

Penny Griffin – Broadband in the Bush Presentation 20150716

Thank you for inviting me to speak today.

I'd like to take you on the journey we're undertaking, as an engaged government, to deliver mobile broadband and voice services to regional, rural and remote WA.

The subject of how to develop a business case for State investment in mobile telecommunications infrastructure may seem rather dry, but we're passionate about it because we understand the difference that mobile connectivity can make in regional communities, and the impediments to securing services on a commercial basis.

Slide 1 - RfR slide

Back in 2010, the Western Australian Government allocated \$40 million from the Royalties for Regions, Regional Infrastructure and Headworks Fund, to establish the Regional Mobile Communications Project, which we refer to as the RMCP.

At the time, this was quite a bold step.

Telecommunications is a Federal area of responsibility and questions were raised about the propriety and necessity for State investment in this area. The then leader of the National Party and Minister for Regional Development, Brendon Grylls, argued that the Commonwealth lacked the capacity to address the many mobile coverage gaps across regional Australia. Instead it was prioritising investment in fixed broadband through the NBN, and therefore it was in the best interests of the State's economy to invest directly in mobile voice and data services and help narrow the digital divide between urban and regional populations.

Whereas mobile markets in urban areas are considered examples of perfect competition, in regional areas we have market failure, because the revenue base is simply too small to attract and sustain even one operator. The State took the view that by co-investing with an industry partner to develop mobile base stations, services could be established at locations otherwise deemed unviable.

Western Australia is a challenging market for mobile operators. Outside the Perth metropolitan area and the larger regional centres, the State is characterised by small populations dispersed over vast distances. Telecommunications infrastructure development and servicing costs are comparatively high due to deployment expenses, the need for stand-alone power solutions, backhaul limitations and tenure and approval constraints. In an area covering almost a third of the Australian continent, only 8% of land is freehold. The rest is subject to Native Title processes, which add a further layer of complexity to infrastructure development.

Slide 2 – RMCP breakdown by region

A request for proposals for the RMCP was issued in March 2011. Telstra emerged as the preferred respondent with a proposal to construct or upgrade 113 mobile base stations. The locations were recommended by Telstra in accordance with the Government's priority to extend coverage to communities, and along major highways and between towns, particularly in the north of the State to support the mining, tourism and transport industries. Telstra committed cash and in-kind contributions of \$66M - including provision for the operation, upgrade and maintenance of each RMCP tower for a minimum period of ten years, as well as free access for State emergency services organisations - bringing the total project value to \$106M.

Slide 3 – RMCP coverage map

Construction was completed in September 2014, on time and below budget, and has increased Telstra's WA mobile coverage footprint by 31%. The route along Highway 1 from Kununurra near the Northern Territory border in the north, to Eucla near the South Australian border in the south, represents the longest stretch of continuous in-car coverage in the world.

Recognising that \$40M was insufficient to address all the coverage gaps in towns and along key transport corridors, the RMCP also made provision for gathering intelligence from Telstra and the nine Regional Development Commissions on problem areas for consideration in a future program.

In response to the receipt of over 350 requests for coverage improvements, the State's Broadband Working Group, chaired by the Minister for Commerce, asked the Department of Commerce to undertake a State Telecommunications Needs Assessment, aimed at identifying and prioritising locations for future investment and the level of funding required.

The study examined almost 600 locations, covering Gazetted Localities and Urban Centre Localities as defined by the Australian Bureau of Statistics in its *2011 Census of Population and Housing*, and strategic locations outside towns, nominated by Regional Development Commissions to align with their Regional Investment Blueprints, by emergency services organisations, or by Telstra to deliver broader network coverage benefits.

A quantitative, weighted measure of social and economic value was developed for each Gazetted and Urban Centre Locality based on the number of students, the number of dwellings and the total resident

population. Other than where a specific request had been received, communities of less than 200 people were not assessed in detail as ABS confidentiality provisions preclude the release of actual data for such small populations. This approach recognised that the State's funding resources are limited, therefore the need to apply investment to the highest ranked locations.

