



Isaac Regional Council

Submission – Productivity Commission Inquiry into Telecommunications Universal Service Obligation – Issues Paper

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Introduction

Isaac Regional Council (IRC) welcomes the opportunity to make a submission to the Productivity Commission's Telecommunications Universal Service Obligation Inquiry Issues Paper. This submission is made in the context of key areas of interest and concern as they relate to the Isaac local government area (LGA).

Background

The Australian Government has asked the Productivity Commission to undertake an inquiry into the future direction of a universal service obligation (USO) in the telecommunication market.

The current USO (first introduced in the 1990s and evolving from earlier arrangements) provides for access to a 'standard telephone service' and payphones (both involving a basic fixed-line voice service) where provision of these services might otherwise not have been commercially viable – regardless of where people live or where businesses are conducted. In essence this involves a level of cross-subsidisation from low cost users to high cost users. The USO is currently co-funded by the Australian Government and an industry levy to a total of \$300 million per year.

The primary policy question to be addressed by the Commission in its inquiry is to what extent, if any, in an 'evolving telecommunications market', Australian Government interventions may be required to support universal access to a minimum level of retail telecommunications services.

Should the Commission recommend the retention of Government interventions in the telecommunications market it should also make recommendations on the following:

- 'appropriate' objectives for a USO or equivalent
- the scope of services to be provided to achieve those objectives
- whether particular sections of the Australian community – for example, the homeless, indigenous communities, people with a disability, or people living in regional and remote areas – have different needs to which additional Government intervention should be directed
- who should bear the cost or regulatory burden from any interventions
- the optimal funding model(s)
- transitional arrangements from the current USO.

About Isaac

Isaac covers approximately 58,000 km² in central Queensland and spans more than 350km from the coast to the coalfields. It is 1,000km north-west of Brisbane and 900km south of Cairns.

Isaac Regional Council services a permanent population of 24,670 plus 10,400 resource sector workers who fly in/fly out, drive in/drive out or bus in/bus out and stay in temporary accommodation. The full-time equivalent population is estimated at 35,070.¹

Isaac is largely reliant on export commodities such as coal, a small number of minimally processed agricultural commodities and tourism, which means the local economy is export dependent and vulnerable to global trends and volatility.

Our Challenges

Isaac is a resource rich region spanning three significant coal deposits – the Bowen, Galilee and Styx Basins – with abundant natural gas supplies, ideal food production opportunities and a tropical climate, with the Great Barrier Reef on its doorstep.

Isaac does some heavy lifting for Queensland through its cattle, grain and coal industries, delivering an economic contribution that has the region punching well above its weight. But to enable the region to meet its challenges and achieve a sound future, Isaac needs investment from the federal and state governments through better targeted assistance. The Isaac Local Government Area:

- Produces over 60% of Queensland's saleable coal by volume and 70% by value²
- Consistently generates more than \$1 billion in royalty payments each year³
- Contributes approximately 2% of Queensland's Gross State Product (GSP)⁴
- Makes a per capita contribution to GSP which is more than three times higher than the state average⁵

However, Isaac:

- Has essential services strained beyond capacity as its non-resident worker population is not recognised in state and federal funding decisions
- Is unable to attract the necessary population for sustained growth due to current Fly In-Fly Out (FIFO) practices
- Does not have a secure water supply
- Has main arterial roads designated with 'third world' status
- Has communities rated as 'most disadvantaged' on a national scale (SEIFA indices)

Isaac is ready to meet these challenges and has identified a future which includes diversifying its economic base, responding to the opportunities and challenges of global megatrends, harnessing entrepreneurship and innovation and improving liveability across the region.

Our Future

Isaac has a vision and a plan to create an economic future alongside and beyond coal. Through the framework of strategic planning, Isaac will provide pathways to maintaining and

¹ QGSO Bowen Basin Population Report 2015

² Department of Natural Resources and Mines

³ Queensland Resources Council

⁴ REMPLAN 2016

⁵ Ibid

strengthening the region's traditional economic base while facilitating the development of new local economies.

Isaac's local industries export around Australia and across the globe; and potential new industries can do the same. Products grown and produced in Isaac are feeding, powering and building communities on multiple continents. This is the Isaac economic story.

Isaac's major industries are coal, beef and grain. Potential new industries include solar energy and aquaculture, as well as a possible primary biofuels processing facility at Clermont, flagged as part of the recently announced Northern Oil Advanced Biofuels Pilot Plant in Gladstone.

All of these food and fuel industries have a common theme: energy, which has been harnessed as the new vision for Isaac and the Isaac Regional Council:

Isaac Regional Council: Helping to energise the world
A region that feeds, powers and builds communities

This new focus will assist Isaac to coordinate and focus socio-economic development across all tiers of government, peak economic development bodies and community organisations to maximise its current strengths and capitalise on future opportunities in agriculture, aquaculture, energy and tourism.

