



**Productivity Commission — Inquiry into the future direction of  
the telecommunications universal service obligation**

Submission from the South Australian Government

October 2016

## Introduction and Purpose

The South Australian Government welcomes the Productivity Commission's (PC) Inquiry into the future direction of the universal service obligation (USO) in the Australian telecommunications market, given the remoteness of many parts of South Australia.

The Australian Government has asked the PC to undertake an inquiry into the future direction of the USO in the telecommunications market. The PC has called for submissions to the inquiry from interested stakeholders and has prepared an issues paper to guide the discussion. The South Australian Government is pleased to present this document as its submission to the inquiry.

Submissions were due by 21 July 2016. However, the South Australian Government was advised that late submissions would be accepted.

This submission provides a brief general comment about the USO before addressing a number of specific information requests that are outlined in the issues paper.

## Summary

The South Australian Government believes that the following considerations should be given to the following reforms of the USO:

- Existing USO policy objectives should be retained including ensuring rural and remote communities to receive access to reasonably priced telecommunications services comparable to those provided in urban areas but that the current USO arrangements for the standard telephone service should be reconsidered in light of a preference for new mobile and broadband services.
- Establish a Consumer Communication Fund (CCF) as recommended by the most recent Regional Telecommunications Review to help fund non-commercial but socially important telecommunications infrastructure.
- Plan the phase out of Telstra's current USO obligation to maintain its copper network to provide a Standard Telephone Service, and provide funds to NBN to deliver a modern Standard Communications Service delivering voice and broadband capability to all premises.
- The CCF should also consider the provision of funding for other essential services such as improving mobile coverage and choice in regional Australia via an expanded Mobile Black Spot Programme.
- The NBN should also develop a project plan to assist the industry expand competitive mobile services in regional Australia by providing access to NBN backhaul and by upgrading its fixed wireless towers to deliver a wholesale 4G regional mobile network.
- As an alternative to traditional payphone subsidies, consider broadening the remit of the CCF to deliver a broader range of telecommunications solutions for regional communities and other consumers, such as public open-access Wi-Fi.

Any reforms to the USO should be undertaken in careful and managed steps to minimise potential disruption and cost to the community.

For example, basic public (pay) telephone services should be retained, particularly in remote locations, but these services could also include provision of public Wi-Fi access.

The South Australian Government would not support any shifting of financial responsibilities to the State should the current funding arrangements change. This is particularly relevant if the Mobile Black Spots Programme was extended to provide mobile services as part of a new USO.

## **General Comment about the USO**

The South Australian Government broadly supports the concept of a USO in the telecommunications market. As a general principle, it serves to ensure that all Australians can receive access to basic telecommunication services at a reasonable cost, regardless of their location. From this perspective of equity and fairness, the continuation of a USO in some form is strongly supported. However, the Government also accepts that recent changes to telecommunications technologies raise important questions regarding the specific nature of the implementation of the USO and is open to changes that achieve the same objectives in a more effective and efficient manner.

## **Response to Information Requests**

The PC's issues paper poses a number of questions in the form of "information requests", which seek to frame the discussion. The following section provides the South Australian Government's response to relevant information requests.

### **The Current USO (page 14 of issues paper)**

The South Australian Government cannot provide detailed information about usage statistics and the USO's impact on competition and innovation. This is a matter for telecommunication service providers.

The South Australian Government does, however, support the continuation of a USO and is open to changes being made to it to better reflect recent changes in technology.

### **Other Current Policies and Programs (page 16 of issues paper)**

The South Australian Government retains a preference for continuing with the Fibre-to-the-Premises technology rollout of the NBN utilised under the previous NBN model, as it was projected to provide faster internet speeds and increased capabilities in comparison to the Federal Government's Fibre-to-the-Node model. Options for meeting the USO requirements using the NBN's infrastructure should also be explored to the maximum extent possible.

The Commonwealth Government's Mobile Black Spot Programme is also an important initiative that is improving telecommunications in rural and regional locations. Given the increasing preference for mobile telephones over fixed line services, improving the reach of mobile telephone coverage is very important and provides significant economic and social benefits.

This is particularly the case in remote locations, where the construction and ongoing operation of new services is often uneconomical and must be supported by governments. The programme is supported by the South Australian Government but further development would be required before it could be considered as a replacement for all or part of the current USO arrangements. In particular, it is important to ensure that sufficient competition is provided in remote locations to avoid the potentially adverse consequences of a monopoly provider.

## Rationales and Objectives (page 19 of issues paper)

The South Australian Government believes that a USO continues to be an important element of the Australian telecommunications landscape and should be maintained. The provision of telecommunication services to many remote and sparsely populated locations is often economically marginal (or even unviable in some cases) however it is important to ensure that people living in regional areas should not be disadvantaged. For this reason, there is a role for government to help ensure that people living in these locations are not unduly penalised for their lifestyle choices.

There are some economically crucial activities (e.g. agriculture) that can only be carried out in regional locations and the continuation of the USO makes good economic sense. The absence of a USO could result in some otherwise productive South Australian regions becoming depopulated or economically unviable due to a lack of reasonably priced telecommunications services.

Another consideration is that of safety, as there will always be emergency situations where people have access to neither a fixed-line nor a mobile telephone service. For this reason, the need to maintain a basic public (pay) telephone service should be considered. This includes the continuation of coin-operated pay telephones, particularly in remote locations, because of reliability and cost-of-service issues associated with 'card-operated' telephones.

## Broad Policy Options (page 21 of issues paper)

As stated previously, the South Australian Government believes that a USO is required to ensure that rural and remote communities continue to receive access to reasonably priced telecommunication services that are comparable to those provided in urban areas. Given recent technological developments, the increased preference for mobile telephones and the expectation that the NBN will be available to every Australian premise, there is scope to consider changes to the policy to better suit the current telecommunications landscape, particularly when new technologies are proven to be stable and reliable.

## Scope, Quality, Providers and Other Policy Issues (page 22 of issues paper)

The South Australian Government strongly supports the continuation of a USO.

There is a need to retain the use of (preferably coin-operated) payphones in remote areas, especially outback areas without mobile coverage. While Telstra currently provides payphones in some remote communities as a basic level of service under the USO, these are frequently

out-of-order. Smaller communities (under 50 people) have in the past been funded separate to the USO.

Research also suggests that the current Universal Service Obligation (USO) is failing to meet the communications needs of Indigenous Australians living in remote communities. The consumer preferences of this group differ significantly from other groups, leading to digital exclusion, particularly in areas without mobile reception. We note that Aboriginal people living in remote indigenous communities overwhelmingly prefer pre-paid services. Where mobile services are available, pre-paid mobile services can be used but the NBN Long Term Satellite service is not currently offered as a pre-paid service, further adding to digital exclusion.

## Funding (page 24 of issues paper)

The South Australian Government does not have a preference for changes to the funding model. However, the South Australian Government would not support any shifting of financial responsibilities to the State should the current funding arrangements change. This is particularly relevant if the Mobile Black Spots Programme was extended to provide mobile services as part of a new Universal Service arrangement.