The study identified 85 sites with priority for improved mobile services, requiring an indicative State investment of \$45M. Following an extensive, six month consultation process with regional stakeholders, Police, Fire and Emergency Services, Parks and Wildlife and St John Ambulance, the 85 sites were approved by the relevant Regional Development Commissions and endorsed by the Broadband Working Group in March 2014.

In accordance with the study's recommendations, an allocation of \$45M was provided in the 2014-15 State Budget for the Regional Telecommunications Project, known as the RTP, to further improve mobile telecommunication services in regional WA.

The State then pursued a strategy of alignment with the Commonwealth Government's \$100 million Mobile Black Spot Program. By committing a sizeable proportion of the RTP budget to support carriers' responses to the MBSP Call for Applications, WA hoped to offset its comparative cost disadvantages and secure co-contributions from the Commonwealth towards the priority sites identified in the Assessment.

As every Commonwealth dollar represents a saving to the RTP budget, further engagement with Regional Development Commissions, Police, emergency services organisations and other stakeholders was undertaken, using the weighted scores from the State Telecommunications Needs Assessment as a starting point, to

identify a Tier 2 list of sites to be developed once the priority sites have been addressed.

All priority and Tier 2 sites were then listed in the national black spot database and we began engaging with potential respondents to explain the investment priorities and special conditions that would apply to the State's funding contributions.

This time, the priority is to cover small communities and strategic locations, primarily in the southern half of the State.

Slide 4 – First 23 RTP sites

A group of 23 priority sites was contracted directly with Telstra in December 2014 as an extension of supply under the previous RMCP agreement, to ensure that we met community expectations for the timely roll out of new sites while the Commonwealth process was still under way.

The outcome of the Mobile Black Spot Program assessment was announced by the Minister for Communications on 25 June 2015. From a national total of 499 sites, WA has secured 130 sites, towards 109 of which the State will be contributing \$32 million. It's a stunning outcome that demonstrates the value of collaboration between the State, Commonwealth and mobile network operators. I'd like to congratulate the Department of Communications, Telstra and Vodafone for their commitment and hard work during the entire process. I think it's fair to say that WA did well because we had the budget approved, were eager to engage, and knew exactly where we wanted to invest.

Slide 5 – MBSP site map

But of course the job is by no means finished.

We continue to be inundated with requests for additional coverage from small communities that nevertheless function as the economic and social heart of their surrounds, from the fringes of larger towns outside the coverage footprint, from emergency services in areas of fire and other risk, from tourist hot spots – particularly in national parks, from Shires in relation to arterial roads, and from the agricultural and pastoral industry seeking farm scale mobile solutions.

With the announcement of a further \$60 million for MBSP Round 2 from 2016, there's an opportunity to collaborate once again but we need to seek additional funding. Unfortunately the State's budget position has deteriorated sharply over the last two years. The entire public sector is under pressure, funding has never been tighter, and we need to develop a business case that demonstrates the return on investment on State funds already expended, before we can hope for more.

This is actually a very difficult thing to do, and we've adopted a multi-pronged approach.

Firstly of course, there are compelling reports by various organisations and industry bodies on the impacts and take-up of mobile communications in regional Australia, but few deal with Western Australia specifically and none focus on sites to which the State has co-contributed. Nevertheless, they're a valuable source of data that provide context to the business case. There are also general arguments that were touched on throughout the sessions yesterday, to do with equality of opportunity, social and economic amenity, the retention of young people – who rely on mobile data as a primary tool for social engagement, the delivery of government services, issues surrounding business sustainability and others.

Secondly, we're collecting testimonials from individuals and businesses, and have also worked with Telstra on a case study highlighting the specific experience in Koorda, a medium size town of around 260 people, 236 kms northeast of Perth in the Central Wheatbelt, which received a tower under the RMCP. Telstra sent a film crew to interview townspeople and develop a video, which I'd like to show you.

