

Senate Environment, Communications, Information Technology and the Arts References Committee

Inquiry into Competition in Broadband Services

1 Introduction

Gold Coast City is a large, rapidly growing city with a clear vision for its economic development and diversification.

Gold Coast City's national and international competitive positioning and its ability to attract knowledge and information dependent industries, is dependent on the provision of broadband infrastructure and services at a world best practice standard, particularly in terms of coverage, access and price.

It has been well established in many other markets that better coverage, access and price usually flow from increased competition at the wholesale and retail levels and from the associated condition of more information to the market.

2 Scope of Submission

The Gold Coast City Council's submission addresses the following matters:

- the particular characteristics and needs of the city,
- the city's economic development aspirations,
- the importance of, and dependence on, telecommunications, particularly broadband,
- Council initiatives to stimulate broadband access and take up, and
- barriers to broadband access and take up.

Particular issues in the Council's submission are cross-referenced as follows to the Inquiry's Terms of Reference:

- (a) the current and prospective levels of competition in broadband services, including interconnection and pricing in both the wholesale and retail markets,
- (b) any impediments to competition and to the uptake of broadband technology,

- (c) the implications of communications technology convergence on competition in broadband and other emerging markets,
- (d) the impact and relationship between ownership of content and distribution of content on competition, and
- (e) any opportunities to maximise the capacity and use of existing broadband infrastructure.

3 Responsibility and Consultation

The Council consulted with a large number of Gold Coast based telecommunications and broadband suppliers to ensure the industry's views were canvassed. The Snapshot list of Telecommunications providers to Gold Coast City is provided at Attachment 1.

The views expressed in the submission are however those of the Council alone.

4 Gold Coast City Characteristics and Needs

4.1 Characteristics

Gold Coast City has particular broadband needs that arise because of a combination of the following factors:

Diversity

- The City comprises a very large area of 1,451 square kilometres extending from Beenleigh in the north, Coolangatta to the south, and towards Mt Tambourine in the west.
- Gold Coast City has greater diversity than the popular image of the narrow tourist strip. While highly urbanised in many areas, there are still large rural areas and small villages. The Hinterland areas, principally the rural areas, open space recreation areas, state forests and national parks comprise “the green behind the gold”.

Physical Size

- The physical size and diversity creates greater challenges in meeting broadband needs than in smaller or more homogeneous areas. (Inquiry Reference (b)).

- The length of Gold Coast City of some 70 km and the linear structure of the city means that the density of potential broadband users may be lower than in older radial cities. (Inquiry Reference (b)).

Population Size and Growth

- Gold Coast City is the sixth most populous City in Australia and the largest city outside Australia's capital cities. The estimated resident population of Gold Coast City at 30 June 2001 was 423,719. In addition on Census night there were 49,991 tourists and visitors, which increases substantially in holiday seasons.
- The Gold Coast City population is forecast (Department of Local Government and Planning medium projection series) to increase to 573,925 by 2011, that is an increase of over 150,000 in 10 years. The increase in the next 10 years is equivalent to the total 2001 populations of Rockhampton, Bundaberg, Mt Isa and Warwick combined. Each year Gold Coast City increases by the total size of a moderate sized Australian provincial town.
- Gold Coast City will generate 40,000 net extra jobs over the five years to 2006.
- Since 1996 there has been a 19% rise in the number of people living in Brisbane and commuting to Gold Coast City for work.
- The significant size and growth of the Gold Coast City resident population and the additional tourist numbers create demands for significant broadband infrastructure. (Reference (b)).
- The rapid growth means that significant investment is required just to keep pace, let alone to increase standards to international best practice levels. This means that there will be no let up in the need for continued investment in broadband infrastructure. (Inquiry Reference (b)).

Pattern of Urban Development

- The linear pattern (combined with the size and nature of business as outlined below) creates a greater challenge to create critical one-point demand nodes that telecommunications providers find more cost effective to supply. (Inquiry Reference (b)).

Business Base

- The City is highly dependent on small private businesses. About three-quarters of businesses (74%) have less than 5 employees and 90 % have less than 10 employees. In total small business (less than 20 employees and 50 for Manufacturing) accounts for more than 95% of all businesses. Small business finds the cost thresholds of moving to broadband a relatively greater burden than would large business or government agencies. (Inquiry Reference (b)).

Characteristics and Needs Not Understood

- The City has a size and status that appears not to fit the mind-sets of many policy makers. Gold Coast City is not a capital city, it is not a clearly defined region and it is not the “bush”. There is a perception that Gold Coast City misses out on the concentration of broadband infrastructure provisions that occurs “naturally” in capital cities, and the various Federal programs that target regional and rural Australia to redress deficiencies. (Inquiry References (a) and (b)).

