

Enquiries to: Angus Witherby

Reference FILE/



Wednesday, 15 January 2017

Paul Lindwall
Commissioner
Australian Government Productivity Commission
Level 12, 530 Collins Street
Melbourne VIC 3000

Dear Sir

Submission to Enquiry - Telecommunications Universal Service Obligation

Introduction

This submission is lodged by Moree Plains Shire Council. Council is located in northern NSW adjoining the Queensland border and is a formally designated remote area. The Shire, of some 18,000 km² has the strategic centre of Moree together with a range of smaller towns and villages. Although experiencing population decline over recent times Moree Plains continues to be the most productive agricultural local government area within Australia. Overall, economically, the area continues to increase its contribution to the Australian economy.

We note that submissions were due 20 January 2017 however this enquiry has only recently been drawn to our attention. It would be greatly appreciated if our submission be considered as part of the Commission's work as Council staff are unable to attend the planned public hearings.

This submission identifies matters set out in the Productivity Commission Draft Report *Overview*.

Overview

Council agrees that telecommunications is a fundamental underpinning of the modern Australian economy and further that the existing telecommunications universal service obligation (TUSO) is well past its use-by date. We also note that in the context of Moree Plains as a remote area we have fewer opportunities for engagement including with public services than larger centres. Accordingly, there is a higher reliance on effective communications technologies to ensure equitable access to services and also to facilitate effective business operation. Council has many substantial rural businesses within the Shire which lack any form of effective telecommunications apart from a basic phone service. This is a substantial impediment to the areas of further economic growth and development in particular given the information-rich environments of modern business management, in particular agribusiness.

The NBN is, in Council's view, a flawed model. Not only are the download speeds paltry when compared to the best of the 4G network (which in Moree can deliver download speeds of 60 MB or better) but also there is no recognition of the essential element of data upload. There appears to be a continuing view, including by the current Federal government, that the issue is predominantly about downloads. Businesses in this Shire depend critically on upload abilities and neither the current telecommunications network nor the proposed NBN address these issues.

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In fact, the business demands of our area are such that the Council has initiated a trial of high-speed point to point wireless internet which can potentially deliver speeds of 100 MB download and upload. The intent is to roll out the system so as to provide access to farmers and agricultural businesses throughout the Shire as well as to users within the smaller towns and villages. It is anticipated that the NBN's primary role would be servicing residential premises within Moree Township that are unsuited to a point to point wireless solution. A further stimulus to Council's activities in this area is the substantial limitation in band width offered by the "Skymuster" satellite solution which has proved totally inadequate the broadband needs of much of our population.

While the 4G network offers significant download speeds and upload speeds up to 20 MB or better this network is geographically restricted and easily overloaded. It simply lacks the capacity to provide a meaningful broadband alternative. A further issue is that it is simply not possible to access data plans at any cost that provide the type of data capacity that businesses require. ADSL 2+ exists, but again the service is erratic and patchy. Theoretical download speeds are only occasionally achieved and regular outages occur.

For Moree Plains the key issues are:

- High download and upload speeds
- Accessibility throughout the Shire
- Reliability

Cost, for most business users, is entirely secondary to these two key elements.

Turning to our residential community, the isolated location of Moree heightens the importance of telecommunications infrastructure in accessing (in particular) government services. There is an essential equity element in ensuring that, as services increasingly move online, communities have adequate access. This is not the case at the present time and Council is not persuaded that the NBN will rectify this matter.

Council realises that looking at a Universal Service Obligation the emphasis has been on residential customers from a social equity perspective. It is, however, Council's view that to enhance economic development in the regions a minimum standard service, universally available, should also apply to the business sector in order to ensure full participation in today's digital world. As mentioned above, price is much less important to this sector.

Council has no particular position regarding the role of the market in service provision provided that the final framework adopted by Government deals with the three elements of availability, accessibility and affordability for residents and availability and accessibility and reliability for businesses. Council would, however, comment that the present market seems incapable of recognising small-scale opportunities which are commercially feasible which has led to the Council sponsored high-speed Internet trial in this community. It is suggested that the final framework should incorporate market-based frameworks that facilitate small-scale operations to address specific local needs within their various geographical contexts.

