



Productivity Commission

Draft Report into the Telecommunications Universal Service Obligation

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NSW Farmers' Association Background

The NSW Farmers' Association (the Association) is Australia's largest State farmer organisation representing the interests of its farmer members – ranging from broad acre, livestock, wool and grain producers, to more specialised producers in the horticulture, dairy, egg, poultry, pork, oyster and goat industries.

Executive Summary

Access to reliable, fast internet connectivity has become as essential for the Australian economy and society as voice services were in the 20th century. This is especially the case in regional, rural and remote Australia where telecommunications can help to overcome the tyranny of distance that is presented by geographic isolation.

As the current Universal Service Obligation (USO) only covers the provision of legacy voice services, it is out of date with the needs of 21st century telecommunications. Without a modernised USO and updated consumer safeguards, the technology that should enable regional Australia to boom could actually increase isolation. Without appropriate safeguards, the increasingly rapid deployment of technological advancements in urban areas could result in a digital divide that acts to entrench the existing geographic divide.

Any new USO must put in place minimum standards for both voice and data. Much of the public discussion about this will rightly focus on how the data standard will be implemented. The Association supports the nbn becoming the universal provider (or Statutory Infrastructure Provider) of broadband services. However, even with this in place, there are outstanding issues regarding what technologies will be used to provide voice services in the nbn satellite and fixed wireless footprint. Many of those currently using a Sky Muster satellite service have no confidence that it could deliver a universal voice service of sufficient quality, and nbn has made it clear that the Sky Muster satellite and fixed wireless networks were not designed to do this.

The current USO, and particularly the standard telephone service USO module, cannot be ended without the implementation of a long term solution for voice services in areas covered by nbn satellite and fixed wireless. These services must be at least of equivalent quality and reliability to those currently delivered, and must at minimum feature equivalent customer service guarantees around repair and installation times. Vulnerable customers in the most remote parts of Australia cannot be left without an adequate voice service. The Commission must clearly articulate the costs of providing current landline phone services for this area, and consider in greater detail the long term solutions available to replace or augment the infrastructure that delivers these services.

Implementing a USO will be difficult, but it must occur. As this work progresses, it is imperative that any changes to the USO are accompanied by simultaneous changes to the associated consumer safeguards framework. The process of undoing the current USO should not leave consumers in regional, rural and remote Australia without access to services or protections, and the creation of new safeguards should not be left until problems with any new USO become apparent. There must be no gap between the dismantling of current services and safeguards and implementation of their replacements.

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Introduction

NSW Farmers is Australia's largest state farming organisation, representing the interests of the majority of commercial farm operations throughout the farming community in NSW. Through its commercial, policy and apolitical lobbying activities it provides a powerful and positive link between farmers, government and the general public.

The state of NSW is responsible for the production of almost a quarter of Australia's gross value of agricultural production and twenty per cent of Australia's agricultural exports. Furthermore, the value of agriculture is vital to regional economies, with almost one in thirteen employees in NSW regions directly employed in agriculture, fishing or forestry.

Access to reliable, affordable, quality telecommunications underpins the viability of these farming businesses across NSW, allowing farming families access to the business and education services as well as social connectivity. Access to improved telecommunications services in regional, rural and remote Australia is imperative to facilitate economic growth across agriculture through innovation in production, improved market access and enhanced consumer connectivity.

There is enormous latent demand for data in rural, regional and remote Australia, especially on farms. Farmers are anxious to overcome the digital divide that they feel currently exists between rural and urban Australia. However, before farmers can consider investing in new technologies that will drive on farm data consumption and farm productivity, there is a need to overcome the capacity constraints and frustrations that form the existing narrative of rural telecommunications.

The Association believes that there are a number of basic initiatives and reforms that can be enacted to underpin the provision of 21st century telecommunications in regional, rural and remote Australia. We believe that the most fundamental of these is a new Universal Service Obligation (USO) that puts in place minimum standards for voice and data. This must be accompanied by a modernised consumer protections framework.

