



# *Pastoralists' Association*

*of West Darling Inc.*

**Registered under NSW Government Fair Trading**

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23<sup>rd</sup> January, 2017

Mr Paul Lindwall, Presiding Commissioner  
Telecommunications Universal Service Obligation inquiry  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601

Dear Commissioner Lindwall,

The Pastoralists' Association of West Darling (PAWD) is an agricultural organisation that represents the interests of the pastoral community in Far West NSW. Reliable telecommunications are an essential service for people who live and work in this region. Accordingly, PAWD makes the following submission in response to the recommendations contained within the Productivity Commission's Telecommunications Universal Service Obligation (TUSO) Draft Report.

The TUSO was introduced in the 1990's when telecommunications consisted of basic telephones and payphones. It is a legislative requirement that outlines the provision of a standard telephone service to all premises in Australia, and underpins the Telstra USO Performance (TUSOP) agreement with Telstra to deliver standard telephone services and payphones to all people in Australia on an equitable basis, regardless of where they reside or work, as the designated universal service provider.

As a general rule, standard telephone services are delivered by Telstra's Next G Wireless Link (NGWL) in this area. This system (initially DRCS, then CDMA, now NGWL) has been in place for almost thirty years, and was a great improvement on the old "party line" phones. Some properties had no telephone service whatsoever and relied on HF ("Flying Doctor") radios for communications. The NGWL system also delivers reasonable mobile phone service and data for internet connections, although voice calls have priority over data services. The introduction of a reliable telephone service, which coincided with the implementation of the TUSO, was a game changer in terms of how people live, work and do business in remote areas. There is little doubt that the TUSO was, and continues to be instrumental in ensuring that residents of rural and remote areas have access to a standard telephone service. However, the NGWL system is not subject to a Customer Service Guarantee (CSG), and users have seen a gradual but relentless degradation in data service availability and extended lengths of time taken to repair faults. These experiences serve as a warning to regulators who fail to implement and enforce a CSG on telecommunications services as required, and this includes services hosted by the National Broadband Network (NBN).

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Rapid developments in telecommunications technology, including the rise of the Internet, development of smartphones and rollout of the NBN have created new ways to communicate since the TUSO was adopted. The TUSO Draft Report outlines the capacity of NBN infrastructure to host Voice over Internet Protocol (VoIP) telephone connections, and PAWD is concerned that regulators are considering that VoIP may be suitable for providing a standard telephone service to rural and remote subscribers.

PAWD notes the Productivity Commission's position that the TUSO is past its use-by date, and needs to be phased out as soon as practicable. The Draft Report goes on to recommend that the Australian Government should immediately commence negotiations with Telstra to amend, and ultimately abolish the standard telephone service and payphones Universal Service Obligation (Draft Recommendation 9.1). Ultimately, the Commission envisages replacement of the TUSO with a new universal service policy providing for a baseline broadband service to all premises in Australia. Given that the TUSO underpins the provision of standard telephone services, PAWD is concerned that the Productivity Commission's recommendation to repeal the TUSO may ultimately result in withdrawal of the NGWL service in this area, in light of the potential to deliver a VoIP telephone service hosted by the NBN's Sky Muster satellite service. There are a significant number of reasons as to why VoIP telephone services delivered via Sky Muster are an unacceptable alternative to existing NGWL telephone services, including but not limited to the following:

- Current users of the Sky Muster Satellite service are reporting outages on a regular basis. Accordingly it should not be considered as a suitable platform for delivery of an essential service such as basic telephone connection.
- Sky Muster connections rely on an external power supply to operate (unlike NGWL) and will not work in the event of a power failure unless an alternative supply can be provided.
- Catastrophic failure of a satellite would leave subscribers without any form of communication until a replacement satellite could be placed in orbit.
- The service provider would have to develop maintenance and repair capacity to service NBN VoIP connections in remote locations, at great cost (to the subscriber?).
- The Commission concedes that latency (delay) is an unresolved issue with VoIP via satellite, which is not the case with the existing NGWL system.
- The NBN is not explicitly subject to a universal service obligation. Accordingly supply, maintenance and repair of a VoIP connection in a remote location cannot be guaranteed unless some form of service obligation is implemented.
- Adverse weather conditions (eg: heavy rain) can and does cause satellite signal loss, which is completely unsatisfactory in terms of providing a reliable standard telephone service.
- The exponential growth in data usage may result in congestion on the Sky Muster satellite, further compromising the capacity to deliver a reliable VoIP service. This problem is compounded by the recent decision to allow Qantas to access data from Sky Muster.
- Sky Muster services can take some time to initialise (connect) on start up, so would invariably be left on 24/7 if used to deliver a standard telephone service, compounding the problems of congestion, power supply and reliability.
- The capacity of a VoIP connection to deliver multiple voice and fax services to one location, and at what cost to the consumer, needs to be addressed.
- NGWL does deliver useful mobile service in this region, which is of great benefit to people working in the field – including graziers, shearers, truckies, stock agents and emergency services. PAWD expects that mobile phone service would be lost if fixed line subscribers were migrated from NGWL to VoIP connections.
- The NBN is designed as a data system, but would have to be reconfigured so that voice had priority over data if VoIP was to be the platform of choice for standard telephone services.