Need for a new universal service framework

Council fully concurs with the statements made regarding the ability to access Internet content and services in particular the benefits for remote areas. Council concurs with the view that the universal service policy objective should be reframed around providing a baseline broadband service to all premises in Australia as this provision guarantees voice access as well as digital access. In addition to the minimum quality of the baseline there also needs to be minimum quantity. Thus the service needs to achieve both certain minimum speeds and facilitate reasonable minimum data transmission allowances.

The NBN and markets

Council remains concerned at the slowness of the NBN rollout and also the initial performance of the satellite network which has proved grossly inadequate in our more remote areas. We disagree that the NBN will provide an adequate baseline level of broadband availability in particular because of its asynchronous nature. We submit that it is essential for full synchronous broadband to be provided. This will become more important as data originating techniques such as a VoIP and online video become ubiquitous.

At this stage Council has no experience of the potential for the NBN framework to provide appropriate services into the market through retail service providers. Council is not yet persuaded that there will be an appropriate retail presence to cover all sub-sectors of our community to a satisfactory level. Although report notes 10 retailers offering services over Skymuster, as stated, current plans are inadequate for our existing community needs. In particular, they do not incorporate the type of data allowances that permit full advantage to be taken of, for example, remote education opportunities. Council does offer cautious support for the proposed monitoring of retail presence but would suggest an automatic rather than non-automatic trigger for the seeking of competitive tenders for particular gaps in service provision.

Targeted intervention

The issue of latency with satellite phones is noted and it is considered desirable that further work be undertaken to identify whether this latency is a genuine problem with voice communications. If this proves to be the case then other solutions to the provision of voice services would, indeed, need to become more prominent. Particularly in remote areas there is also a need for "belt and braces". Households have experienced the situation where using VoIP over the Internet means a complete loss of service access when the Internet is "down" in particular in areas without mobile phone coverage. It is suggested that this issue is important when considering the appropriate reliability targets. The proposed 99.7% reliability target for the satellite is equivalent to 1 days outage per year. We suggest that this is too high.

With respect to mobile phone "black spots", we quote for example, the Newell Highway. This major piece of national infrastructure lacks contiguous mobile phone coverage along its length. While noting that the most recent rounds of the black spot program have been more flexible, Council is of the view that key network links within the transport network need to be considered coverage. In addition, many smaller communities below the threshold for mobile provision lack any service at all. In this respect mobile phone coverage is still far from an alternative solution within this Shire.

With respect to targeting specific disadvantaged groups, provided that a mobile service is, in fact, available, there may be a place for a minimum standard mobile phone service for people without permanent fixed address which permits a limited number of outgoing calls as well as some basic data availability. This could occur through a targeted program.

Affordability

Council notes the general downward trend in cost while making the comment that costs for data over mobile phone in this region are still very high for very limited allowances. For example, many businesses would typically require data allowances of 1 GB per month whereas the very best mobile service available in Moree is limited to 15 MB a month. Even this service is well over \$100 per month. As previously indicated, businesses are generally not price sensitive provided that they can get the data allowance and speeds that they require.

There are many sections of the community, however, which are price sensitive and Council would conservatively estimate that 30-40% of the Moree Plains Shire population would be highly price sensitive. The availability of capped plans in is considered critical for this sector so that there is a clear and consistent monthly pricing and so that basic connectivity can be maintained even when data limits are exceeded. Council notes the preference for transfer payments rather than subsidies to providers. This raises a number of complex social questions, many of which are being currently explored through the "welfare card" trials. For people on very low incomes expediency often requires expenditure of funds which should be committed to items such as ongoing connectivity. In this environment, Council still favours subsidised packages for those on certain government benefits rather than merely an additional transfer payment.

How much funding and who should pay?

Council's general position is that performance based frameworks which are outcomes driven offer the best option in terms of value for money. In this respect Council supports a model where specific tenders can be offered by government (as a provider of last resort) to address areas of market failure. By introducing a competitive element cost efficiencies should be able to be gained.