Beyond the USO, improvements to mobile infrastructure and coverage will help to improve both farm business productivity and farm safety. Many on-farm technological innovations will require connection to the internet from within the paddock. The expansion of 3G, 4G or 5G mobile coverage beyond existing footprints will be required to achieve this.

Given the seeming reluctance of telecommunications companies to expand mobile coverage at the pace at which rural communities and farmers' desire, ongoing funding for the Federal Government's Mobile Black Spot Programme (MBSP), or an equivalent program, will play an important role in expanding coverage at an appropriate rate. The Association believes that long term public funding for open access mobile network expansion in rural and regional Australia will deliver the best outcomes for consumers. As coverage is expanded into more remote areas, the funding and conditions required to meet community needs will require increased flexibility from any program, especially if commercial carriers become reluctant to co-invest.

Finally, the Association believes that there is a need to ensure fair and equitable access to Sky Muster satellite services for those with a genuine need for the service. This service should reflect the residential, educational and business needs of rural and regional Australia. Consumers using Sky Muster are likely to have little or no alternative means to access internet services. Sky Muster must deliver a service that is sufficient to allow its users to seamlessly run their businesses, educate their children, and connect with their families and friends. Associated with this, there is a need to identify a long term solution for the provision of voice services within the nbn Sky Muster satellite and fixed wireless footprint –an issue that is raised further in the submission.

The Current USO

Lack of transparency and the need for reform

The Association agrees with the Commission's findings that the current USO and its accompanying safeguards are of declining relevance. The Association regularly hears of situations where farmers have gone without a landline service for well beyond the time periods allowed for under the current USO and associated consumer safeguards. In the experiences of Association members, the current USO and the accompanying consumer safeguards seem to provide little recourse in the event of an issue with their landline. This is even the case when they are dealing with Telstra, who are technically unable to have customers waive their rights under the Customer Service Guarantee (CSG).

Member example: landline outages in Mullaley

In mid-2015 members of the Mullaley community started experiencing extended landline phone outages, concurrent with power outages in the area. Those with Telstra mobiles & mobile broadband getting service from the Mullaley tower also experienced outages at these times.

Individuals reported the outages and were placed on waiting lists up to seven days to have their phone service restored.

During December 2015, a series of storms caused outages of power, phone, mobile and internet services. Damage was sustained at the Mullaley exchange on multiple occasions. However Telstra did not recognise that the broad community was experiencing these outages and we remained locked into their seven days to investigate the cause of the problem. Some members of the community had only six hours service in a 14 day period in mid-December.

When Mullaley residents enquired of Telstra employees as to the cause of the outages they were given different excuses by each different employee they spoke to.

The outages created a host of issues for the community, including lack of access to emergency, health, and business services, inability to complete school or higher education activities, loss of farm business productivity and mental health issues associated with the stress of these events.

Following on from this, the lack of transparency and accountability in the current USO agreement renders the current agreement ripe for reform. The lack of any requirement for reporting on services provided or costs incurred is particularly vexing, and must be changed.

A new USO

An updated universal service framework

The Association supports draft recommendation 3.1 to phase out the existing telecommunication universal service obligation. However, the declining relevance of the current agreement does not negate the need for a new USO to act as a safeguard for telecommunications customers, particularly in regional, rural and remote Australia. This will be discussed in greater detail below.

Leveraging the NBN

The Association supports draft recommendation 7.1 that legislation be introduced to make explicit the role of nbn as a universal service provider of broadband services, especially prior to any privatisation of nbn.¹ We note that the federal government has already moved to effect this recommendation in the Telecommunications Legislation Amendment (Competition and Consumer) Bill 2017, which if passed will effectively see nbn established as the Statutory Infrastructure Provider (SIP) for regional, rural and remote Australia. However, both the draft recommendation and the proposed Bill fail to address the mechanism by which consumers in the nbn satellite and fixed wireless footprint will be guaranteed voice services of sufficient quality under any new USO.

