
# National Farmers' Federation

## Submission to the Productivity Commission Review into the Telecommunications Universal Service Obligation: Issue Paper

July 2016

# NFF Member Organisations




























The National Farmers' Federation (NFF) was established in 1979 and is the peak national body representing farmers, and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity councils. These organisations form the NFF.

Following a restructure of the organisation in 2009, a broader cross section of the agricultural sector has been enabled to become members of the NFF, including the breadth and the length of the supply chain.

While our members address state-based 'grass roots' or commodity specific issues, the NFF's focus is representing the interests of agriculture and progressing our national and international priorities.

The NFF has for 36 years consistently engaged in policy interaction with government regarding a range of issues of importance to the sector including trade, education, environment, innovation to name a few.

The NFF is committed to advancing Australian agriculture by developing and advocating for policies that support the profitability and productivity of Australian farmers.

# Statistics on Australian Agriculture

Australian agriculture makes an important contribution to Australia's social, economic and environmental sustainability.

## Social >

There are approximately 115,000 farm businesses in Australia, 99 percent of which are family owned and operated.

Each Australian farmer produces enough food each year to feed 600 people, 150 at home and 450 overseas. Australian farms produce around 93 percent of the total volume of food consumed in Australia.

## Economic >

The agricultural sector, at farm-gate, contributes 2.4 percent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2013-14 was $51 billion – a 6 percent increase from the previous financial year.

Yet this is only part of the picture. When the vital value-adding processes that food and fibre go through once they leave the farm are added in, along with the value of all economic activities supporting farm production through farm inputs, agriculture's contribution to GDP averages out at around 12 percent (over $155 billion).

## Environmental >

Australian farmers are environmental stewards, owning, managing and caring for 52 percent of Australia's land mass.

Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 94 percent of Australian farmers actively undertaking natural resource management.

The NFF was a founding partner of the Landcare movement, which in 2014, celebrated its 25th anniversary.

# Contents

# Executive Summary

The National Farmers' Federation (NFF) supports the continuation of a retail telecommunications Universal Service Obligation (USO) to ensure farmers continue to have reasonable and equitable access to baseline telecommunications, regardless of where they live and work.

The opening section of this submission provides evidence to demonstrate that farmers live and work in a telecommunications markets that is characterised by limited infrastructure, poor service resilience and limited retail competition. As a consequence, they continue to heavily rely on the current USO to ensure the provision of basic telephone services, which underpin vital health and education services.

While the continued roll out of the National Broadband Network (NBN) will provide universal broadband network infrastructure, issues surrounding retail competiveness, network resilience and service quality will continue to exist. Hence, the NFF concludes that for the immediate future the obligation to provide a reliable voice line network should be maintained. The NBN does not negate the need for a voice USO; it provides the opportunity to reform the current USO to ensure it is relevant in the contemporary communications landscape.

To this end, the NFF recommends a number of changes to the USO and the services that it provides. A contemporary USO should adopt a *technology neutral* approach for the delivery of minimum standards for voice and data services. Flexibility should be imbedded in the delivery of the USO services and the standards that are set. Further, the current consumer safeguards should be updated to reflect the provision of *voice and data* services in a technology neutral environment.

The NFF recommends that regular benchmarking and reporting of the baseline connectivity in regional Australia be undertaken in order to facilitate the integration of contemporary consumer safeguards into the USO and to monitor the effectiveness of any new USO in delivering access to affordable, reliable telecommunications to all Australians. Such information will inform future baseline service calibration, as well as provide broader data for policy makers.

