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Key Themes for Digital White Paper

Introduction

The Australian Mobile Telecommunications Association (AMTA) is the peak industry body representing Australia's mobile telecommunications industry. Its mission is to promote an environmentally, socially and economically responsible, successful and sustainable mobile telecommunications industry in Australia, with members including the mobile carriage service providers (CSPs), handset manufacturers, network equipment suppliers, retail outlets and other suppliers to the industry. For more details about AMTA, see <http://www.amta.org.au>

AMTA welcomes the opportunity to provide some high-level views on how government, the mobile telecommunications industry and the community can work together to ensure Australia is able to maximise the benefit from greater digital engagement and meet the challenges of becoming a leading digital economy by 2020.

The following comments focus on:

- key mobile industry trends;
- assessing the relevance of legacy regulation and the need for new regulation; and
- the development of a spectrum policy approach for mobile broadband to meet future demand and complement fixed broadband networks (NBN).

AMTA's comments are relevant to following key themes identified by the Digital Economy Forum:

- **Role of the NBN in underpinning Australia's future digital economy**
- **Collaborative Partnerships between governments, industry and community**
- **Promoting digital innovation and a conducive regulatory environment to encourage innovation and investment in Australia's digital economy.**

Mobile industry trends

In broad terms AMTA believes that strategic policy analysis to support Australia's digital economy must consider the challenges of convergence, including the policy and regulatory settings necessary to promote industry investment in the innovations and infrastructure needed to meet future demand.

For example, the Australian market for broadband is experiencing strong growth in consumer demand for applications and services delivered via both mobile and fixed broadband infrastructure. In particular, mobile broadband demand is driving the need for significant ongoing mobile industry investment in network infrastructure, device ecosystems and spectrum. However, at the same time returns on such investments are under pressure in a maturing market with mobile revenues flat or declining after decades of sustained growth. This reality presents a challenge for industry and governments to work together to ensure Australia's future is sustainably served by a vibrant mobile sector which already is, and will increasingly be, a central part of our digital economy.

The role and influence of mobile telecommunications continues to undergo rapid transformation from one based on the provision of voice and SMS to data services such as mobile broadband, social networking, sending and receiving emails and downloading apps to smartphones and tablets which provide functionality across a myriad of content categories.

The ACMA's Communications Report 2011-12 found that the Australian market supports over 30 million active mobile subscriptions with almost half of Australians owning a mobile phone that is able to access the internet. This latter number has doubled in just one year.¹ Google data shows smartphone penetration in Australia reaching 52% in 2012, which is one of the highest adoption rates in the world (see chart below).²

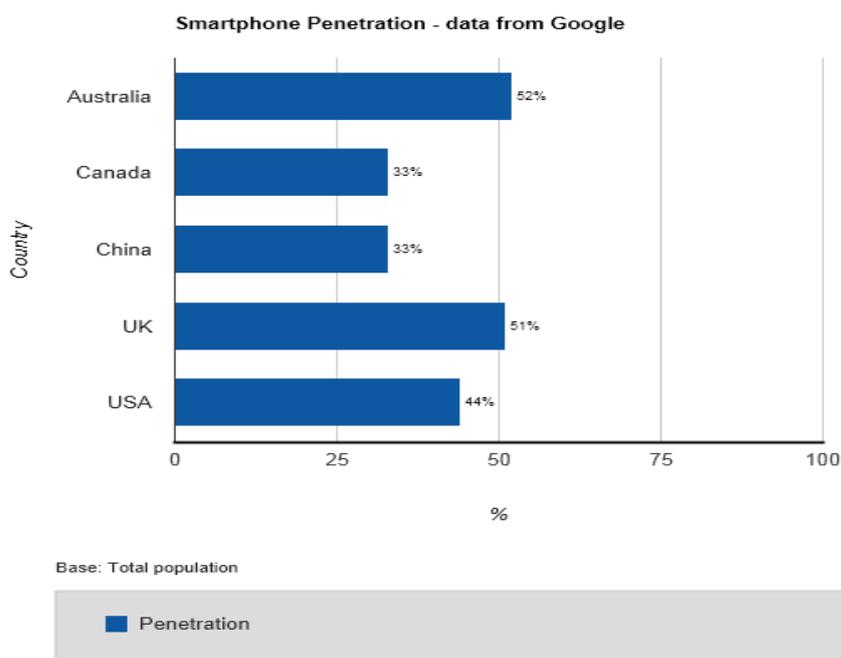
The ACMA's Report also found that the mobile phone was the most popular means of communication. Also, Australians are downloading more and more data with the majority of data being downloaded over fixed broadband rather than mobile.³

These statistics clearly illustrate the prominent and growing role mobile devices play in the lives of Australians and the reliance on both mobile and fixed networks to meet this demand.

