

**SUBMISSION TO THE DEPARTMENT OF
COMMUNICATIONS, INFORMATION
TECHNOLOGY AND THE ARTS**



**Submission to the Discussion Paper –
Mobile Connect (November 2005)**

Public Version

18 January 2006

Introduction

1. Vodafone Australia welcomes the opportunity to comment on the Department of Communications, Information Technology and the Arts (DCITA) discussion paper– *Mobile Connect* (November 2005).
2. Vodafone Australia currently operates a GSM digital mobile network and a 3rd Generation (3G) mobile network in Australia. Vodafone Group Plc is the world's leading mobile telecommunications company, providing a wide range of mobile services including voice and data communications. Vodafone operates in 28 countries across five continents. Vodafone has Partner networks in a further 14 countries.
3. The following submission does not list and address the discussion paper questions directly but instead attempts to address the issues facing DCITA in developing the Mobile Connect program.

Executive Summary

4. Vodafone submits that the greatest benefit can be realised from the Mobile Connect program by ensuring it can be accessed by the most number of consumers possible. This means the program should give preference to:
 - Proposals utilising technologies that provide the widest possible consumer access and the best range of services (ie 3G);
 - Proposals that will link into existing infrastructure;
 - Network sharing and consortium or partnership proposals;
 - Proposals that encourage inter-carrier roaming and site-sharing; and
 - Proposals that will increase competition and choice.
5. The two-tiered approach to funding as proposed in the discussion paper would provide the greatest flexibility for the Government, carriers, local communities and state/territory governments. A two-tiered approach should set aside the majority of funding for multi-site proposals (eg 80%).
6. Vodafone also submits that the Mobile Connect program would ideally need to run longer than the four years currently proposed to maximise its benefits.

Issues

Consumer Access

7. The Mobile Connect program represents an opportunity to not only improve the geographic coverage of mobile services but also to improve

access for regional customers to metropolitan services and to improve the range and choice of services available to regional Australians.

8. Key to meeting these goals is ensuring the technology or technologies used are accessible to the greatest number of consumers.
9. Vodafone currently operates a GSM network and is rolling out a 3G network in partnership with Optus. The Vodafone GSM network covers 93% of the Australian population. 3G is available in major cities and is being rolled out progressively. (CIC)
10. While it is understood that CDMA rollout in regional areas has been favoured in the past because of that technology's propagation characteristics and suitability to regional population density it should be recognised that 3G offers other benefits.
11. The Mobile Phones on Highways (MPOH) program which Vodafone won the tender for has demonstrated that the demand for GSM in regional areas is growing. Vodafone has rolled out continuous coverage on 16 national highways. Our experience to date shows a significant increase in the usage of Vodafone services covered by the MPOH project. Usage patterns in those areas have, and continue to, increase beyond expectations.
12. The popularity of GSM on national highways can be attributed to a number of factors but demonstrates that GSM can be a successful and popular alternative to CDMA in regional areas. Similarly 3G offers an attractive alternative to CDMA and it would be reasonable to expect that the popularity of 3G networks in regional areas could follow the same trend as for GSM network covered by the MPOH project.
13. 3G roll out offers customer and carriers a range of benefits. For customers 3G provides a greater range of services including access to higher data speeds. In addition the prospect of national coverage of 3G services means that regional customers would be able to access metropolitan 3G services without having to carry a second handset. For carriers 3G offers greater capacity and cheaper roll-out costs.
14. For Government, 3G roll out through Mobile Connect offer opportunities to link into the Broadband Connect program and offer customers in regional areas "light" broadband type services via the 3G network.
15. We understand that at least one carrier (Telstra) is proposing to roll out a 3G network in regional areas utilising W-CDMA technology in the 850 MHz range. W-CDMA 850 is a standard developed for the USA and which we understand is most likely to also be adopted by some parts of South America. The US market is approximately only 15 percent the size of the European market. Hence it is reasonable to expect that handsets will cost more and take longer to reduce in price than they might otherwise. Customers using WCDMA 850 will most likely have less handset choices

than those using WCDMA in the 2000 MHz range which is the technology being deployed by Australian carriers in metropolitan areas.

16. Alternatives to W-CDMA 850 are being explored and developed. Most notably W-CDMA in the 900 MHz range in Europe. Should W-CDMA 900 be adopted in Europe and subsequently by some carriers in Australia this will also have consequences for customers in Australia with regard to handset choice and price.
17. Vodafone submits that given the current roll out plans of carriers and the benefits to customers of 3G technology the Mobile Connect program should encourage and give preference to proposals for 3G roll out using technology standards that will benefit the most number of customers.

Network Sharing

18. Vodafone and Optus operate a partnership to develop a shared 3G network. Telstra and Hutchison communications have entered into a similar arrangement.
19. The benefits of partnerships and shared infrastructure developments are clear. Greater efficiency and cost savings can be realised through fewer base stations and infrastructure sharing. Proposals under the Mobile Connect program can realise similar efficiencies and savings where they share resources and infrastructure. Hence proposals that encourage and facilitate site sharing between carriers should be encouraged.
20. Similarly Vodafone suggests that proposals to partner with state governments or local governments should also receive a greater weighting when competing proposals are considered for funding. Should Vodafone apply for Mobile Connect funding we would explore partnership options with state and local governments.
21. Associated with the benefits of network sharing, joint partnerships and government partnerships are the benefits of access to infrastructure for carriers who did not obtain Mobile Connect funding.
22. Vodafone submits that the Mobile Connect program should encourage site sharing and inter-carrier roaming by providing greater weighting to proposals that include incentives or discounted access.
23. A simple way of doing this would be to give higher priority to proposals that offer site access at discounted rates and/or which will provide inter-carrier roaming at reasonable commercially negotiated rates on those sites established with a contribution from the Government.

Increased Competition and Choice

24. Vodafone is pleased to read in the Mobile Connect discussion paper that the program will encourage competition in the provision of services. We feel however that improved consumer choice should be given a higher priority than it currently appears to receive.

25. If preference is given to 3G funding proposals by partnerships that incorporate network sharing arrangements, site sharing and inter-carrier roaming then customers will benefit and carriers will be encouraged to roll-out services into areas that are not currently commercially viable.
26. It should also be recognised that many of the areas already covered by CDMA were developed with the aid of Government funding. New Government funding programs should not discriminate against new proposals to cover those same areas.

Funding Approach

27. Vodafone suggests that the two-tiered approach as proposed by the discussion paper would provide the greatest flexibility for governments and communities. We feel that the majority of funding should however be set aside for multi-site proposals and would suggest somewhere in the vicinity of 80% of total funds.
28. A two-tiered approach would help to encourage innovative and efficient proposals and reduce the risk of a majority of funds being allocated to a single proposal or technology which may limit customer access, interoperability or competition.
29. While recognising that funding programs of this type are limited by forward estimates and Government budget considerations Vodafone would suggest that the Mobile Connect program run longer than four years. It is highly likely that any network expansion plans would be over the longer term. It is also likely that new sites or proposals could be identified only after a substantial amount of work had been completed on a first round of extensions.
30. We also note in the discussion paper that the program will not fund sites that have already been identified as commercially viable by carriers. Vodafone supports this approach.

Conclusion

31. Vodafone submits that the Mobile Connect program will maximise the greatest consumer benefit by giving preference to 3G roll-out, joint partnerships, network sharing proposals and encouraging competition. A focus on 3G will provide customers with the greatest choice of services including light broadband and data services. The realities of technological change and the carriers' current roll-out strategies mean that encouraging competition should also be a focus of the program.