PAWD feels that replacing the TUSO with a new universal service policy to provide baseline broadband services is a flawed response in terms of developing the regulatory framework necessary to enforce minimum standards associated with delivery of new communications technology.

Telecommunications providers who have the privilege to operate in this country must be obliged to provide a reliable standard telephone service to anyone who wants one. Accordingly, the TUSO should be retained, as it is the mechanism by which this requirement is enforced. It is naïve to think that Telstra wouldn't move quickly to abandon non-commercial fixed line connections if they were released from contractual obligations to provide these services, and invariably this is most likely to happen in rural and remote locations, where these connections are most needed.

The cost to Government of \$100m per annum to ensure that standard telephone services and payphones are accessible to all people in Australia is money well spent, and the best return on this investment per capita would come from providing these services to people working remotely in agriculture, mining and tourism, three important pillars of the Australian economy.

In response to the draft recommendations, findings and information requests in the TUSO Overview, PAWD offers the following responses:

#### Draft Finding 2.1

The statements *"...service quality is improving across both fixed and mobile platforms. Moreover, these services are converging, allowing users to readily choose between fixed and mobile access..."* are incorrect in regard to this area (western NSW). Service quality is deteriorating for both fixed and mobile services, and users can't readily choose what service they wish to use.

#### Draft Finding 3.1

The statements *"There is a dearth of data on the number of premises covered by the telecommunications universal service obligation (TUSO)"* and *"As such, the evidence base for assessing whether the TUSO is providing value for money is inadequate"* is clear indication that the Productivity Commission should be obtaining and considering this key information before making any recommendation about the future of the TUSO.

#### Draft Finding 3.2

The statement *"Evidence of the declining relevance of services covered by the telecommunications universal service obligation...is unequivocal"* is not correct in regard to rural and remote areas. PAWD understands that consumers are abandoning fixed line services in preference for mobile devices in urban areas, but we are not aware of any cases where remote properties have chosen to disconnect their fixed line service in preference for mobile services.

#### Draft Finding 3.3

The statement that the TUSO *"is a blunt instrument with a one-size-fits-all approach to universal service provision"* is misleading. The TUSO is principally about the provision of standard telephone systems, and was enacted before the rise of the internet. To subsequently apply the TUSO to new technologies was a lazy response to changing circumstances at the time. Furthermore, PAWD can't see how Government's contribution of \$100m per annum adds up to *"...a total of around \$3 billion in net present value terms over 20 years to 2032..."*

### Draft Recommendation 3.1

PAWD does not support the recommendation to *“phase out the existing telecommunications universal service obligation as soon as practicable.”* Conversely, the TUSO must be retained to guarantee the ongoing provision of standard telephone services, and separate legislation covering the provision of data services must be drafted and enacted.

### Draft Finding 4.2/Draft Recommendation 4.1

Any moves to rationalise existing telecommunications policies and programs must not result in the withdrawal of existing consumer rights or telecommunications services.

### Draft Finding 5.1/Draft Recommendation 5.1

The recommendation that *“The Australian Government should reframe the objective for universal telecommunications services to provide a baseline broadband (including voice) service to all premises in Australia...”* is completely unsatisfactory insofar as rural and remote residents are concerned, as it implies abandonment of the standard telephone service guarantee. The appropriate course of action is to develop entirely new legislation applicable to data services.