Defining baseline broadband and updating consumer safeguards

In the experience of regional Australians, the physical existence of a connection (landline, mobile or internet) is no guarantee that a service will meet their needs. Explicit guarantees around reliability, fault repair and minimum performance are essential to ensure that in the long term the kind words and good intentions of telecommunications companies are manifest into reliable baseline telecommunications services.

Any definition of a new baseline broadband service must put in place minimum standards for voice and data services, and be accompanied by a modernised CSG framework. It is pleasing to see the Commission emphasise in its discussion that a baseline service must be 'reliable', which is articulated as encompassing "the proportion of time in which a service is available, and expected installation and fault repair times".² The Association believes that Recommendation 5.1 could be strengthened if it more clearly spelled out the Commission's perspective on what would be encompassed in a 'baseline' service and more explicitly linked any new USO to the need for a modernised CSG framework.

¹ Productivity Commission (2016) *Telecommunications Universal Service Obligation*, Draft Report, Canberra, p. 22, available from <http://www.pc.gov.au/inquiries/current/telecommunications#draft>, accessed 6 December 2016..

² Productivity Commission, p. 159.

Provision for standards, rules and benchmarks in proposed legislation

The Association notes that in the exposure draft of the Telecommunication Legislation Amendment (Competition and Consumer) Bill 2017 there is provision for the Minister to have a reserve power, delegated to the Australian Communications and Media Authority (ACMA), to set “standards, rules and benchmarks that the SIPs must comply with”.³

The legislative provision for the creation of consumer safeguards in the form of standards, rules and benchmarks is welcome. However, the ability to create safeguards does not guarantee their implementation. In the event that any legislation establishing SIPs is passed, it is imperative that these safeguards are established as soon as possible. Their creation should not be left until it is apparent that there are systemic issues with the operation of the SIP framework.

The Bill gives the opportunity for the government to proactively establish a framework of safeguards that will encourage a positive, transparent and responsive relationship between SIPs and telecommunications customers. This is particularly important for those who have traditionally relied upon the existing USO for the provision of a standard telephone service, and who have often experienced an antagonistic relationship with Telstra when issues with their service have arisen. While not explicitly discussed in the Bill, it will also be important to put in place appropriate penalties for when SIPs do not meet their obligations, particularly financial compensation for individuals and retailers affected by the failure of a SIP to meet its obligations, a position supported by the Commission.⁴

Given the government has shown its intent to introduce a SIP regime in the near future, the Association supports the Commission’s belief that the current review of the consumer safeguards framework needs to be completed as a matter of priority. As noted in the Commission’s discussion, it is important to consider, “the way in which the SIP regime and a reformed CSG framework would operate concurrently.”⁵

In light of the Telecommunications Legislation Amendment (Competition and Consumer) Bill 2017, draft recommendation 9.3 could be amended to reflect the language of the Bill, which makes it clear that nbn will not be the sole SIP.

Voice services over satellite and the landlines in the nbn fixed wireless and satellite footprint

The Association is not in a position to comment in any detail regarding the technical capabilities of satellites or alternative technologies to deliver baseline voice services. However, given that many in rural Australia are hoping to have improved telecommunications in the 21st century, it would be unacceptable for a new baseline

³ Department of Communications (2016) *Explanatory Notes, Exposure Draft: TLA Bill and Charge Bill*, 8, available from <https://www.communications.gov.au/have-your-say/consultation-telecommunications-reform-package>, accessed 12 December 2016.

⁴ Productivity Commission, p. 277.

