



## **The Orana Regional Development Board**

**Submission to the ECITA Senate Inquiry into the  
Performance of the Australian Telecommunications Regulatory  
Regime**

**April 2005**

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Performance of the Australian Telecommunications Regulatory Regime, April 2005

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Orana Regional Development Board

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## Executive Summary

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In order to secure our **long term** sustainable telecommunications requirements, the following is proposed:

- Support and encouragement of suitable business models encompassing local ownership to be developed thereby securing the Orana's long term sustainable telecommunications needs.
- Funding and support for new technologies and infrastructure investment to provide suitable and affordable "last mile" solutions, particularly in non commercially attractive markets
- The ability for government departments to make purchase decisions at a local levels, reducing limitations imposed by national purchasing arrangements, thereby facilitating demand and aggregation anchor tenants
- Development of Regionally based IT & T Research Institutes to address skills shortages, development of new regionally based industries, development of world's best practice & innovation, and spin off commercialisation and export opportunities.
- Substantial penalties need to be imposed to enforce regulatory compliance
- Regional representation on advisory and regulatory committees.

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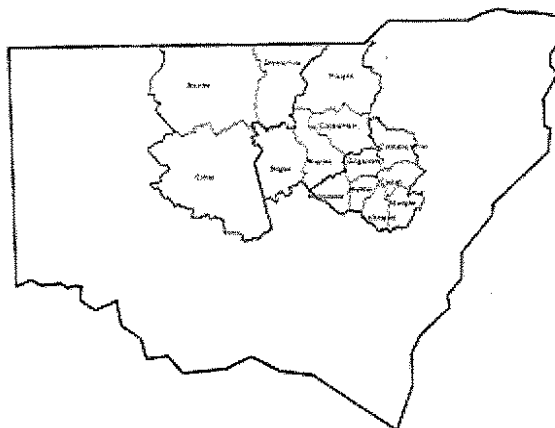
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## Background

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Over the past 4 years the Orana Regional Development Board (ORDB), in partnership with the Local Government Areas of Brewarrina, Bogan (Nyngan), Bourke, Cobar, Warrumbungles, Coonamble, Dubbo, Mid Western, Narromine, Gilgandra, Walgett, Warren and Wellington have undertaken major telecommunication projects in an effort to attract improved and competitive telecommunications services to the region.



While achieving some results, the success of our efforts to date has been limited. This is, in part, the result of what we believe to be due to limited telecommunication infrastructure and the specific regional demographics.

The lack of readily available telecommunications services and relatively high costs of telecommunications services are important factors, which are considered to impede economic growth and development in regional NSW. Many of the problems are due to inadequate and expensive telecommunications infrastructure and lack of telecommunications competition in the Region. Telstra, as the incumbent, is the dominant provider in the region.

The ORDB and business/industry representatives have proactively identified that in order to secure our long term telecommunications in a sustainable manner we have to develop a business model based on local ownership. This will ensure that profits will be reinvested into new technologies and infrastructure both now and in the future, and provide a competitive environment.



The results achieved by other regions, through demand aggregation confirm that the Orana region will receive major benefits from the introduction of new and competitive telecommunications services, such as:

- Improved quality and affordability of telecommunications services.
- Improved access to educational, health and other public service information to improve social outcomes.
- Improved business productivity through improved and affordable access to information, facilitation systems and better communication with customers.
- Improved competitive position resulting from a lowering of business costs within the region.
- Increased local expertise and skill base in the ICT industry.
- Better leverage of the revenues and profits derived from the region's telecommunications spend, through increased local employment and local reinvestment of profits.

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## Scope

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The purpose of our submission to the ECITA Senate Inquiry into the Performance of the Australian Telecommunications Regulatory Regime is to document our understanding of the key driving forces and market limitations affecting telecommunications in the Orana region, and to provide suggestions to obtain and secure our **long term** sustainable telecommunications requirements.

In particular the ORDB will focus our submission on the following key matters:

**(1) Whether the current telecommunications regulatory regime promotes competition, encourages investment in the sector and protects consumers to the fullest extent practicable, with particular reference to:**

**(b) whether Part XIC of the *Trade Practices Act 1974* allows access providers to receive a sufficient return on investment and access seekers to obtain commercially viable access to declared services in practice, and whether there are any flaws in the operation of this regime;**

The limited options available to our region, when attempting to secure demand aggregation tenants, due to the Government having allocated telecommunication spectrum on a National basis.

**(c) whether there are any structural issues in the Australian telecommunications sector inhibiting the effectiveness of the current regulatory regime;**

The inability to access, leverage and utilise existing government telecommunication infrastructure.

**(d) whether consumer protection safeguards in the current regime provide effective and comprehensive protection for users of services;**

Demand for broadband services is strong in both residential and business markets, however respondents to surveys undertaken in previous phases of our projects, make it clear that such demand is very price sensitive, and demand is purely price driven.