4.2 Implications for Broadband

The above factors arising from the geography, structure, history, past development and rapid growth mean that Gold Coast City faces specific broadband needs that are not the same as those in the “bush” or in the regions or in capital cities.

In addition, Gold Coast City has a new set of valid needs that arise from its vision for a telecommunications based economic development strategy for the city as outlined below, of which broadband will play a critical role.

The Gold Coast City broadband needs are different, but they are equally valid and are increasing faster than most other areas in Australia.

No consideration appears to have been made for areas like Gold Coast City, classified by NOIE as “adjacent urban areas”.

5 Broadband to Drive Economic Diversity and Growth

5.1 Economic Development Strategy

In recognition of the fact that developed economies are undergoing rapid economic and social change resulting from a combination of globalisation and high rates of technological change, Gold Coast City has placed particular emphasis on diversifying the economic base of the city.

The thrust of the City's Economic Development Strategy is to create the conditions for a sustainable knowledge based industry development designed to ensure that Gold Coast City can adjust to economic and structural change and become more competitive nationally and internationally. This is vital to create the jobs necessary for those who wish to live in the City and for the employment prospects for future generations.

Information and the key staff dealing with information are replacing land, raw materials and access to markets as key factors in the location of investment and jobs. The information economy will provide the basis for future economic growth, but the achievement of that goal depends on world standard telecommunications services including broadband.

The Council's Economic Development Strategy has targeted a number of information rich industries including:

- Biotechnology
- Film and Interactive Media
- Communication, Information and e business.
- Education, Research and Training
- Health and Medical

A key feature of the Strategy is the designation of the Pacific Innovation Corridor to promote clustering of related firms and industries, within ten serviced precincts supported by the provision of high speed, low cost communications. This concept is dependent on excellent broadband links. The Pacific Innovation Corridor concept is provided at Attachment 2.

Information and Communications Technology industries have already demonstrated tremendous growth in Gold Coast City, spurred by new technologies such as the Internet and wireless technologies. The transition to a high-tech economy is occurring, as much, if not more, in Gold Coast City, as nationally. The KPMG/University of Queensland *Report Gold Coast Innovation City* identified the City's Bundall to Bond corridor as one of the top 10 Australian computer hot spots and that the technology sector grew by 57% in the period 2001-2003.

Telecommunications are now as important as other traditional infrastructure such as roads, airports, harbours and rail, as critical foundations of economic growth. Importantly for this industry, the availability of high speed, cost effective bandwidth is now becoming a reality in Gold Coast City with the increasing provision of fibre optic cable and other technologies by Powertel, Ucomm, AAPT, Telstra, Optus, Austar, and others. This has been, in large part, due to Council's Pacific Innovation Corridor initiative, operating to implement the Economic Development Strategy

5.2 Council Initiatives

5.2.1 Cooperative Arrangements

There are clear limits to what Gold Coast City Council can achieve alone. Therefore much of the Council's focus is on developing effective cooperation with Federal and State agencies, other Councils in the region, business organisations, educational institutions, telecommunications suppliers and the community in general. To date, there has been little support of Gold Coast City's initiatives from Federal government. (Inquiry Reference (e)).

5.2.2 Telecommunications Group

The Gold Coast City Council coordinates a local telecommunications group to work with industry to drive broadband uptake and consider removal of impediments. The group includes industry and local and state government representatives. (Inquiry Reference (e)).

5.2.3 Broadband Information, Expos and Conferences

Council has facilitated and sponsored a number of information based programs (Inquiry Reference (e)) including:

- The Australia-Korea Broadband Summit in 2002 for the Australia-Korea Foundation.
- The Real Story-Broadband on the Gold Coast in 2002, the inaugural broadband expo and 2 day seminar program to showcase the progress, opportunities and benefits of broadband services in the City.
- Broadband Expo in 2003 had 36 exhibitors, 2 days of seminars and events and was attended by over 2000 people (details at www.broadbandexpo.com.au). Federal government declined support for this event.
- Broadband Expo in 2004 to build on the success of the 2003 Expo.

5.2.4 Demand Aggregation

The physical, economic and business structure of Gold Coast City make Demand Aggregation a higher priority than in other cities. The Council has actively facilitated geographic based Demand Aggregation in:

- Yatala
- Coolangatta
- Coomera

Industry based aggregation for key industries is also in early stages of planning. (Inquiry Reference (e)).

Despite the City's commitment and success in these Demand Aggregation activities, it is ineligible to seek Federal funding to partner in leveraging up the program through the Community Brokers component of the Demand Aggregation program within the National Broadband Strategy. This was not

indicated in the draft of the program, but has been introduced to the final guidelines, which excludes “adjacent urban areas”.