Comments and Recommendations

Retention of the USO

IRC believes the retention of the USO is essential to socio-economic sustainability in regional and remote areas. The Isaac LGA spans an area of over 58,000km², similar in size to Tasmania, and has an estimated resident population of 24,670. The digital divide between metropolitan and rural areas is clearly evident in the region. Isaac regional Council commissioned the Digital Economy Group to undertake a digital infrastructure assessment which revealed the following disparity in telecommunications service provision:

- Optus currently has 21 mobile broadband sites within the Isaac LGA. This equates to one site for every 2,804 km². Moreton Bay Regional Council on the northern side of Brisbane, on the other hand, has an Optus tower for every 34km²
- Telstra has 97 sites in the area, equivalent to one every 606km². Moreton Bay Regional Council area has one Telstra tower per every 21km².
- Vodafone has four sites in the area; one per every 14,715km². The Moreton Bay LGA has one tower per every 28km².

Extensive areas void of mobile voice and data services, and only those living within 1.5km of one of the region's 11 exchanges able to access broadband with a service level similar to

that which is available in a capital city, mean many residents rely on basic copper network based voice and data services for health, education, business and social needs.

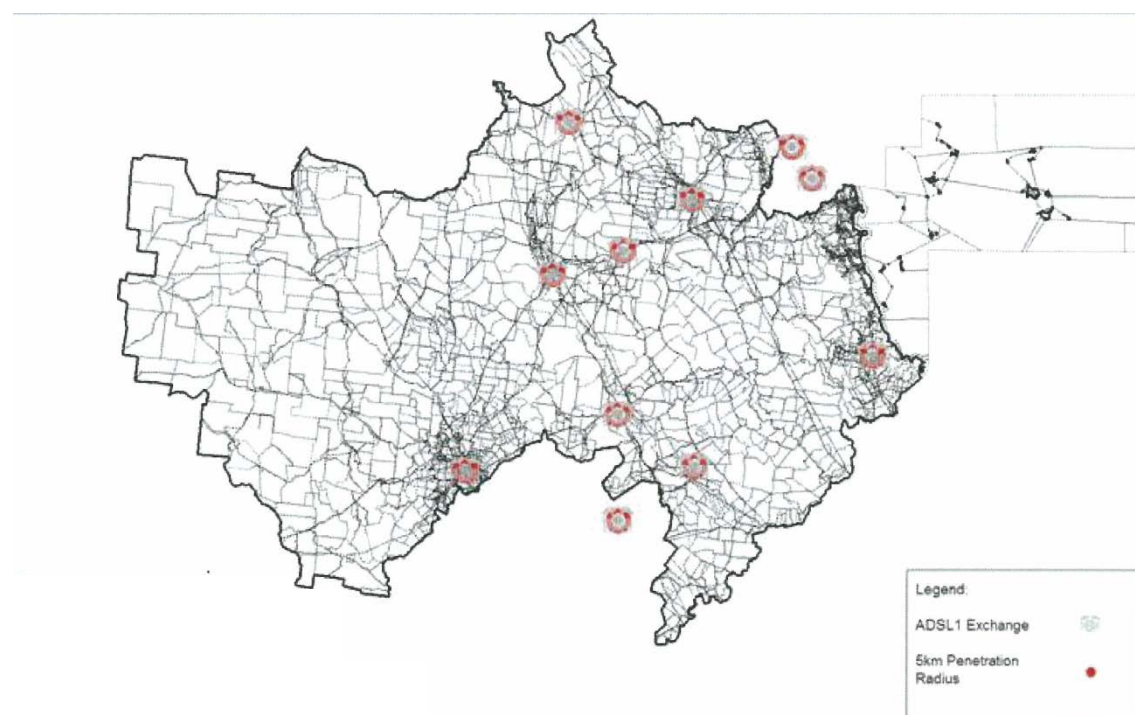
The need for a standard telephone service is particularly vital for students who have no reasonable daily access to a school due to geographic isolation and who therefore study via distance education.

