



SUBMISSION TO PRODUCTIVITY COMMISSION

Universal Service Obligation

July 2016

The TPG Telecom group has always found the regulations regarding the Universal Service Obligation (USO) problematic. The concept of taxing fledgling companies trying to make a profit in an environment where they are competing against a powerful and wealthy incumbent seems to be antithetical to sensible competition policy, particularly when that money is then handed to the powerful and wealthy incumbent to support it in supplying its core business of telecommunications services. So TPG is pleased that the Productivity Commission is taking a long look at the USO relic of political history.

1. Is a USO needed?

TPG submits that the USO (at least in its current form) is no longer needed. In respect of some key elements of the USO, TPG submits the following:

(a) Access to Standard Telephone Services to all people in Australia

Access to telecommunications services is clearly important. However, time has moved on from the days of “standard PSTN telephony”. Consumers and businesses need access to an IP network vastly more than they need access to a PSTN telephony service. TPG offers a voice and data fixed line bundle but the consumption of the voice part represents a minor and diminishing part of the overall use of the service.

Mobile services, particular Telstra’s 3G and 4G networks, are now available in practically all population centres in Australia, even the remote ones. The 700Mhz spectrum that Telstra now has access to is likely to improve coverage for even quite remote Australians.

If data and mobile is what Australians require (and TPG believes that they are), the NBN has committed to providing data to all Australians and the mobile networks are now very substantial and, to the extent they are not, the mobile blackspots programs can solve those issues.

Any specific failures can be dealt with on a more targeted resolution program funded from general government expenditure. For example, satellite services can be made available with a customer rebate arrangement or a targeted fund (such as the HIBIS) be set aside to resolve specific problems with a non-standard solution.

Access to a standard telephone service is no longer something that needs to be regulated as a mandatorily available service.

(b) Access to Payphones

For the same reasons as in (a), payphones are a technology of the past. Once they were important. TPG does not have any evidence to support the proposition but would be confident that both the number of payphones and the rate of usage of payphones have fallen to such an extent that they should be treated as an insignificant part of the telecommunications services landscape and certainly money should not be given to Telstra to support a payphone network of any kind.

(c) National Relay Service

Communications for people with hearing and speech difficulty obviously presents difficulties. Undoubtedly, the existence of the National Relay Service has been beneficial to such people.

However, many interactions with businesses now can be dealt with by online systems or by email.

TPG considers that a cost benefit analysis of the National Relay Service is warranted to ascertain whether it should still be a mandated service and whether there might be a better way to meet the special needs of the group. For example, it may be simpler for the Government to mandate that business of a certain size have an online interaction tool under which specific questions can be asked and answered.

In TPG's submission, what is clear is that the telecommunications industry is funding a service that is being used by deaf and speech impaired people to contact a wide range of businesses, not just telcos. The power, insurance, gas and other industries are not having to bear any cost of enabling communications with this special class of people. There is no good reason that the cost of the social good should not be borne from the general taxation base.

(d) Untimed Local Calls

The market has moved substantially since fixed price local calling was important. Competitive products that do not rely on Telstra infrastructure (including VOIP) are available. Included Value Plans are common. The USO need not mandate the charges for any type of call.

(e) Customer Service Guarantee

TPG believes the mandated Customer Service Guarantee (CSG) arrangements are unworkable and unnecessary, at least insofar as they affect carriers other than Telstra.

Competitive carriers who control their own infrastructure into the customer premises will be able to control service delivery and fault rectification. Customer service will be a competitive point of differentiation for such carriers and, as such, mandating a particular customer service guarantee has the disappointing effect of removing that area as a competitive differentiator.

TPG supplies its voice and broadband services using the ULL, a regulated product that comes without service level commitments that would enable it to meet the requirements of the CSG. As such, it is impossible for TPG to meet the CSG standard so we obtain a waiver from every customer. This is a paper chase that creates inefficiencies for our business and frustrations for customers who are obliged to listen to lengthy explanations about the waiver.

The NBN does not offer a wholesale service that meets the requirements of the CSG.

TPG can see why the CSG might be important in regional areas where there is a monopoly provider (i.e., Telstra) but otherwise believes that the CSG obligations on other carriers should be removed.

(f) Emergency Call Services

Access to emergency call services is important. Telcos should therefore continue to have an obligation to enable calls to be passed to 000.

However, the current regulatory requirements are out of date. Many households will have handsets or other CPE that require electrical power in order to function. Many will be using VOIP. Most will have a mobile phone that could also be used to call 000.

The regulations should be reviewed to take these matters into account. In the example of a VOIP service that is bundled with a broadband service and therefore will not function if the broadband is suspended, there should be no requirement on the telco to ensure that the VOIP call be passed to 000.

In conclusion, TPG submits that a significant reduction in the scope of the USO is warranted and will improve efficiency in the supply of telecommunications service which should mean that Telcos are able to make improved pricing offerings for consumers.

2. Funding the USO

As set out above, TPG does not agree with the present funding model for the USO which has acted as an additional barrier to entry in an already difficult market to enter.

If the USO is scaled back as suggested, it is likely that the cost of USO will correspondingly reduce, perhaps to such an extent that ascertaining a funding arrangement is not required. For example, the NRS should be funded from general government revenues.

Furthermore, the industry is subject to a cross subsidy in that the NBN prices its products so as to recoup a subsidy from profitable services to fund the cost of supplying non-profitable services.

If some kind of industry levy is required, then a calculation that is based on profit would be more sensible than one that is based on revenue.

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