

Submission to the Productivity Commission Issues Paper

Telecommunications Universal Service Obligation June 2016

I write in response to *"Productivity Commission Issues Paper Telecommunications Universal Service Obligation June 2016"*

We note that in the *"Australian Infrastructure Plan (Infrastructure Australia 2016) "Productive Regions: Australian Infrastructure Plan: February 2016"* under *"Telecommunications"* it states:

- "The Australian Government should redirect the approximately \$300 million per annum of the telecommunications Universal Service Obligation – paid by taxpayers and industry – from fixed-line services towards improving mobile infrastructure".

This implies that Infrastructure Australia view is that the USO be re-defined, (one of the undertakings of this Issues Paper).

Infrastructure Australia's statement is at odds with the current USO payphones commitment of "\$44 million per annum for payphones (DoCA 2016e; TUSMA 2015).[1]"

But, we are unclear if this \$44 million includes:

"The Department of the Prime Minister and Cabinet has tendered for a supplier to maintain and monitor 301 WiFi telephones and 245 community payphones that deliver services to indigenous people in 300 remote communities across Australia". *Media article: IDG 09 March, 2015*

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It is our understanding that some of these Wi-Fi phones are now using the recently activated NBN Sky Muster satellite service. So are these Wi-Fi phones, which are being used for data services also, then, by virtue of a distinction in definition(s) only, not USO phones?

The matter becomes more complex with the *"Department of Communications and the Arts; Bureau of Communications Research (BCR) NBN non-commercial services funding options; Final Consultation Paper; October 2015"*, that discusses the options for NBN services which are not commercial, namely fixed wireless and satellite and we note the provision of non-commercial services is also a definition for USO services to be provided at affordable rates to users even if they are non-commercially viable to the supplier.

In BCR's section on USO, *"Chapter 9: Intersection with other regulatory issues; 9.1 Telecommunications Industry Levy and the Universal Service Obligation"*, links the USO to the NBN, albeit indirectly via the TIL (Telecommunication Industry Levy):

- The BCR considers that the proposed NBN non-commercial services funding arrangements can operate in parallel to existing TIL arrangements (which are used to fund the USO and other public interest telecommunication services).
- Industry submissions advocate for USO reform as a result of the NBN rollout. While recognising the benefits of harmonising telecommunications funding arrangements, the BCR sees this as a broader policy issue beyond the Terms of Reference and intended scope of this study. *Chapter 9: Intersection with other*

While we do understand the inclusion of and linkages of the USO in the BCR's paper, this isn't necessarily making matters clearer on the USO.

From reading the numerous Government Reports and Papers cited in the *Issues Paper*, there is either a range of views on the USO or the limits of the respective Papers or Reports are in part only, addressing the USO.

As the "*Scope of the inquiry*" as stated in the *Productivity Commission Issues Paper Telecommunications Universal Service Obligation June 2016* is extensive and broad reaching, the Government has the opportunity to bring together the many and varied reviews, studies and papers and their respective positions and recommendations already undertaken.

Our points are:

- (1) What is an USO service and what is funded under the USO have become blurred within the Government itself; and
- (2) The matter of what is and isn't USO has been rendered moot, again, by the Government itself.

The *Issues Paper* acknowledges the NBN as making an impact on the USO plus the Government has a stated goal of putting all its services online by 2017 (and there is also discussion on "digital identity" in association with being able to access Commonwealth services). Providing access to remote and regional Australians via possibly only a USO voice service when hopefully, it is now recognized that their reliance on telecommunications and usage is higher and more acute than urban users, will soon put those users at a significant disadvantage. This is particularly true in regards to remote Indigenous users.

The current definition of USO, applying to only voice and payphones is becoming less sufficient for the Government's own initiatives and goals and to users in general.

When cydn started in 2000, with our community internet centres in Cape York, our goal was providing computers in a safe environment with whatever bandwidth we could reasonable obtain so remote Australians and in particular, Indigenous community users in Cape York could start to be part of the digital online world.