⁵ *ibid.*, 277

universal voice service, delivered over Sky Muster, to provide “a lower quality ... in terms of latency and service repair timeframes”.⁶

Following the release of the Commission’s draft report, the Association sought the views of members regarding whether they would be comfortable having their landline connection replaced with services delivered over the Sky Muster satellite.⁷

Comment from NSW Farmers’ survey - Would you feel comfortable having your "landline" services delivered over Sky Muster?:

- “No. Sky Muster is unreliable. Current landline always works and in a bushfire prone area there is no way I would rely upon Sky Muster.”
- “We are considering returning to a landline service. [Sky Muster] provides nowhere near the quality of the landline service.”
- “I would not feel comfortable changing to Sky Muster for the landline as there are too many interruptions to internet and if we get a power blackout, which are quite regular, we would be without any type of phone.”
- “We do have this service, though [we] have retained the copper line as the Sky Muster service is unavailable in bush fires and black outs. We deemed this a safety risk and hence pay for both.”
- “No way!!!! To unreliable. At least when the internet is down and we have a power failure we usually still have our landline working until the exchange back up battery goes flat!!!!”
- “No! In the advent of a blackout we would have no phone services at all. the mobile coverage in this area is poor to totally unreliable.”
- “No. Because of our remote location we cannot afford to have landlines out if the satellite is out of action or experiencing technical difficulties, due to medical conditions and health and safety.”
- “Prefer land line delivery as sky muster does not work in bad weather.”
- “No, absolutely not. At least if we have a blackout we can use landline to report it. We are on a feeder line so often essential energy unaware of blackout. In fire season we need landline for call out if there is a blackout we would be un-contactable if phone over internet.”
- “NO! NO and NO. The mobile service here is very dodgy to non-existent. The landline is the only way to connect for sure and it works during blackouts. How will you ring Essential Energy to report lines down or a blackout if it's over the Sky Muster connection?”

⁶ *ibid.*, p. 179

⁷ These landline services are currently delivered via a range of technologies, including radio (High Capacity Radio Concentrator system), wireless connections (Western Wireless Loop) and in some cases satellite (the Telstra USO satellite).

The member responses provided above illustrate the vehement opposition to a voice service delivered over satellite replacing traditional landline networks. In short, based on current experiences our members have no confidence that a satellite service could deliver voice services of sufficient reliability and quality to satisfy their needs.

The temperamental performance of the Sky Muster satellite has undoubtedly contributed to the strength of the opposition this idea. However, for members living in exceptional geographic isolation, it serves to illustrate the cold logic of wanting more than one means of communication to the outside world. It is the experience of members, and particularly those that live in the greatest isolation in Western NSW, that during an emergency either their satellite internet connection or their landline telephone service will work, but not both. Beyond imperatives for business, education or social connectivity, having an alternative means of connection during emergencies is a lifeline for those in isolation.

The Association notes nbn's comments that the Sky Muster satellite and fixed wireless systems were not designed to provide a universal voice service.⁸ In particular, nbn's lack of confidence in the ability of the Sky Muster satellite technology to deliver a universal voice service is cause for concern together. This is compounded by the inability of either satellite or fixed wireless systems to deliver Priority Assistance medical alert services.⁹ It is imperative that the government determine as soon as possible the most appropriate long term means to deliver universal voice services in the nbn satellite footprint.¹⁰

As indicated earlier, Telstra also uses a variety of other technologies to deliver landline services in the nbn satellite and fixed wireless footprint. In light of the Commission's recommendation to begin negotiations on ending the current USO as soon as possible, the Association recommends that the Commission examine and disclose the costs involved in maintaining the infrastructure that provides the landline phone services (standard telephone services) in nbn fixed wireless and satellite footprints.

The lack of transparency around the costs involved in the provision and maintenance of landline services in this area make it difficult for stakeholders such as the Association to make meaningful judgements regarding alternative solutions. In order to give appropriate consideration to achieving the best possible long term solution, it will be important to know:

- the cost of 'grandfathering' the infrastructure used to provide landlines in the nbn fixed wireless and satellite footprint in the short term until a suitable replacement technology is found;
- the cost of retaining and augmenting the current infrastructure in this area as a long term solution for the provision of voice services; and
- the approximate cost of any other alternative long term solutions to provide voice services in the nbn satellite and fixed wireless footprint, including a procurement of a voice specific satellite service.