¹ [ACMA Communications Report 2011-12](#)

² Google 2012 – [Our Mobile Planet](#)

³ [ACMA Communications Report 2011-12](#)



The digital economy must be underpinned by a regulatory and policy framework that encourages continued investment in new infrastructure to ensure that complementary fixed and mobile broadband networks are in place to meet increasing consumer demand for data services.

There are numerous analyses which document the unprecedented and in some cases exponential global growth in mobile network data traffic arising from consumer use of mobile broadband/data particularly via smartphone and tablet devices. In addition machine to machine (M2M) traffic is also forecast to grow strongly.

Ericsson's latest Mobility Report forecasts global data traffic to grow 12 fold between 2012 and 2018.⁴ The Report finds that mobile data traffic doubled between Q3 2011 and Q3 2012. Ericsson found there were 13 million LTE (Long Term Evolution) subscriptions in Q3 2012 and predicts LTE subscriptions will reach 1.6 billion by 2018. Australian mobile carriers have all announced plans to commence and/or expand their roll-out LTE networks in 2013/14.

Ericsson's Report identifies the trend towards mobile and explains that this is driven primarily by consumer demand for anywhere, anytime connectivity as well as use of video, cloud-based services and the internet. The Report also notes that M2M connectivity is increasingly a key driver of demand.⁵

Similarly, there is significant research to support the view that mobile telecommunication services and applications are not only driving huge increases in network traffic, but also exerting increasing influence as key economic and social enablers within digital economies.

⁴ [Ericsson Mobility Report](#) 21 Nov 2012

⁵ Ibid

A recent global study by the GSM Association (GSMA) suggests a strongly positive relationship between the amount of mobile data and increased economic growth. The GSMA study notes that a doubling of mobile data use leads to an increase in GDP per capita growth of 0.5 percentage points, and that countries with higher levels of data usage per 3G connection have experienced an increase in GDP per capita growth up to 1.4 percentage points.⁶

In Australia, a 2010 analysis by Access Economics estimated the indirect or flow-on contribution of the mobile sector at \$10.7 billion while the direct contribution was \$6.7 billion,⁷ highlighting the enabling impact of mobile technology, which is increasingly relevant across nearly all sectors of the economy.

A further 2010 local study by Network Strategies forecast that the gross productivity benefits of mobile broadband from 2013-2020 would be around \$143 billion.⁸

AMTA has recently commissioned a follow-up Deloitte Access Economics study to research the economic and social impact of mobile on Australia's economy, including productivity benefits achieved since 2010. It is anticipated that the study will further demonstrate that mobile technologies continue to be significant drivers and enablers within the digital economy and that the demand pressures on mobile networks from increasing mobile traffic need to be met to ensure that social and economic benefits can continue to be realised. AMTA will provide this analysis as soon as it is completed.

The current market environment also sees the service quality expectations of end-users rising as more opportunities exist to use mobile technology in everyday life. Once again this places increasing pressure on mobile network operators to ensure they have sufficiently invested in the infrastructure to create the capacity to meet consumer expectations when using mobile data applications and services.

However, the business case is also challenging. As noted earlier the demand for mobile data applications and services is driving industry's investment in capacity via enhanced infrastructure while at the same time market conditions are impacting on industry revenues making the capital expenditure case for ongoing infrastructure investment more difficult.

The Commonwealth Bank's Equities: *Global telecommunications outlook*, recently reported:

"There has been considerable slowdown in mobile industry revenue growth. Australian mobile service revenue was \$7.8b in 1H CY12, down -2.8% on pcp, with growth at Telstra (+4.6%) offset by Optus (-2.2%) and VHA (-15.8%)."

In Australia mobile industry revenues cannot continue to be underpinned by an increasing subscriber base given a mobile phone penetration well over 100%⁹. Rather, it is revenue from existing customers and average revenue per customer that mobile carriers will rely on for a return on investment in network infrastructure, including spectrum.

⁶ Deloitte – What is the impact of mobile telephony on economic growth 2012?, p.7

⁷ Economic Contribution of Mobile Telecommunications 2010 (Access Economics 2010)

⁸ The future deployment of mobile broadband services – Network Strategies 2010

⁹ ACMA Communications Report 2011-12 page 19 - 30.20 million mobile voice and data services

The regulatory settings that govern spectrum allocation, network deployment and introduction of new technologies are in need of review to ensure the industry has the ability to maintain and upgrade existing infrastructure, which in turn will drive use of mobile broadband services by Australians and result in productivity benefits to Australia's future digital economy.