The NFF recommends that the provision of the payphones limb of the USO be examined closely to determine both its cost effectiveness and efficiency in delivering contemporary telecommunications outcomes. The PC must consider if the liberation of funds through the rationalisation of payphone funding could be redirected to funding the provision of mobile telecommunications infrastructure. a

# List of Recommendations

1. ***The PC should recognise that Australians living and working in a regional setting have inequitable access to telecommunications: Service is less reliable, more expensive and has a lower quality despite a clear demand for and dependence on such services.***

2. ***The PC should investigate the future data needs of agriculture in respect to the adoption of digital agriculture.***

3. ***The PC should investigate means by which farmers can utilise their fixed line connection to deliver an on farm mobile data service.***

4. ***The National Broadband Network does not negate the need for a USO, but provides the opportunity to ensure the USO and associated consumer protections are appropriate in the current telecommunications landscape and cover both voice and data services.***

5. ***The PC should investigate the setting of transparent standards for minimum service provision between wholesalers (NBN) and retailers, and between retailer and customer. These should be independent of any contractual arrangement and written in plain English.***

6. ***The overarching objective of the USO, as stipulated in section 9 (1) (a) and (b) of the Telecommunications (Consumer Protection and Service Standards) Act 1999 (Cwlth), should remain, with 'reasonably accessible' taken to include the availability and affordability of the service.***

7. ***Stemming from its statutory objective, the USO should ensure that the 'digital divide' between regional and urban areas is reduced to the smallest possible levels.***

8. ***The USO should allow for technology neutrality in its delivery of the safeguarded services where doing so does not compromise the resilience of the service.***

9. ***The services delivered by the USO should set minimum standards for the provision of voice and data services.***

10. ***The NFF recognises the difficulties associated with placing a quantified limited on conditions of affordability and data to determine conditions of 'reasonable access'. The NFF recommends that the PC investigates a mechanism by which data standards***

***can be calibrated to ensure that the 'digital divide' between regional and metropolitan consumers does not widen.***

11. ***The USO should mandate regular benchmarking and reporting of the baseline telecommunication services delivered to regional Australia to inform current and future USO settings and associated consumer safeguards.***

12. ***The PC should direct the appropriate body to collect detailed information on the use of USO services to inform any changes to the administration and delivery of such services.***

13. ***The PC should consider the appropriateness of reviewing the roll out and function of any new USO, in particular with regards to relevant technological developments, on a more regular basis than the current 10 year requirement.***

14. ***The PC should examine the current USO agreement to determine its cost effectiveness, with any cost savings redirected into improving contemporary telecommunications outcomes for those Australians at a telecommunications disadvantage, such as through the Mobile Blackspots Programme.***

15. ***Any amendments to the funding of the USO must not see regional Australians charged at a higher level, either directly or indirectly, for access to basic telecommunications services.***

16. ***The PC should examine the current USO agreement to determine the effectiveness of the payphones provision in delivering telecommunications outcomes.***

17. ***The PC should direct the appropriate body to collect detailed information on the use of payphones to inform any changes to the administration and delivery of such services.***

18. ***The PC should consider the redirection of any redundant funds currently allocated to the provision of payphones to the Mobile Blackspots Programme.***

# 1. Telecommunications in regional Australia

Access to reliable telecommunications services is essential for anyone living and running a business in rural Australia. Quality telecommunications underpin not only basic communications (including emergency calls), but other everyday activities such as online banking, weather information, trading crops and livestock, online learning, webinars and the maintenance of national livestock traceability databases.

Notwithstanding the importance of such services, the adequate delivery of telecommunications remains an issue for many people living in regional and remote Australia. Such issues surround basic landline connectivity as well as mobile and data services.

In this section, the NFF has provided commentary on first hand experiences of its members regarding telecommunications in regional Australia. It responds to a number of *Issues Paper* questions directly and provides the Productivity Commission with a clear background of the realities of communications in 'the bush' to inform their ongoing analysis.

**The state of telecommunication access in rural and regional Australia**

Rural and regional Australians have markedly poorer access to telecommunication services than their urban counterparts. The *2015 Regional Wellbeing Survey* from the University of Canberra showed that only 37 per cent of regional Australians felt that they had good access to high speed internet while 48 per cent felt that they had poor access[1]:

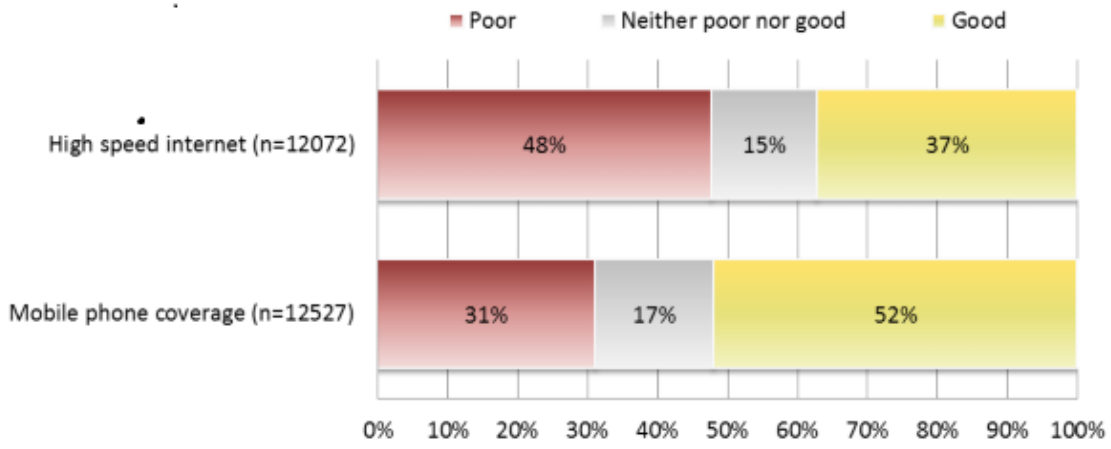



*Figure 1: Access to telecommunications, 2015, rural and regional Australia*

Access to high speed internet is no longer a nice add-on for life in rural and remote Australia, it has become essential for the economic, personal and social development of rural Australians.

[1] Schirmer, J.; Yabsley, B.; Mylek, M. and Peel, D. 2016. *Wellbeing, resilience and liveability in regional Australia: The 2015 Regional Wellbeing Survey*. University of Canberra, Canberra. (p. 185)

The digital divide between urban and rural Australia is a real equity issue, leaving Australians living outside of the capital cities behind. Rural Australians expect reliable, reasonable and consistent connectivity to participate in the 21st century.

Access to telecommunication services varies greatly between different regional areas, as demonstrated in the following figure[2]:

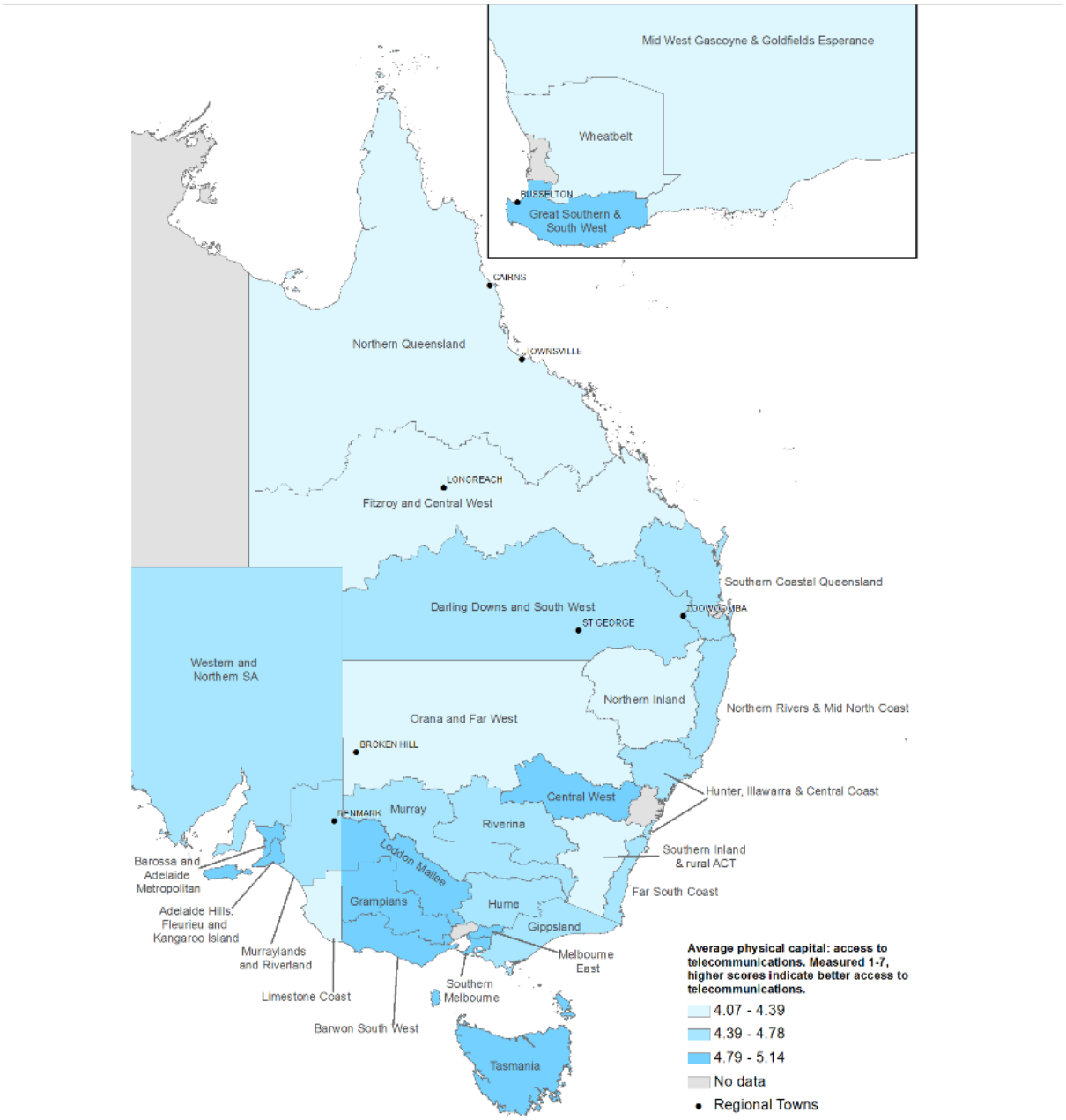



*Figure 2: Access to telecommunications, measured by region.*

[2] Schirmer, J.; Yabsley, B.; Mylek, M. and Peel, D. 2016. *Wellbeing, resilience and liveability in regional Australia: The 2015 Regional Wellbeing Survey*. University of Canberra, Canberra. (p. 188)

**First hand telecommunications experiences**

The NFF and its members have conducted a number of telecommunication surveys to garner a greater understanding of the telecommunications environment facing farmers in rural and regional Australia. The survey results demonstrate that Australians living and working in a regional setting have inequitable access to telecommunications: Service is less reliable, more expensive and has a lower quality despite a clear demand for and dependence on such services.

The entire results of the NFF member surveys by NSW Farmers (2014) is attached to this submission. This survey as well as a confidential survey from the Victorian Farmers' Federation (2016) are the source of the quotes in the citation boxes of this chapter.

**Competition in the market place**

The physical coverage area of Telstra's retail mobile network gives them a significant comparative advantage over other carriers, and especially over new entrants who might want to challenge Telstra via the new NBN network. This is due to Telstra's ability to bundle superior internet and landline services with their retail mobile plans, which cover a vastly greater geographical area than any other retail provider. Farmers seeking reliable coverage across the largest possible geographical area in regional Australia are effectively forced to go with Telstra for mobile services. In a 2014 NSW Farmers' survey, 95% of respondents said that their mobile provider was Telstra. A 2016 survey of Victorian revealed that 91% of farmers used Telstra. This dominance of mobile services allows Telstra a larger market share for mobile and landline services than would otherwise be the case.

It also appears that the Federal Government's Mobile Blackspot Programme may have inadvertently reinforced Telstra's comparative advantage in the provision of mobile services across regional Australia. Under Round One of the programme, 429 of 499 towers were awarded to Telstra. The NFF understands that there will likely be limited co-sharing of these new Telstra towers with other providers, and that Telstra will most likely not be making the services from the new towers available on its wholesale mobile network. This means that in Round One of the programme, the Federal Government may have inadvertently provided public funding for Telstra to extend what amounts to a monopoly mobile service in many parts of regional Australia. While the extra coverage under the program is extremely welcome, the way in which it has been implemented in Round One may have entrenched the lack of competitive tension in regional mobile phone markets.