Council leans toward general government revenue funding rather than an industry levy for the reasons set out in the paper. Council also notes that often the core issue in service provision is benefit capture. Particularly where benefits accrue to business it is more appropriate for costs of providing minimum standard infrastructure be met by those businesses.

Transitional matters

Council supports the view that phase-out of the current TUSO should occur sooner rather than later provided that robust alternatives are in place. In this respect the current rollout of the NBN offers no particular confidence that these matters could be realistically addressed before 2020.

Payphones

With respect to payphones Council notes that these still play an important role in the Moree community while acknowledging that their use is declining. They still provide an important service for people who cannot afford to maintain even a basic mobile phone. We suggest that clear and transparent provisions be put in place including consultation processes regarding payphone wind-back. At the current time, although Council is consulted there does not appear to be a broader consultation framework put in place by Telstra.

Standard telephone services

With respect to standard telephone services, Councils preliminary view is that this USO could usefully be re-framed regarding the performance outcomes desired rather than the particular technology to be used. It is noted this would require renegotiation of the current contract.

Draft recommendations, findings etc.

For brevity, these are dealt with by exception. Unless a specific comment is made, the recommendation or finding is supported.

Draft recommendation 3.1

It is suggested that this recommendation also encompass a reference to replacements. This could include cross-reference to a further recommendation.

Draft finding 4.2

The last sentence would appear to be a recommendation rather than a finding.

Draft finding 5.1

It is unclear whether “enabling markets to function well” includes a specific support of the business sector, in particular in regional areas.

Draft recommendation 5.1

It is suggested that reliability should also be a key element. Is it intended to recommend a particular baseline provision? It is unclear why the objective and baseline need to await the NBN infrastructure rollout. In particular, this is not scheduled until 2020. It is suggested that it would be prudent for baseline broadband services to be defined including a revised universal service obligation well prior to NBN rollout being completed.

Draft finding 6.1

In our submission there is no guarantee that retail broadband including voice services would be available to all premises across Australia at an acceptable level following full rollout of the NBN infrastructure. In our submission it is critical that acceptable levels be referenced in findings of this type.

Draft finding 6.2

The 4G network is already capable of better than NBN speeds for both upload and download.

Draft recommendation 7.1

In our submission some caution should be exercised regarding the NBN as a universal service provider in order to avoid repeating issues associated with Telstra.

Draft recommendation 7.2

In our submission caution should be exercised regarding the Australian Government having an “minimal” role with respect to market failure. It is our view that addressing market failure is a core role of government and that this requires both close and careful monitoring.

Draft finding 6.3

In our submission there may be a number of people living in rural areas, who are not indigenous, who may experience difficulties in accessing appropriate services.

Draft finding 6.5

We question whether the extent of market gaps is likely to be small or not. In our submission it is premature to form such a judgement particularly given the preliminary issues associated with the NBN and the failure of the “hybrid” model to address, in particular, the needs of rural and regional enterprises.

Draft finding 4.1

Anecdotal evidence available to Council suggests that safeguards are currently inadequate regarding service provision, service connection and the like. It is suggested that this area should be the subject of an information enquiry.

Draft recommendation 7.4

Concerns expressed over the recommendation to target the black spot program only to areas where funding is highly likely to yield significant additional coverage. In particular, it is particularly important to clarify whether significant additional coverage refers to persons or geographical area. There are significant issues around emergency services access particularly along major transport routes, for example.

Draft recommendation 7.5

In our submission there are a number of areas which do not have a mobile service voice alternative which would be unsuitable for payphone locations. We suggest that the focus should be on areas of socio – economic disadvantage where an alternative form of telecommunications access would be of most benefit.

Draft finding 8.2

While noting the potential for economic distortions it should also be noted that while costs should be appropriately minimised it is nevertheless necessary to meet baseline social obligations.

Draft recommendation 9.1, 9.2

It is submitted that any termination of the current arrangements should occur simultaneously with implementation of a viable alternative.

Council would be pleased to provide any further information or advice that may be of assistance to the Commission.

Yours sincerely

Angus Witherby
ACTING GENERAL MANAGER