

**Productivity Commission  
Inquiry into the Telecommunications Universal Service Obligation**

**Draft Report November 2016**

Submission by

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## Executive summary

The Universal Service Obligation is a vital aspect of provision of telecommunications and the principal of universal service currently is to *ensure that all people, wherever they reside or carry on business, should have reasonable access, on an equitable basis, to standard telephone services and payphones*. The rationale for universal service has not changed and it is just as important now as it was at its inception. Changes to technology, service provision and the telecommunications market justify a review of how universal service is delivered, what it delivers and if there is an opportunity to constitute an improved outcome. Telecommunications is an essential service that underpins the need for everyone to have reasonable access, on an equitable basis, to specified digital services, including e-government services. This submission argues that the Productivity Commission Draft Report indicates that there should be a transition from the existing universal service regime to a new approach but the recommendations do not adequately address the need for minimum technical performance standards to be set and met and for a comprehensive universal access regime that enshrines the principle of *ensuring that federal, state and local e-government and other specified digital services are reasonably accessible to all, on an equitable basis, wherever they work or live*.

## Introduction

The Universal Service Obligation (USO) is just as important now as it was at its inception. The underlying purpose of the USO is to facilitate access to telecommunications infrastructure, products and services and via telecommunications access to offered products and services and importantly public products and services.

The introduction of the National Broadband Network, the demise of the copper access network as the principal means of telecommunications carriage, and other technological changes including an increase in vital e-government, health and education systems reliant upon telecommunications highlight why the timing of the USO review is appropriate.

Having been in receipt of USO provided telecommunications infrastructure it is left to the consumer to pay for a telecommunications service, and the charges may be offset wholly or partially by Government provided welfare payments.

Telecommunications is now an essential service, if for no other reason than because of the digital transformation of government information and services (DTO 2016). For Australians to access government information and services there is a need for a universal access regime that enshrines the principle of *ensuring that federal, state and local e-government and other specified digital services are reasonably accessible to all, on an equitable basis, wherever they work or live*.

A Universal Access Obligation (UAO) should be defined to be inclusive of a revised USO.

Access technologies used to provide the UAO should not be limited and the access technologies that meet connection speed and performance requirements for the UAO identified digital services should be included in a revised USO.

The cost of providing a UAO should be facilitated by a broader levy than that applied now under the existing USO regulations. Government, business and carriers benefit when customers utilize telecommunications services. The advent of Big Data provides an increasing number of opportunities for customer information to be used, and monetised.

There is an urgent need to address the underlying technology and performance criteria for a future framework implemented to replace the existing USO. There is no rational approach that accepts a loss of technological performance such that the performance of the replacement systems provides a lower performance outcome than that provided under the existing USO.

## Key points

In addition to the key points made in an earlier submission to the inquiry that included a summary of the attached paper (Gregory, 2016), the Draft Report (Productivity Commission, 2016) has highlighted the need for a replacement to the existing USO but mistakenly indicates that the NBN and Mobile Network Operator (MNO) infrastructure might provide an acceptable *baseline* [minimum quality] outcome without adequately addressing the known technical deficiencies of the NBN and MNO infrastructure.

The Draft Report (Productivity Commission, 2016) includes the recommendations that the Government immediately begin the process to wind-up the existing USO and introduce a new universal service framework in which the “universal service policy objective can be reframed to provide a *baseline* [minimum quality] broadband service to all premises in Australia, having regard to its *accessibility* and *affordability*.”

“This would encapsulate access to the internet *and* to voice services given that the internet will increasingly be the medium through which voice communication is delivered.”

## Technical Performance Quality

In 2012, the Government signed a twenty-year deal with Telstra for the ongoing provision of the USO (Australian Government, 2012) and for Telstra to be the fixed-line telephone service provider of last resort, something that Telstra’s extensive experience and existing networks makes it a natural fit.

The National Broadband Network (NBN) is being built to replace Telstra’s fixed-line access networks and the Productivity Commission has identified that “the service level provided by NBN infrastructure will be more than adequate to meet a *baseline* level of broadband (including voice) service *availability* for the vast majority of premises across Australia — specifically for at least the 97 per cent of premises that fall within the NBN’s fixed-line and fixed wireless footprints.”

With the completion of the NBN rollout expected to be completed in 2021, there is anticipation that NBN Co in concert with MNOs could provide a universal service solution that incorporates voice and data. However, it is possible that NBN Co and the MNOs may not be able to meet the technical performance requirements of the existing USO, let alone the technical performance that consumers would expect to be met in 2017.

The Productivity Commission argues that there is a need for the revised universal service framework to be consistent with the international practice that a minimum quality service be provided.

“This recognises that there are costs to the Australian community in providing universal services, primarily where these services would not ordinarily be provided by the market. Conceptually, a *baseline* level of service refers to a minimum acceptable level of service for broadband and voice that enables basic telecommunications-enabled functions to be undertaken successfully.”

It appears that one of the key reasons that Telstra was awarded a twenty-year contract in 2012 to provide an ongoing USO was the realisation that the NBN would not adequately meet the quality of service requirements consistent with the USO until some years after the NBN rollout was completed.

