



## **CEPU Submission**

NATIONAL OFFICE

*Productivity Commission*

*Telecommunications Universal Service*

*Obligation Draft Report*

**Allen Hicks**  
National Secretary

**Greg Reyner**  
National President

**January 2017**

Suite 408, Level 4  
30-40 Harcourt Parade  
PO Box 380  
Rosebery NSW 2018

Ph: (02) 9663 3699  
Fax: (02) 9663 5599

Email:  
[admin@etuaustralia.org.au](mailto:admin@etuaustralia.org.au)

## 1. Overview

The voice based telecommunications universal service obligation (TUSO) is the obligation placed on universal service providers 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 carry on business. This includes services for people with a disability and those that have medical conditions. The contracted primary universal service provider in Australia is Telstra.

The Issues Paper (the paper) has costed the TUSO at approximately \$3 billion in net present value terms over twenty years argues that the current TUSO is anachronistic and needs to change based on changes to technology and consumer behaviour, pointing to the sizable public investment in National Broadband Network (NBN) infrastructure which is planned to provide universal access to high-speed broadband services to all premises across Australia by 2020. However, the paper concedes that even when the NBN have achieved completion there will be some who will not be able to access NBN services. In that regard, the NBN is not as widely available or ubiquitous as the current traditional copper network telephony services. The paper has identified at least one issue with the adequacy of NBN services in pockets of the satellite footprint in areas where there is no mobile coverage which affects up to 90 000 premises.

The paper cites common international standards of the elements of universality:

*Availability* — the service is available to all people and businesses who wish to connect to that service, and the service is subject to a minimum quality;

*Accessibility* — the service can be accessed by all people irrespective of their personal (physical, cognitive and cultural) attributes; and

*Affordability* — the purchase of the service does not place undue hardship on people, particularly those in low-income and other disadvantaged groups.

The paper contends that the NBN, once fully rolled out, means that the objective of universal service can be reframed to provide a baseline (or minimum) broadband service to all premises in Australia, having regard only to its *accessibility* and

*affordability*. This implies that *availability* should no longer be an active consideration for a future USO that is re-framed as a baseline.

We do not accept or support this proposition, and believe that a USO service should be available to all people and businesses who wish to connect and that the service should be of a minimum quality. For example, it would be unacceptable from an USO perspective for there to be frequent data loss or drop out in an NBN satellite or wireless area. We consider that the *availability* objective, including a minimum performance standard, is critical.

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 and that some people may experience difficulties accessing or affording available services must be taken into consideration. The paper asks is a 99.7 per cent reliability target (compared to 99.9 per cent for NBN fixed-line and fixed wireless networks) acceptable to the Australian community, particularly for emergency situations where private or public safety may be at risk and there is no back-up service, as rare as these events may be? Our view is there needs to be equity.

With respect to the broader issue of consumer protections, the paper acknowledges that transitioning to a new framework for universal service will be complex and have impacts on consumers and as such, the Government should proceed with its planned review of telecommunications consumer safeguards as a matter of priority. We support this position.

The paper acknowledges that there are some user groups whose specific needs will not be met in the absence of a TUSO. These groups include members of the community who governments have traditionally chosen to support on social equity grounds — people with disability (including 5000 to 10 000 users of the National Relay Service), or life-threatening health conditions (up to 187 000 Priority Assistance customers), people living in remote Indigenous communities (around 142 000), some older people with limited digital literacy capacity and people without a permanent fixed address (just over 100 000 homeless people). Some people on low incomes may find it difficult to afford these services without government support. We agree that the principle that those who benefit should pay does not hold for universal

service policies because these policies, by their nature, benefit some people who should not or could not fully pay for the service.

## **2. Costs and Pricing**

As stated, the paper estimates that the cost of the TUSO over twenty years is approximately \$3 billion. With regards to annual costs, Table 1 in the paper lists the Standard Telephone Service USO at \$253M and the Payphone USO at \$44M, giving a combined total of \$297M in public funding for USOs. However, Table 1 aggregates additional funding on the basis of being 'related to telecommunications universal service objectives' which artificially inflates costs to \$1.053 billion when the true cost of USO services is actually \$253 million.

The NBN pricing strategy will see wholesale prices capped across all its technology platforms and across all locations, thus significantly narrowing the digital divide across rural, regional and urban Australia and the paper seeks to present this as a price safeguard. The problem with this interpretation is that at present, the only way for consumers to access NBN services is on a retail basis which means entering into a retail service arrangement with an internet service provider. The paper admits there is merit in giving assurance to communities in regional and remote areas that NBN infrastructure is designed and intended to deliver universal access to broadband services and that this could be achieved through 'government monitoring of retail presence on the NBN with a non-automatic trigger for it to step in and competitively tender for the delivery of retail services to a particular area where retail presence is absent'.

This is in contrast to telephone services where you do not have to have a contract to be able to use payphones. Similarly when considering mobile phone emergency service coverage, mobile phone handsets will still access the emergency 'SOS' network in the absence of an active SIM card, so emergency calls can be made without having to be in a contractual service arrangement with a mobile phone retailer. Detailed work on how arrangement based on similar principles and access for any NBN based USO would need to be done before considering any move away from current TUSO arrangements. This would include considering questions such as are free public data/Wi-Fi arrangements via a majority of the coverage area to enable emergency calls feasible? We acknowledge that paper state that of the 400

000 premises within the NBN satellite footprint, at least 310 000 premises are estimated to be able to use their mobile phones, thus providing a low-latency alternative to the NBN satellite service.