### Draft Finding 6.1

The statement *“After the full rollout of NBN infrastructure and in the absence of the telecommunications universal service obligation, retail broadband (including voice) services are likely to be available to all premises across Australia”* is incorrect. Sky Muster Satellites cannot ever be considered as a reliable telephone service delivery platform for a number of reasons, including loss of signal due to adverse weather conditions and power failures, both issues beyond the ability of service providers and regulators to resolve satisfactorily.

### Draft Finding 6.2

The statement that *“The quality of the broadband service supplied by NBN infrastructure will be superior to the quality of service previously available across all Australian premises”* indicates that service providers and regulators have a lot of work to do to bring existing NBN connections up to scratch, as the collective experience of current NBN users in rural and remote areas is far from satisfactory.

The statement that *“Voice services offered to premises in the NBN satellite footprint will be of an adequate quality for most purposes, but will fall short of the quality of those offered under the current TUSO in terms of latency and service repair timeframes”* is alarming for rural and remote residents. Regulators must never allow existing service standards to fall. Adoption of new technology that is inferior in terms of service delivery is completely unacceptable.

### Information Request 6.1

PAWD is not aware of anyone using Sky Muster that can specifically *“provide evidence on the adequacy of NBN’s satellite voice services in relation to defining an acceptable baseline for a universal service.”* However, there is no shortage of Sky Muster users that are very unhappy with the service in general. The Productivity Commission is encouraged to review customers’ experiences with Sky Muster on the Better Internet for Rural, Regional & Remote Australia Facebook page at: <https://www.facebook.com/groups/BIRRR/?fref=nf>

### Draft Recommendation 7.1

If the Australian Government introduces legislation *“to make explicit the role of NBN as a universal service provider of wholesale broadband services”*, then the NBN should be subject to universal

service obligation (USO) and customer service guarantee (CSG) requirements, put in place before any decision is made to privatise it.

#### Draft Recommendation 7.2

*"The Australian Government should ensure that any further intervention with respect to guaranteeing retail service provision over NBN infrastructure is" not "minimal", but sufficient to ensure that service providers meet their requirements to provide and maintain an acceptable baseline service under the relevant USO and CSG.*

#### Draft Recommendation 7.3

PAWD agrees that *"The Australian Government should amend the National Broadband Network Companies Act 2011 (Cth) (the Act) to ensure that the planned Productivity Commission review of NBN following the full rollout of NBN infrastructure occurs, regardless of whether or not privatisation is being contemplated."*

#### Draft Finding 6.3

PAWD makes the point that its members are customers that will probably *"experience difficulties following the full rollout of NBN infrastructure and in the absence of the telecommunications universal service obligation in terms of the availability and accessibility"*, accordingly we make this submission in anticipation that our concerns are fully addressed before this process passes the point of no return.

#### Draft Finding 6.4

PAWD agrees that *"government subsidies may be required for a small number of low-income users,"* which would include some people living in western NSW.

#### Draft Finding 6.5

The Productivity Commission is warned not to fall into the trap of underestimating *"the extent of market gaps and particular user needs in telecommunications"* in the absence of a TUSO, as the implications of making this mistake are likely to be substantial and require significant investment to remediate.

#### Draft Finding 4.1

PAWD is aware that consumer *"safeguards do not apply consistently across all providers and all telecommunications services"*, for example a CSG does not apply to NGWL services in this area. Consequently, there has been a gradual but relentless decline in local telecommunications serviceability, but the standard telephone service is an essential service and landholders are retaining their fixed line services. PAWD understands that NGWL subscribers had no choice but to waive the CSG when telephone services were upgraded, so to state that customers agreed to waive these safeguards is inaccurate. Our subsequent negative experience with NGWL demonstrates why it is imperative to apply a CSG to both telephone and data services.

#### Draft Recommendation 9.3

PAWD agrees that *"The Australian Government should proceed with its intended review of the telecommunications consumer safeguards framework as a matter of priority"*. As outlined above, our experience with NGWL in western NSW is a salutatory warning of what happens to telephone services when a baseline level of service is not guaranteed. Separate USO's and CSG's must be

applied to both telephone and data services, and penalties for non-compliance must be an adequate deterrent to prevent substandard service delivery.

#### Draft Recommendation 7.4

PAWD agrees that the Mobile Black Spot Programme should target *“areas where funding is highly likely to yield significant additional coverage”*, and *“prioritise areas for funding based on community input”* before proceeding with the next round of funding. There are significant areas in western NSW where mobile service is not available, exacerbated by decreasing signal reach and strength from existing towers as usage grows, which affects mobile users in remote locations and landholders using NextG internet delivered through the NGWL towers.