⁸ Productivity Commission, pp. 177-178.

⁹ *ibid.*, p. 184.

¹⁰ Assuming that customers serviced by nbn fixed wireless are able to access suitable voice services via that technology.

The Association supports the grandfathering of the current infrastructure until alternative technology or infrastructure is put in place that delivers a service that is, at the very least, comparable to the current service in terms of reliability, quality, and requirements for fault repair. Any new service must also feature the ability to function without fail in situations such a black out an extreme weather event, and must be able to host Priority Assistance medical alerts.

Transitional Arrangements

Transitioning between safeguards

It is the Association's view that whatever transition process is followed between the current and a new USO, it is imperative that consumers are not left without a service or safeguards at any point. As discussed above, any measures that put in place nbn as the Standard Infrastructure Provider (or equivalent), must be accompanied with an updated consumer protection framework. These protections should be well established before the protections of the current USO are removed. An acceptable long term solution to the provision of universal voice services in the nbn satellite and fixed wireless footprint must be put in place before the unwinding of the standard telephone service USO module in these areas. Vulnerable customers in the most remote parts of Australia cannot be left without an adequate voice service. The Association supports the Commission's draft recommendation 9.1 to commence negotiations to amend and ultimately abolish the current USO on these conditions.

Payphones

The plummeting number of calls made over payphones makes it clear that their role within the community has changed. However, given the important role that they can play during emergencies any reallocation of funding must be carefully considered. Decisions should be made using detailed information about the use of payphones within communities (down to the individual call level) and with careful consideration about alternative services that could be provided to the community in the event of their withdrawal. In this regard, the Association notes the Commission's discussion of, "more targeted solutions for community-based telecommunications services".¹¹

Funding

When considering funding of any future USO, the Association is less concerned with the means by which the funds are provided, or the total metric that is expended, than with the establishment of a reliable, quality, baseline service that can underpin 21st century connectivity and productivity growth for farm businesses in regional Australia. The expenditure of \$100 million per annum in federal funding under the current USO supports agricultural businesses across all of Australia, which together directly contribute approximately 2 percent of GDP and also underpin Australia's food and beverage processing industry – Australia's largest manufacturing industry.¹² This is not a large

¹¹ Productivity Commission, p. 266

¹² Australian Government (2015), *Agricultural Competitiveness White Paper*, p. 4, available from <http://agwhitepaper.agriculture.gov.au/>, accessed 16 January 2016.

amount of money to spend on a service that safeguards regional Australia's economy and society.

In the event that the government re-negotiates the current USO, the Association would support the redeployment of the current funding envelope to support better telecommunications coverage in rural, regional and remote areas. In concert with the funding that is proposed under the Regional Broadband Scheme,¹³ and any funding for mobile black spot (or equivalent) programmes, the careful reallocation of the existing USO funding would help to secure the infrastructure and services needed by regional, rural and remote consumers to be able to contribute to the 21st century Australian society and economy. The premature withdrawal or reallocation of this funding, especially in the absence of any clearly articulated solution for supplying voice services in the nbn satellite footprint, would risk increasing the digital divide between urban and regional Australians.

Conclusion

The current USO agreement provides inadequate consumer protection, but also makes policy reform difficult. Nonetheless, the longer that comprehensive reform is delayed, the greater the risk that rural Australia will be left behind in the rush towards the digital economy and society. By itself, a new USO cannot overcome the digital divide that exists between rural and urban Australia. However, together with improvements to mobile infrastructure and better access to satellite internet services, a new USO will help to deliver reliable, baseline 21st century telecommunications to rural, regional and remote Australia.

¹³ Department of Communications (2016), *Telecommunication (Regional Broadband Scheme) Charge Bill 2017*, available from <https://www.communications.gov.au/have-your-say/consultation-telecommunications-reform-package>, accessed 12 December 2016.