Isaac Telstra Exchanges



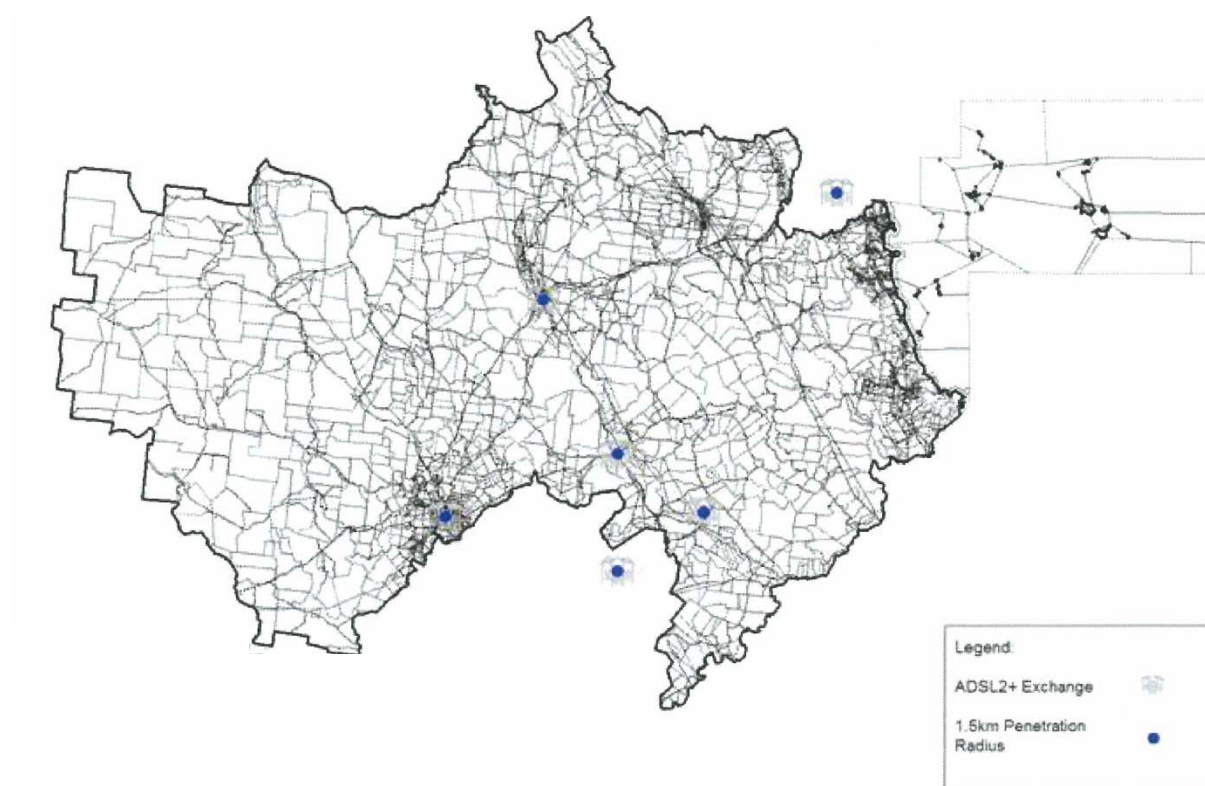
Digital Economy Group – Isaac Digital Infrastructure Assessment

Isaac ADSL 1 Exchanges and Penetration



Digital Economy Group – Isaac Digital Infrastructure Assessment

Isaac ADSL 2+ Exchange and Penetration



Digital Economy Group – Isaac Digital Infrastructure Assessment

Recommendation:

IRC recommends the Productivity Commission endorses the retention of the USO as the primary mechanism for ensuring standard telephone services are reasonably accessible to all people in Australia on an equitable basis, wherever they reside or conduct business.

The NBN as an alternative to the USO

While some have suggested the ongoing roll out of the NBN will undermine the relevance of the current USO, in reality the NBN in isolation is unlikely to significantly improve rural and regional access to adequate and reliable telecommunications infrastructure. The provision of high speed internet to rural Australia will largely be via satellite, the 'poor cousin' of the three connection options. For users of satellite, the latency or ping of this technology serves to throttle the Voice over Internet Protocol (VoIP) experience. The vulnerability of satellite based services to climatic conditions is further exacerbated in northern Australia with the tropics' distinct and often intense wet season. Monsoon trough events can disrupt services for significant periods of time. In areas with no mobile coverage this would significantly impact community safety if no 'landline' service was available.

The intent of the USO is to ensure that standard telephone services, payphones and prescribed carriage services are reasonably accessible to all people in Australia on an equitable basis, wherever they reside or undertake business activities. While an evolving telecommunications market may lead to the USO being considered less relevant in well serviced metropolitan areas, this is clearly not the case for regional and remote communities who will be significantly disadvantaged if equitable access to basic telecommunications is removed.

Recommendation:

IRC recommends the Productivity Commission considers and reports on the limitations of the NBN satellite service as a viable alternative to the USO and endorses the USO as the primary mechanism for ensuring standard telephone services are reasonably accessible to all people in Australia on an equitable basis, wherever they reside or conduct business.