#### Draft Recommendation 7.5

If the TUSOP was retained to support the provision of standard telephone services as it should be, the need to fund a program for a *“form of community telecommunications service (such as payphones) that targets locations where premises do not currently have a satisfactory alternative voice service”* is reduced.

#### Information Request 7.1

Indigenous communities should have access to telecommunications services in line with their requirements, and the Productivity Commission should negotiate directly with stakeholders to determine the extent of these requirements.

#### Draft Finding 8.1

The statement that *“The amount of funding required for universal service programs following the full rollout of NBN infrastructure is likely to be smaller than the current funding amount for the telecommunications universal service obligation”* is most likely to be correct in the initial stages if the recommendation to abandon the TUSO is adopted, but at what cost to people living in rural and remote areas? Abandoning the TUSO will save Government \$100m per annum initially, but failure to implement minimum supply and maintenance standards will allow service providers to withdraw telecommunications services as they see fit. The cost to communities and businesses is difficult to quantify, but is likely to be significant, as would be a retrospective response by Government and telecommunications providers working to reinstate services that had been withdrawn.

#### Draft Recommendations 9.1 and 9.2

The recommendation that *“The Australian Government should immediately commence negotiations with Telstra to amend, and ultimately abolish, module B (Standard Telephone Service USO) and module C (Payphones USO)”* is premature. This should not occur until the NBN rollout is complete, and regulations governing the delivery of a standard telephone service in the TUSO must be retained in any case. Furthermore, the standard telephone service CSG must be extended to all telephone services.

#### Information Request 9.1

As outlined above, the TUSO must be retained. Accordingly, PAWD does not consider that Option 2 (*remove the standard telephone service USO*) or Option 3 (*commence a staged wind-back of the standard telephone service USO in NBN-connected areas as soon as practicable*) have any merit whatsoever. Even Option 1 (*change the scope of the current standard telephone service USO*) is a concern, as any legislative changes may result in a roll back of existing regulatory obligations on Telstra to supply and maintain standard telephone services.

In summary, PAWD seeks assurances from the Productivity Commission that review of the TUSO and roll out of the NBN does not end up delivering basic telephone and data services to our members that are inferior to services currently in place, intentionally or otherwise. It would be a critical failure on the Productivity Commission's part to deliver an outcome that allowed service providers to withdraw existing services, to the disadvantage of rural and remote telecommunications service consumers.

Telephones are essential for businesses and families operating in rural locations to survive and flourish. They are necessary for meeting Occupational Health and Safety requirements, and contacting emergency services when required. The satellite based VoIP alternative is simply not fit for purpose, evidenced by the experiences of current Sky Muster users who are reporting regular loss of service events.

Telephone services must be subject to a service obligation governing their provision to anyone who requires a standard telephone service, and a service guarantee to ensure timely repair and maintenance as required. Accordingly, the TUSO must be retained, and the CSG extended to all standard telephone connections in Australia.

Data services delivered to consumers by the NBN should also be subject to a universal service obligation and a customer service guarantee. Many business transactions take place online, and the limited functionality of existing services is holding agriculture back. Data connections must be accessible, affordable, functional and reliable, and NBN's Sky Muster satellite service is failing to achieve these objectives.

PAWD is also concerned that NBN's Sky Muster satellite service has no inbuilt "Plan B" redundancy arrangements to provide services in the event that a satellite is lost from service. Whilst we welcome and encourage the introduction of new technology to deliver data services to rural and remote residents (as Sky Muster is designed to do), the suggestion that we may have to depend on satellite based VoIP connections for our essential telephone connections is unacceptable. Loss of data services is significantly disrupting for businesses and service providers (including health and education) operating in rural environments, but loss of a reliable telephone service would make it very hard to live and work in the bush at all.

The Productivity Commission is advised to apply the "no disadvantage" test to proposed changes in telecommunications service provision regulations. Whatever the outcome of the rapid developments in this field, no telecommunications consumer should end up in a position where they end up worse off in terms of availability, accessibility, affordability and reliability than they were beforehand.

Thank you for considering our submission, and we would welcome the opportunity to be involved in any further consultation or clarification on this issue.

Yours faithfully,

Lachlan Gall.  
President.