In 2000 the only data service available in the Cape was ISDN. There was no ADSL and it was only the mining town of Weipa that had and could afford Frame Relay. Mobile coverage stopped just north of Cairns. Smartphones as we now known them didn't exist and the first Telstra 3G modem (it was blue) was years away. It was cydn that provided the first Wi-Fi services in the Cape also

Now in 2016, more community users have smartphones, than computers. But they still use computers and in some cases, still use payphones as their only means of communications because there is no mobile coverage and only limited terrestrial services.

When cydn made its submission to the “*Department of Communications and the Arts, Universal Service Obligation Legislative Reform for transition to the National Broadband Network discussion paper*” in June 2011, we ended by recommending a “flexible approach”. Now, we can also cite the “*Regional Telecommunications Review 2015*” as:

“There is no ideal solution for all remote users (particularly many remote Indigenous communities), or one that will be a perfect fit with all applications, such as those that require interactive real time voice applications. However, the LTSS will be a big step up and can support other services. For example, as well as providing improved direct-to-home services, it could provide the backhaul for a WiFi hotspot. As noted elsewhere, ongoing attention should be given to leveraging this significant investment. The diversity of demand, especially in regional Australia, will require a flexible approach on the part of NBN Co and other service providers and a willingness to depart from a ‘one size fits all’ approach”.

ICT infrastructure in remote and regional Australia is expensive to build and costly to maintain particularly in remote Australia to service a limited number of people. **There are still large communities in Cape York being serviced by DRCS systems at 32Mb capacity and such links are also carrying mobile usage to the point that these links have been at capacity for years. This situation is not unique only to Cape York.**

Cydn acknowledges and welcomes the NBN’s Sky Muster satellite service for regional and remote Australian users but our issue is that Sky Muster now appears at a policy level as the only answer for remote Australia by Government. To a community with 5 to 10 people, with only access to a payphone, Sky Muster could change their lives but for a community of 400 to 1000 people who have mobile, and some terrestrial broadband services and voice services, Sky Muster may well service the current USO but take them backwards to the services they are now getting and/or for a re-defined USO.

Further, the Bureau of Communications Research (BCR) *Final Consultation* paper notes:

“The fixed wireless and satellite NBN networks are non-commercial largely as a result of the high cost needed to achieve successive government requirements for high-speed broadband to be delivered across Australia”.

In other words, NBN or others (we note the BCR’s report to Government has yet to be made public) are going to have to subsidise these services but in Cape York there is optic fibre going through a number of Cape York communities and there is optic fibre going into remote Indigenous communities in the Dampier Peninsula north of Broome in WA.

Our point is for Government to be flexible; to use satellite; Wi-Fi; mobiles and optic fibre to fit solutions to the particular need. The USO needs to be re-defined to include a data capacity with "backhaul" sufficient to accommodate this data capacity component. We are suggesting 5/25Mb as a benchmark. We definitely agree that usage expands to capacity available and that a 5/25Mb benchmark itself will be challenged as more services go-online, and websites are developed to accommodate increased delivery of services digitally.

Since 2003-2004 contestable USO's, and/or the introduction of competition has not occurred as we would argue that the USO is a loss making service. However with a re-defined USO and the introduction of NBN as a possible "wholesale provider" we acknowledge there may be some scope for competition into this sector. Still, without a regulatory body with oversight, reporting and governance in this sector, users would be vulnerable. With the closure of TUSMA, we would be supportive of either a separate body or an existing Government entity working at THE CONSUMER LEVEL and provider levels.

The market and technology are dynamic. Where mobile coverage is available in remote Australia, it is only 3G; yet, Telstra has announced plans to trial 5G during the 2018 Commonwealth Games in the Gold Coast. Review of the USO and/or the ITL should be done annually.

Our thanks for your time and consideration in this matter

Yours Truly

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