need.

5.7 A possible consequence is fragmentation of the national infrastructure with longer term inequities evolving with the development of new or next generation technologies. This can be addressed to some extent by Governments working together to identify and aggregate demand and then working with industry to identify the best solution. Governments should avoid mandating outcomes especially in respect of technology to be deployed but can usefully assist in and drive the process.

6 Planning, coordination and cooperation in the provision of infrastructure in regional areas

6.1 As mentioned above, in many instances infrastructure developments in regional areas should be coordinated across regional boundaries to avoid fragmentation. That is not to say that every region or community has the same needs or should be given the same infrastructure. However, economies of scale and scope can be achieved by adopting a national approach to the planning process with the end result being that developments in regional areas are complementary to, if not the same as, infrastructure available in urban areas. Equitable access to broadly equivalent services between urban and regional areas will help overcome any

concerns that the services or facilities available outside urban centres are in any way inferior.

7 The benefit to the national economy of developing regional infrastructure

7.1 Developing regional infrastructure can lead, as with telecommunications, to the more efficient delivery of services and thus ensure more efficient use of infrastructure and less call on public funds. This is particularly important where the Government has taken a primary role in the provision of funds for a project or service but is also the case where the private sector is being looked to.

7.2 While Government subsidies can help the private sector with a business case, providing a climate for maximising opportunities and efficiency is more likely to lead to sustainable developments that are less likely to require further subsidies.

7.3 As with the telecommunications USO, the long term objective must be to sustain service delivery through the use of efficient and cost effective infrastructure that is capable of supporting a number of services and technologies and not just those originally envisaged.