Complementary networks - fixed and mobile broadband

Broadband is the infrastructure centrepiece of the digital age. Nations failing to invest in broadband will face an uncertain future in a world where global competitiveness will increasingly be dependent on technology.

The influence and contribution of broadband and the digital economy continues to grow as technologies, services and applications reach further into all sectors of our economy and society, providing increasingly significant social and economic benefits for all Australians.

Through technical and operational synergies, AMTA believes that fixed and mobile broadband services are complementary and that a policy framework that fosters investment in these networks will enable the benefits of Australia's future digital economy to be fully realised.

Assessing the relevance of legacy regulation and the need for new regulation

The mobile telecommunications market is undergoing rapid technological change at a time of unprecedented exponential growth in consumer demand for its applications and services. Innovation and competition are driving a transformation where traditional media platform boundaries and regulatory settings are less relevant.

The recent Convergence Review did not consider legacy telecommunications regulation and its relevance in a converged market. It is critical that the Digital White Paper's terms of reference include consideration of this issue so that a thorough assessment can be made to ensure that the current complex telecommunications regulatory framework does not act as a drag on future competition and innovation in a converged market.

Industry agrees that the current regulatory framework¹⁰ is founded on many "broken concepts" and does merit re-thinking. To this end AMTA believes the following principles are fundamental to any consideration of potential policy reform or regulatory intervention in the mobile telecommunications market:

- The regulatory framework must promote fair and open competition in the mobile telecommunication market and lift or avoid imposing regulatory burdens that can potentially stifle innovation;
- Industry's compliance costs must be minimised;
- The regulatory framework should encourage deregulation where possible in order to provide the flexibility necessary for industry to adapt to the rapid pace of technological change and ongoing development of business models in a converged market.
- The regulatory framework must be clearly understood and applied consistently so that industry has the requisite certainty to allow continued investment into the future.

¹⁰ ACMA ["Broken Concepts"](#) 29 August 2011

In addition there are concerns regarding appropriate and timely responses to consumer awareness issues in this rapidly changing environment. Governments may be tempted to consider black letter law regulatory responses or quick fixes to perceived problems as they arise. AMTA maintains that regulatory forbearance is the better approach in such an environment. It is true that consumers and industry both face product and service awareness challenges given the rapid pace of change. However, collaboration on awareness measures in a co-regulatory environment plus incremental end-user familiarity can lead to the natural decline of consumer issues more quickly than legislated responses.

Spectrum policy

In 2001 the ACMA reported on the future spectrum requirements for mobile broadband and concluded:

“There is widespread recognition that mobile broadband services are an economic enabler within society and the provision of these services, technologies and applications in the wider community is in the public interest.”¹¹

AMTA believes that to maximise the benefits of mobility in a digital economy spectrum policy settings must allow for the staged expansion of spectrum resources allocated to mobile broadband.

AMTA believes that there is a need for closer consultation and partnership between industry, Government and the regulator to identify spectrum requirements and develop a mobile broadband spectrum policy roadmap that includes long-term arrangements to meet future demand growth.

AMTA strongly supports the ACMA’s ongoing work in identifying spectrum for future mobile broadband use in the short, medium and long term and also believes that continued investment in mobile broadband networks will serve to complement the NBN so that consumer and business demand for more data “anytime anywhere” can be met.

In addition to identifying new spectrum for mobile broadband, there is also a need to include a review of how efficiently spectrum is allocated and managed by including a review of the Radiocommunications Act 1992 as part of the assessment and relevance of legacy telecommunications regulation and the need for new regulation.

Conclusion

Innovation and competition abound in the mobile telecommunications sector, which is experiencing unparalleled growth in consumer demand for mobile applications and services. As our digital economy evolves, the unrelenting demand for mobile broadband services is expected to continue to increase. This in turn is driving the need for continued investment by the mobile industry in network infrastructure and spectrum at a time when industry revenues do not reflect growth in demand.

AMTA believes that a policy and regulatory framework that is marked by regulatory forbearance and that promotes continued investment in infrastructure and minimises the regulatory burden is necessary to ensure that Australia’s future digital economy is best placed to benefit from all that mobile and fixed broadband technologies have to offer.

AMTA would welcome the opportunity to further discuss the issues raised in this submission.

¹¹ ACMA “Towards 2020 Future spectrum requirements for mobile broadband” 2011