5.2.5 Innovation House

The City facilitated and financially supported “Innovation House” to showcase the latest in digital based work and living and to demonstrate the many lifestyle benefits available in a fully connected broadband residence. (Inquiry Reference (e)).

“Innovation House” was open for 7 months with over 3,300 visitors. Industry and local government cooperatively funded the \$150,000 cost of the project. While now closed, the demonstration project can be viewed at www.innovationhouse.net. Innovation House 2 is in planning and the expanded demonstration is planned to open in May 2004.

5.2.6 Business On-line

The Gold Coast Business On-Line Directory, developed by the Council is a gateway to information about the City's business and economic base. This interactive directory provides an online resource for industry to promote their businesses, products and services to a national and international market. (Inquiry Reference (e)).

Details can be viewed at www.goldcoastcity.com.au/businessonline

5.2.7 Wireless Precincts

Council has begun the introduction of a broadband wireless precinct at Broadbeach to be established to coincide with the opening of the new Convention Centre and discussions have begun on further precincts to follow. (Inquiry Reference (e)).

6 Issues and Impediments

6.1 Structural Limits

As can be seen from the submission, the Council has a major incentive to see fast, accessible and cheap broadband throughout the Gold Coast, and has been very active in promoting broadband take up. However there are major market structure, technology and pricing issues that still limit take up. The Council's ability to influence these major factors is very limited. (Inquiry References (a) and (b)).

6.2 Potential Not Realised

The Gold Coast is relatively well serviced by a fibre optic backbone, but the take-up of broadband has been limited due to the significant connection costs from the end user back to the fibre optic backbone. In addition the infrastructure provision is patchy with large areas of the southern Gold Coast in particular not well covered by competitive fibre. (Inquiry Reference (b)).

While ADSL enabled exchanges have increased considerably, there are still many technical impediments limiting subscribers' access to broadband. (Inquiry Reference (b)).

6.3 First/Last Mile

The "first/last mile" issues have meant that penetration of broadband in the city has been much more limited than is required to meet the economic development objectives. ADSL and wireless broadband services have expanded notably in recent months, though high-speed fibre to the curb and home remains very limited. (Inquiry References (b) and (e)).

6.4 Knowledge and Certainty of Investment Patterns

6.4.1 Business

In Gold Coast City, Telstra is a dominant player, with a number of smaller providers dependent on Telstra infrastructure, buying services from Telstra as a wholesaler and in actual or potential competition with Telstra at the retail level.

Several smaller providers reported that their investment planning for providing value added niche products was very difficult and the risks high because of the possibility of Telstra competing with them at the retail level. (Inquiry References (b) and (e)).

6.4.2 Council

As outlined in the submission the Gold Coast City has encouraged penetration of broadband services, on both the demand and supply sides. A major impediment in the broadband facilitation process is that information on the existing infrastructure base and proposed roll-out plans has been very closely guarded by the suppliers and hence difficult for the Council to add value to the coordination process. A greater degree of sharing of information between suppliers and the councils is likely to lead to “win-win” outcomes by encouraging increased take up and more efficient supply. (Inquiry References (b) and (e)).

6.5 Ownership and Distribution of Content

The Gold Coast City is one of the major film production centres in Australia and with digital content creation increasingly important, high-speed cost effective bandwidth within Australia and to the United States is a high priority. Such capacity should be open to all content creators. (Inquiry References (d)).

7 Conclusion

Within Gold Coast City, Council seeks better broadband coverage, access and price so that businesses can exploit the potential of broadband and economic development objectives can be achieved.

While significant progress has been made in terms of broadband services in Gold Coast City and the Council has actively promoted its development and up take, there is scope for greater and more coordinated development. There are still major areas of the City not serviced and at the same time there appears to be infrastructure duplication in other areas. Infrastructure in the ground does not always translate into accessible and affordable services.

Better and more certain information flows about investment patterns are more likely to lead to better value adding and coordination by Council and better services by local niche providers.

Gold Coast City Council considers the present Federal policies and programs that address broadband supply and demand impediments, and which currently exclude the City, are based on a lack of understanding of the broadband needs of the City. The National Broadband Strategy is a national

agenda and cannot be exclusively regional and rural focused. Gold Coast City provides great potential for high returns on Federal government funds invested. Council is looking for the Federal government to partner with Local and State government and the City's industry and telecommunications providers, to achieve a critical mass of activity to meet the growing broadband needs of the City.

Attachments

- 1 Telecommunications Providers to Gold Coast City
- 2 Gold Coast City Pacific Innovation Corridor Brochure