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**A Wholesale Telco in a National Broadband Network World**  
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**\*Check Against Delivery\***

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Good afternoon and thank you for the opportunity to speak today.

It's a great pleasure to be able to make it to this industry event.

This is the first time I have spoken to this audience, at this conference.

I am excited to be here as the head of Optus Wholesale and Satellite and as the leader of a successful team who plays a key role in the industry.

This is the conference that I know my customers, team and the industry come together to attend.

So, let me begin.

Today I want to talk about the future, an exciting future.

About the tremendous innovation driven by our wholesale industry.

About the prospect of a new exciting era for our industry in the future NBN world.

And about how at Optus we are already well down the track in preparing for a future working with the NBN.

But let's begin by recapping briefly about Optus and the business that I run.

### **Optus is a committed wholesaler**

Optus has been part of the national telecommunication landscape since the 1990's.

Optus entered the market, and for the first time in Australia's history the nation had choice and competition for telco services.

In the early days of Optus, management made the conscious decision to include wholesale services as part of the company's DNA, offered alongside our retail services without fear or favour.

Ever since then, Optus has been committed to the wholesale suppliers in this market.

Today we are a successful wholesaler of fixed line, satellite and mobile services to most of Australia's leading telecommunication companies, as well as a growing number of non-telco players.

Optus has grown up to be a \$9 billion dollar business, one of Australia's larger companies, with Optus Wholesale and Satellite a significant contributor to Optus' overall financial results.

That success has helped fund sustained, continuous investment into our business, and, perhaps most importantly, into the Optus network that sits behind it.

## **Optus Investment**

In the 2010 financial year Optus invested over \$1 billion dollars back into the business.

In fact, since 2005, Optus has invested over \$5 billion dollars upgrading our fixed, satellite and mobile network infrastructure to benefit all of our customers - consumer, business, government and wholesale.

The single largest part of that investment has been into our mobile network.

Our 3G mobile network now reaches up to 97 per cent of the Australian population and continues to grow, giving great 3G dual band coverage across more of regional and metro Australia than ever before.

And our wholesalers are major users of that network, with 10 per cent of Optus' mobile users coming via our wholesale partners as of the period ending 31 December 2010, up from 8 per cent a year earlier.

We also have one of Australia's largest and most comprehensive fixed networks, with fibre backbone stretching all the way from Perth to Cairns, some 10,000 km, with another 12,000km of fibre sitting in our intra city network connecting directly to our business and wholesale customers.

Not to mention Australia's second largest consumer fixed business, serving over a million homes and small businesses.

Last, but by certainly no means least our satellite business.

We operate a network of five satellites including the Optus D3 satellite which we launched in 2009.

In fact, we are currently celebrating 25 years of providing Satellite services to Australia.

Our satellite network today delivers subscription television to over 2 million households in Australia and New Zealand, free to air television to over 115 000 households, 100s of video transmission sites for free to air broadcasters, along with services to 25 000 broadband satellite users and approximately 7000 mobile satellite users.

Just last Monday, we made the exciting announcement that we are launching a brand new satellite – Optus 10 – a further multimillion dollar investment in our fleet to provide resilience and to support our current business and customers.

But the importance of satellite was really bought home to me during the recent Queensland floods and cyclone when the satellite network enabled us to restore essential mobile services for local communities to keep in touch with family and friends, as well provide services to personnel from Government, Police, Army and other key emergency services when all other networks were down.

But enough about us.

To survive and hopefully thrive we have to continuously adapt to a market where the rules seem to constantly change. And I would argue a significant amount of that change is driven by our wholesale partners.

## **Rapid Change – Australian Wholesale Market**

One of the great things about our business is that our success is genuinely linked to our partners' success. I feel very proud of the innovation that our partners and the broader community of wholesale customers bring to the Australian telecommunications market.

Just think about how much things have changed in the wholesale market, even over just the last few years.

Close your eyes for a moment and imagine yourself back in 2005.

Indonesia struggles to recover from the devastating 2004 Boxing Day tsunami. The Bali Nine are arrested for drug smuggling, and, Schappelle Corby is sentenced to 20 years in jail. Hurricane Katrina strikes the Gulf Coast in the US, devastating New Orleans. London endures the bombings of 3 tube trains and a bus. Closer to home, Bob Carr is replaced as premier of NSW by Morris Iemma.

It somehow still seems quite recent.

And yet, back then, mobile services meant 2G voice calling.

If you wanted a wholesale transmission service, most likely it would be frame-relay ATM.

And if you wanted to buy a wholesale broadband product, well your only real option was a resale service from the incumbent. Provided you didn't mind your broadband

at about 512 kbps. And of course, hoping the incumbent wasn't selling their services at retail for less than their wholesale price at the same time!