Whilst the Productivity Commission’s recommendations are consistent with the broadly supported need for a new universal service regime, there is a strong concern that the new framework will incorporate a quality of service for data and voice far lower than is acceptable.

The Productivity Commission incorrectly identifies that the post-September 2013 NBN “infrastructure is planned to provide universal access to high-speed broadband services to all premises across Australia by 2020 — at a quality that is far superior to what is currently available.”

The recently announced Canadian Government (Canadian Government, 2016) approach to provide a USO sets the provision of broadband at a minimum of 50/10 Mbps, a service level that is likely to not be achieved by NBN Co in some areas or for some consumers before 2020 and possibly for many years to come after 2020 due to the obsolete technologies introduced into the NBN after September 2013.

Any change to the existing USO regime to reduce technical performance requirements is unacceptable, as is the principal that some Australians should accept lower technical performance outcomes because of their location or the state of existing infrastructure being utilized by NBN Co. It is for this reason that the Productivity Commission final report must not reflect the NBN nor mobile cellular networks as meeting what would be a reasonable *baseline* for technical performance requirements in 2020, because they do not overall and it is therefore reasonable to reflect that the NBN and mobile cellular networks may meet acceptable technical performance requirements partially or in some areas, e.g. where Fibre to the Premises (FTTP) exists in the NBN.

What this means is there would need to be minimum performance guarantees to ensure that everyone receives a technical performance outcome consistent with the *baseline*. and it may be necessary to remediate infrastructure (e.g. copper) or to introduce additional infrastructure (e.g. mobile cellular repeaters to enhance signal quality for consumers living on the fringe of the mobile cellular networks).

## Universal Access

The Productivity Commission's straightforward approach to highlighting how vested interests, the short-sighted and selfish view the need for the equitable provision of telecommunications should be applauded. At a time when universal access to telecommunications is being accepted as a basic right in many countries, it is disappointing to read that there have been statements made to the Productivity Commission that are unacceptable in a modern enlightened social democracy.

"Historically, the principle of equity with respect to a basic telecommunications service has been an enduring cornerstone of policy. A wide range of participants argued that there continues to be a strong equity rationale to provide a universal service of the *same quality* to all who reside in Australia, irrespective of where they choose to live or work. They also argued that some people may experience difficulties accessing or affording available services. However, support for equity in pricing (that is, uniform pricing across all locations) was challenged by some participants on the basis that people's decisions about where to live involve inherent tradeoffs."

Australian's living and working in regional and remote areas provide a valuable contribution to the national economy and they do so in some of the most inhospitable conditions found in any nation.

Australians living and working in regional and remote areas do so without the ready access to essential services enjoyed by those living in urban communities. It is unthinkable in a social democracy that the myopic views of the selfish should be entertained.

In the emerging global digital economy access to high quality, reliable broadband for data and voice services is a key enabler so it is reasonable for the Productivity Commission to recommend to Government that an outcome of telecommunications infrastructure investment is national economic growth and this means investment beyond the urban regions.

The Productivity Commission has recommended 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, having regard to its accessibility and affordability, once NBN infrastructure is fully rolled out."

The question of accessibility and affordability should be addressed by the Productivity Commission by recommending to Government that a follow-up consumer oriented review should occur before changes to the existing USO are considered. The review should consider universal access as a means to bring

together the telecommunication consumer safeguards, including “the future role of accessibility and affordability measures, including the Telephone Allowance, the National Relay Service and relevant elements of the National Disability Insurance Scheme.”

It is vital for the Productivity Commission to recommend that Government take this opportunity to introduce universal access to telecommunications and to ensure that everyone, irrespective of where they live or work, has access to Government services online, as this will undoubtedly improve productivity.

For this to occur the Productivity Commission should explore how Government could introduce a consolidated Federally administered funding scheme to support an expanded universal access regime to create new opportunities for increased productivity, competition and to ensure that government information and services are available to everyone wherever they work or live.

## Summary

It is vital that the Productivity Commission acknowledge the partial ability of the NBN and mobile cellular networks to meet a reasonable *baseline* [minimum quality] broadband (voice and data) service due to the technologies being employed, the variability in minimum performance of Fibre to the Node (FTTN) and the natural reduction in technical performance of RF systems over distance.

It is strongly recommended that the Productivity Commission Final Report reflect the need for a replacement approach to the existing USO that will meet technical performance requirements consistent with the state of technology today, not twenty years ago when FTTN was developed nor to accept that consumers on the fringes of mobile cellular networks should be provided with substandard broadband connections due to other considerations.

In a social democracy there are valid reasons that justify a universal access scheme. It is important that government and industry collaborate to identify how the scheme would be implemented. The cost to government of a universal access scheme could be reduced through a broad industry levy.

This submission represents a position and identifies future research necessary to support the transition to a universal access regime that enshrines the principle of *ensuring that federal, state and local egovernment and other specified digital services are reasonably accessible to all, on an equitable basis, wherever they work or live.*

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