Video <https://www.youtube.com/watch?v=Wrik4fqTEnI>

Thirdly, the Department of Regional Development, which administers the Royalties for Regions scheme, conducts its own audits of funded programs and we have a recent report on the impact of selected RMCP towers on emergency response times and community safety outcomes. Access to State-funded towers for emergency services organisations was an innovative feature of the RMCP that has huge support and we plan to replicate for the RTP.

Fourthly, we're negotiating with Telstra for quantitative data on the use of RMCP towers. This is a complex and sensitive area due to confidentiality issues, but I can tell you that in the three month period from January to March 2015, 1,632 triple zero calls were made from an RMCP site, and 588,000 individual customers used at least one of the RMCP sites for a voice or data call. This may seem on the low side so I should point out that traffic dwindles sharply over the wet season in the north, where half the sites are located.

Finally, we've commissioned Jim Wyatt's team at Optimi Digital to develop a methodology and undertake a series of baseline studies in four communities drawn from the first group of 23 RTP sites being delivered by March 2016, plus a control site at Kondinin, which received coverage under the RMCP in January 2014.

Jim's approach was to conduct a desktop segmentation study of these 23 sites based on almost 60 measures, and categorise them into "remote with no economic or social infrastructure" - for example highway sites; a large, medium or small town - based not so much on population but rather on the level of infrastructure and services within each community; and "beyond the street lights acreage", generally small farm holdings adjacent to a regional centre. One location from each town type, plus a "beyond the street lights" location were selected as target sites for the baseline assessments.

Optimi Digital then conducted a series of visits to each site over a three month period to gather data via interviews and surveys of households and businesses to establish their current level of digital literacy, the quality of internet access and the scale of online activity for business and private purposes. An Impact Statement was developed for each location with scores for digital participation, social media use, online security measures, cloud applications and the top five apps. The scores are benchmarked against comparison data from MYOB, the ACMA and ABS, Sensis, Deepend, Salesforce and other sources.

The Scorecard also contains forecasts of expected improvements in digital activity as new mobile coverage is deployed.

So, what have we learned so far about these four communities? Three areas stand out that surprised us, but may not surprise you.

Slide 6 – Digitally savvy

Regional communities are as digitally savvy, if not more so than their city counterparts. People and businesses demonstrated a higher level of digital engagement across many applications than the national average.

In the case of homes, 93% bank online and 89% shop over the internet. Some 84% participate in social media and 82% use both smart phones and tablets to access the internet. 39% of homes use a mobile device as the primary way to access the internet.

In the case of businesses, 87% use one or more cloud based applications and 31% manage their accounts through online services such as MYOB, Xero and Quickbooks. These three providers estimate the national take up at about 12%. 94% of businesses bank online and 94% purchase online.

Slide 7 – Digitally reliant

Digital technologies and the internet provide users with the means to overcome distance and the poor availability of goods and services locally. In many ways, this makes them more reliant on reliable broadband access than metropolitan residents, because there are fewer alternatives.

Video is clearly an area limited by current constraints. There was a high degree of cloud utilisation at a basic level by regional businesses and this is an area to build on.

The use of online banking and eCommerce far exceeds the national average.

Slide 8 – Limited by poor mobile access

Businesses were far more critical of the lack of mobile coverage than homes. There was a very high incidence of multiple use of both smart phones and tablets, indicating that people want to be mobile. In many ways, mobile offers far greater utility than fixed broadband. The size and nature of many workplaces in rural and regional areas is on a different scale to those in the city. The utilisation of mobile apps also tends to be more diverse. The rural workforce is highly mobile

over large distances and connectivity and communication are viewed as a vital aspect of life in the bush. This suggests that where coverage is provided, it will be eagerly taken up and utilised.

The study has proved that digital activity is alive and prosperous in the regions. The only thing holding people and businesses back is the lack of access and poor connectivity. Across the study, the average rating for the need to improve mobile access and affordability in these sample communities was 9.6 out of 10.

We intend to repeat the study every six months in order to track the changes and community feedback over time.

Thanks very much.