While "headline" access pricing for broadband services have declined, most businesses and nearly all residential customers face a usage charge of 20-25 cents per megabyte for "excess" data usage – usually anything over a few hundred megabytes per month. A medium to large enterprise could have excess data usage of 20-50 gigabytes per month (\$4,000 - \$10,000 per month excess data charges); a residential customer with school-age children could incur several hundred dollars a month in excess data fees.



**(e) whether regulators of the Australian telecommunications sector are currently provided with the powers and resources required in order to perform their role in the regulatory regime;**

The total Orana region telecommunications spend is estimated in excess of \$200 million dollars per annum, it is suggested that significant penalties need to be imposed to enforce regulatory compliance.

**(f) the impact that the potential privatisation of Telstra would have on the effectiveness of the current regulatory regime;**

The ORDB together with business and industry representatives have serious concerns about maintaining let alone securing long term future telecommunications requirements through the privatization of what is virtually a monopoly that exists within our region. To secure a long term sustainable future we feel that ownership must remain within the region, to ensure that profits are reinvested back into the region to continually upgrade and improve services.

Services will need to be leveraged through the existing efficiencies of the wholesale telecommunications market to create a service value proposition that is attractive to regional consumers (increasing demand); while establishing a low-cost local business that leverages regional cost efficiencies (reducing the cost of supply).

Through aggregation, we can negotiate on behalf of all regional customers (including government), for example:

- where demand capacity exists for "unlimited" access to bandwidth, by leasing optic fibre;
- where substantial demand exists, by committing to the average usage profile of the aggregated customer base to get the best wholesale price (about 8% of the retail price).
- when delivering broadband to the residential market, by factoring in that the access service is already being paid for by the standard line rental charge.

This will substantially reduce the cost of delivering telecommunications services to the region, increase demand (and hence scale economies); whilst retaining a greater percentage of the profit locally.

This profit will then be used to deploy new technologies and infrastructure such as wireless broadband services, fibre and cable deployments in new property developments, and acquire trunk wholesale capacity to all LGAs.

As the investment hurdle rates, lower build costs through working with established property developers, and overall lower operational cost-structures envisaged by a locally owned business will deliver a much more efficient business model, the level of investment for every incremental dollar of revenue secured will always exceed that sustainable by a national carrier, particularly in specific regional markets that are not commercially attractive.



**(g) whether the Universal Service Obligation (USO) is effectively ensuring that all Australians have access to reasonable telecommunications services and, in particular, whether the USO needs to be amended in order to ensure that all Australians receive access to adequate telecommunications services reflective of changes in technology requirements;**

The trivialisation of regional telecommunications needs particularly in regards to what is regarded as an adequate telecommunications service. Access to the global economy, large distances and loss of services in regional areas make us increasingly dependant on e-options for business, education and health.

**(h) whether the current regulatory environment provides participants with adequate certainty to promote investment, most particularly in infrastructure such as optical fibre cable networks;**

The inability to access, leverage and utilise existing government telecommunication infrastructure.

**(i) whether the current regulatory regime promotes the emergence of innovative technologies;**

No; many parts of the Orana region do not have access to reliable internet let alone broadband services. The majority of businesses in the region are based in the rural areas surrounding the major centres or in new industrial parks at edge of regional centres. These business (and households) do not have access to broadband technologies such as ADSL either because they are too far from the nearest exchange; they are connected via RIMS established in the new industrial parks, or they suffer from poor-quality copper connections.

To have world-class telecommunications services in the future requires investment in infrastructure today; however the telecommunications industry's own business rules seem to preclude investment beyond metropolitan areas and a few large regional centres.

**(k) whether there are any other changes that could be made to the current regulatory regime in order to better promote competition, encourage investment or protect consumers.**

- Support and encouragement of suitable business models encompassing local ownership to be developed thereby securing the Orana's long term sustainable telecommunications needs.
- Funding and support for new technologies and infrastructure investment to provide suitable and affordable "last mile" solutions, particularly in non commercially attractive markets
- The ability for government departments to make purchase decisions at a local levels, reducing limitations imposed by national purchasing arrangements, thereby facilitating demand and aggregation anchor tenants



- Initial seed funding and annual % of profits donated towards to the development and long term commitment of Regionally based IT & T Research Institutes to address skills shortages, development of new regionally based industries, development of world's best practice & innovation, and spin off commercialisation and export opportunities.
- Substantial penalties need to be imposed to enforce regulatory compliance
- Regional representation on advisory and regulatory committees.

## Closing

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We thank the panel and Minister for the opportunity to contribute to the debate about future telecommunications policy. We trust the material in this submission will be utilised in the Panel's deliberations and indicate our willingness to engage in discussion about the important feedback and recommendations within this submission.

A handwritten signature in black ink, appearing to read 'Juliet Duffy'.

Juliet Duffy  
Executive Officer

Mr Max Walters AM MBE  
Chairman  
On behalf of the  
Orana Regional Development Board  
Dubbo, 14<sup>th</sup> April 2005.

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