Today, just a few years on, we see a flourishing market in 3G mobile voice and data services. Many of Australia's pioneering Internet Service Providers have embraced the change, with many now selling both fixed and mobile services.

Transmission and backhaul services have evolved to the point where almost all are now IP or IPVPN only.

And there is now real competition in providing fixed access services, with a range of companies selling capacity on their DSL networks. And, I might mention, at speeds of up to 24 Mbps!

But it's not just about rapid innovation in wholesale telco services. The story of innovation is just as much about what our partners are doing with those wholesale services.

### **Innovation of Wholesale Telcos**

I would argue that wholesale resellers are now leading innovation in some parts of the overall telco market.

We've seen a number of non-telco players, Woolworths and Flexirent for example, entering the Australian mobile market with compelling new takes on the product.

Or the explosion of the MVNO market in Australia with the likes of Amaysim, successful operators in Europe, introducing dare I say it genuinely simple no-fuss mobile plans.

And we think much more to come. The MVNO market in Australia is still in its infancy, no more than a single digit per cent of the total mobile market at the moment, compared to the likes of Germany or the UK where MVNOs make up between 16 and 22 per cent of the market.

And then of course there has been the international calling market, where seemingly overnight prepaid mobile SIMs have all but replaced international calling cards. I'm sure everyone has seen the war raging between Lebara and Lycamobile with previously unheard of international calling rates, perhaps almost too good to be true, but I'll let you be your own judge of that!

Or then there's our own partner, Tru, who now offer travellers the innovation of a single SIM card with local numbers in the US, the UK and Australia.

But all of that innovation is perhaps just a dress rehearsal for the future.

Perhaps the most disruptive change ever to occur in the Australian wholesale market is just around the corner - the NBN.

### **The future of the wholesale market in an NBN World**

It is very exciting time for the industry.

For the first time ever, we are about to see a real level playing field in fixed line access to every home and business in the country.

Assuming of course the right regulatory framework is properly implemented, as promised.

Despite the ongoing political, regulatory and technical debate, the reality is that the national broadband network will start to come to life in just the next few months.

Why is it so important? Well I'm pretty sure that everyone in the room understands it and the opportunities it brings.

But what about the implications for the fixed wholesale market, for traditional fixed wholesalers like us?

I'm sure someone asks me every other day if I think we will still have a business in the future. Especially with a brand new taxpayer funded wholesale only player competing with us.

There will be some parts of the fixed wholesale market that will inevitably suffer as a result of the NBN.

Assuming Telstra's deal with NBNCo goes ahead, most of the copper lines in Australia will be disconnected as the NBN is rolled out. That means at some point ten or more years from now, there will be no more fixed wholesale services that rely on that copper network.

But just as there is almost inevitable downside, we also passionately believe there will be just as many if not more compensating upsides.

What are those upsides?

First, we believe many NBN retailers will choose not to buy direct from NBNCo, instead buying from a NBN service aggregator who can add multiple components together for a customer and simplify their business. We fully expect to be just one of many parties serving a brand new "virtual ISP" market.

Second, thanks to the very sound decision of the ACCC and the Government to maintain existing infrastructure competition in fibre transmission, there will be a burgeoning market for Australia's backhaul providers to service the NBN's 120 points of interconnect.

We note that NBN is only utilizing a handful of capital city POIs for its first release sites, so look forward to the swift deployment of all the points of interconnect without delay.

Third, there will be a natural growth in demand for both intercapital and international capacity and IP as all the bandwidth and speed the NBN will provide fuels the next wave of data usage growth in Australia.

Last (and by no means least) there will also be the opportunity for wholesalers to provide a range of other value added services around the basic NBN access to their customers.

These might be a straightforward as a fully managed end-to-end service or to step into new spaces such as hosting or content aggregation.

As you might be able to tell, given all of the above, I see a very bright future for Optus wholesale in the future NBN world.

Optus participation in the future fixed wholesale market

Optus will shortly be going through the 'onboarding process' with NBNCo.

And Optus Wholesale will be there as an aggregator and reseller of NBN services. We will be there selling backhaul to the NBN Points of Interconnect to those who

want to deal direct with NBNCo. And we will also be launching an all new Virtual ISP service that combines these and other capabilities to make selling NBN services as easy as desired for our customers.

We see the NBN as an opportunity to build on all the good work to date the team has achieved with our customers.

We have demonstrated what we are able to achieve in the wholesale mobile market when we start from a level playing field. We stand ready to achieve that same success in the new open access fixed line wholesale market.

As I hope you can tell, we are very excited about the future.

The wholesale industry is about to go through a tremendous amount of change, but I know it will be change where Optus Wholesale emerges stronger than it has ever been in the past, with an even broader offering for our partners than ever before.

Thank you.