The Mobile Black Spot Programme as an alternative to the USO

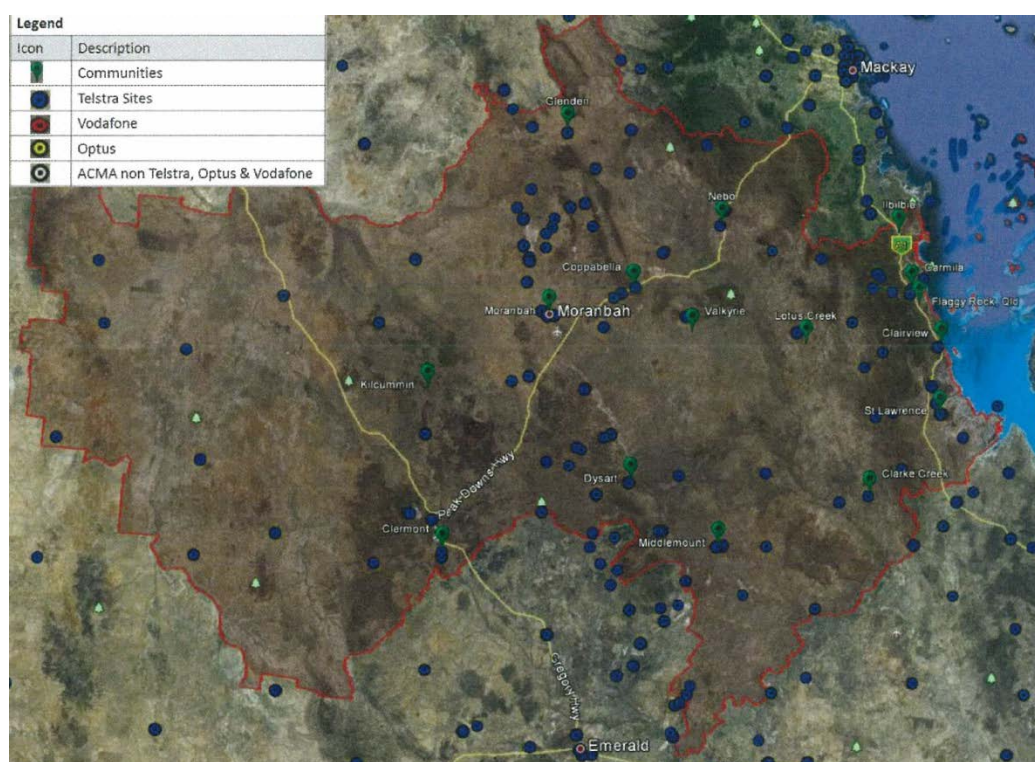
The Australian Government's Mobile Black Spot Programme is also not without limitations. Round one of the programme will invest \$374m in 499 new sites across Australia, increasing handheld coverage by 68,600km² (based on an average coverage of 137.5km² per site). Given Australia has a land mass of 7.692 million km², with 70% of this area being outside the existing mobile coverage footprint, much of regional and remote Australia will remain reliant on fixed line telephone services as a primary means of communication.

The Mobile Coverage Programme's assessment criteria are largely population centric. While IRC recognises the criteria has likely been designed to attract investment by mobile network

operators (MNOs) seeking to maximise ROI over the short to medium term, focussing on the profit needs of commercial entities, as opposed to the provision of adequate telecommunications infrastructure to ensure positive socio-economic outcomes and sustainability in regional areas, means isolated areas are unlikely to realise any significant benefits from this funding.

Challenges such as the lack of mains power for mobile tower sites (solar is often impractical with existing technologies) and lack of backhaul operations further discourages new telecommunications builds in remote and regional areas.

Isaac Mobile Coverage



Recommendation:

IRC recommends the Productivity Commission considers and reports on the limitations of the Mobile Black Spot Programme's capacity to fund the required level of coverage required to be a viable alternative to the USO and endorses the USO as the primary mechanism for ensuring standard telephone services are reasonably accessible to all people in Australia on an equitable basis, wherever they reside or conduct business.

Improvement of the USO

The Productivity Commission's Inquiry presents an opportunity to consider possible improvements to the USO.

Data has been recognised as an essential service within the USO legislation since July 1999. However the current legislated speed of 64kb/s is not sufficient for the technologies of today. Participation in distance education requires a minimum download speed of 2mb/s.

Customers in remote and regional areas can be subject to lengthy waits for rectification of faults. One resident of the Isaac LGA has reported it took several months for faults to their fixed line service to be rectified. Given the absence of mobile coverage in the area, this resulted in significant economic and social impacts for the duration of the fault. While the USO allows for compensation payments in the event of loss of service, these do not adequately mitigate the impacts of extended disruption.

Recommendation:

IRC recommends the Productivity Commission consider and report on a minimum data speed as part of the USO which meets the demand of contemporary digital technologies.

IRC recommends the Productivity Commission consider and report on mechanisms to reduce the length of time taken to rectify faults in regional and remote areas.

IRC recommends the Productivity Commission consider and report on a more equitable compensation payment structure which acknowledges the true cost of extended service disruptions in regional and remote areas.