Before there is any change to the current TUSO, the full impacts on consumers, including pricing impacts, needs to be fully understood and modelled. The paper points to a dearth of data on the number of premises covered by the TUSO as Telstra is not required to, and has advised that it does not, collect information on the number of non-commercial telephone services, or on the costs of any telephone service it supplies under the TUSO. The paper estimates that the TUSO could imply a standard telephone service annual subsidy ranging anywhere between \$250 to \$2800 per TUSO service. Removing these subsidies will have a potentially disastrous impact on those premises, many of whom may be particularly vulnerable consumers.

### **3. Transition Options**

The paper outlines three options for future transitioning of the TUSO. In outlining these three options the paper admits that a transition would be complex and that there are many more possible options beyond those listed in the paper.

Option 1: Change the legislative scope by amending the *Telecommunications (Consumer Protection and Service Standards) Act 1999* (Cth) to change the scope of the current standard telephone service USO, thereby forcing the parties to negotiate a payment adjustment under the TUSOP Agreement.

Option 2: Remove the standard telephone service USO in all areas once the NBN rollout is complete. This option would see the standard telephone service USO removed (both the contractual and legislative mechanisms) once NBN infrastructure is deployed.

Option 3: Commence a staged wind-back of the standard telephone service USO in NBN-connected areas as soon as practicable. While this option would also tie the timing of reforms to the NBN rollout, it would be more complex to execute as it would see the gradual winding back of the standard telephone service USO in NBN-served areas.

Our response to the three options put forward is that none are suitable in their current form to give in principle agreements to. We submit that any removal or change of the TUSO, be it staged or not, should only occur after the full rollout of the NBN is complete and any post TUSO arrangements must have regard to availability to ensure the service is available to all people and businesses who wish to connect to that service and that the service is subject to a minimum quality standard.

#### **4. Recommendations**

We make the following recommendations.

**Recommendation 1** - Any removal or change of the TUSO, be it staged or not, should only occur after the full rollout of the NBN is complete.

**Recommendation 2** - Any post TUSO arrangements must have regard to availability to ensure the service is available to all people and businesses who wish to connect to that service and that the service is subject to a minimum quality standard.

**Recommendation 3** - Government proceed with its planned review of telecommunications consumer safeguards as a matter of priority.

**Recommendation 4** - Detailed modelling of price impacts of TUSO removal should be undertaken urgently. This should include modelling on NBN costs for consumers in the absence of a TUSO.

**Recommendation 5** - Government provide funding from general government revenue.

#### **5. Responses to Draft Findings and Recommendations**

Individual responses to the draft findings and recommendations contained within the paper are as follows:

DRAFT FINDING 2.1

Support.

DRAFT FINDING 3.1

Support. More data should be available to accurately assess subsidisation and price impacts. Transparency and accountability to government and to the community should be increased substantially to justify use of taxpayer dollars. Data and information should be made publicly available.

### DRAFT FINDING 3.3

Reject. The Issues Paper does not make the case to support arriving at the conclusion convincingly. In the absence of further information, data and evidence this Finding mere opinion.

### DRAFT RECOMMENDATION 3.1

Amend to read “The Australian Government should phase out the existing telecommunications universal service obligation once full NBN rollout has been achieved.”

### DRAFT FINDING 4.2

Reject. Table 1 clearly lists the Standard Telephone Service USO at \$253M and the Payphone USO at \$44M, giving a combined total of \$297M in public funding for USOs. Aggregating the additional funding on the basis of being ‘related to telecommunications universal service objectives’ is misleading and artificially inflates costs to \$1.053 billion when the true cost is \$253 million.

### DRAFT RECOMMENDATION 4.1

Support in principle but contingent on the details of the proposed ‘stocktake’, such as Terms of Reference.

### DRAFT FINDING 5.1

Support.

### DRAFT RECOMMENDATION 5.1

Further details required, such as impacts on emergency service call functionality and reliability of NBN services. Eg, data drop out.

### DRAFT FINDING 6.1

Amend to read 'After the full rollout of NBN infrastructure retail broadband (including voice) services are likely to be available to a majority, but not all, of premises across Australia.'

#### DRAFT FINDING 6.2

Support.

#### DRAFT RECOMMENDATION 7.1

Support. Note for the record that we reject any attempts to privatise NBN.

#### DRAFT RECOMMENDATION 7.2

Reject.

#### DRAFT RECOMMENDATION 7.3

Support.

#### DRAFT FINDING 6.3

Support.

#### DRAFT FINDING 6.4

Support.

#### DRAFT FINDING 6.5

Reject.

#### DRAFT FINDING 4.1

Reject.

#### DRAFT RECOMMENDATION 9.3

Neutral.

#### DRAFT RECOMMENDATION 7.4

Reject.

#### DRAFT RECOMMENDATION 7.5

Amend to 'The Australian Government should establish a funding program for a form of community telecommunications service (such as payphones) that targets locations where premises do not currently have a satisfactory alternative voice service, such as a mobile service. This program should target particular needs and be flexible for delivery to such communities.'

#### DRAFT FINDING 8.1

Neutral

#### DRAFT FINDING 8.2

Neutral

#### DRAFT FINDING 8.3

Neutral

#### DRAFT RECOMMENDATION 8.1

Neutral.

#### DRAFT RECOMMENDATION 8.2

Support.

#### DRAFT FINDING 9.1

Neutral

#### DRAFT FINDING 9.2

Support

#### DRAFT RECOMMENDATION 9.1

Amend to 'The Australian Government should immediately commence negotiations with Telstra to amend module B (Standard Telephone Service USO) and module C (Payphones USO) of the Telstra USO Performance Agreement (in line with draft recommendation 3.1).