Rural Australians value universal connectivity, achieved through the USO, above all else. Any market distortions and lack of mobile phone carrier competition are outweighed by the benefits that come through having universal connectivity. However, the lack of competitive tension leads to delivery of sub-standard service offers for rural and regional Australians that are currently using Telstra's mobile phone network. The current lack of competition creates distortions in the market place and leads to a dependence on Telstra for people living in remote locations. Many farmers feel that they have no choice if they want to participate in the digital world:

*"The signal [at our farm] is weak, slow, congested and Telstra inform us that we are in a 'non-commercial' area and they have no plans to either improve the wireless signal or to upgrade our 'legacy' telephone exchange." –Victorian Farmer, 2016*

*"We are only able to get service from Telstra which makes it very expensive." – Victorian Farmer, 2016*

**The benefits of secure and stable connectivity in regional Australia**

There is a public good that comes through fostering positive externalities relating to business activity, mental health and education which are not reflected directly in the costs associated with the service.

Farmers are increasingly reliant on internet access for basic business operations including online banking, weather information, trading crops and livestock, online learning and webinars, and maintaining national livestock traceability databases. Unfortunately, usage of these technologies continues to be limited by their available communications infrastructure.

In addition to this, potential productivity improvements that could be derived from increased use of automated machinery or sensor technology is hamstrung by the inability to establish a basic, reliable connection. VFF members have highlighted the impacts of poor connectivity:

- Restricts their farm business access to internet banking, market & financial information.
- Limits the functionality of and their ability to invest in broadband reliant machinery and technology.
- Affects farming families' access to online educational tools and social media.
- Health, Safety & Emergency response.

Business Access Quotes:

*"I have now been forced by the Tax Office to complete BAS online, which can time out. Being regional is a real disadvantage!" – Victorian Farmer, 2016*

*"The internet is too slow to support our accounting software, we therefore have to drive to a hotel in Sturt Plains to do our books." – Northern Territory Farmer, 2015*

*"We have the NBN Dish and it is hopeless. How can you run a business in this day and age with snail pace! We have to do our banking at 11pm at night, otherwise we can't do it." – Victorian Farmer, 2016*

*"Trying to run our business from here is almost impossible – we have 40 employees and all accounts/ wages are done via the Internet. We run out of bandwidth every month*

*and we are very careful in the way we use it (no watching of movies, downloads of games etc.). It is simply not adequate (or equitable)." – Victorian Farmer, 2016*

Educational Access Quotes:

*"I have a daughter in year 11, and she has had to go to school with her homework incomplete because of lack of service." – Victorian Farmer, 2016*

*"With three teenage children in the house, internet is vital to our lives. We all need it for learning, homework, pleasure and business." – Victorian Farmer, 2016*

*"Our children require internet access to complete school work. This is impossible, as they are unable to connect to the school website to work on assignment and that puts them at a significant disadvantage to their peers…when coupled with a 3+ hour journey to/from school each day, it seems more than a little unfair!" – Victorian Farmer, 2016*

Social Impacts Quotes:

*"We feel we are being left behind in business and socially due to our poor internet service! I don't watch movies because it is too unreliable and would take [our entire] download." – Victorian Farmer, 2016*

*"If we had faster download speeds we could access books, films and other entertainment that we at present have to drive 5 hours to access in Melbourne." – Victorian Farmer, 2016*

*"Recently tried to book tickets online but was unable to due to time outage of site, rang my son in Ballarat and over the phone he was able to access the same site and complete the transaction while I continued to time out." – Victorian Farmer, 2016*

**The changing nature of telecommunications use in agriculture**

New technologies, underpinned by access to communications infrastructure, have the capacity to revolutionise agriculture and to turn around flagging productivity growth. The use of information technology in farming has evolved rapidly, moving from basic GPS applications to the use of cloud based systems to store enormous quantities of sensor information. These big data techniques draw insights and inform management decisions that improve, for example, water and fertiliser usage.

The CSIRO mapped which technologies will be needed on farms in its 2013 report *Smart Farming: Leveraging the impact of broadband and the digital technologies*[3]:

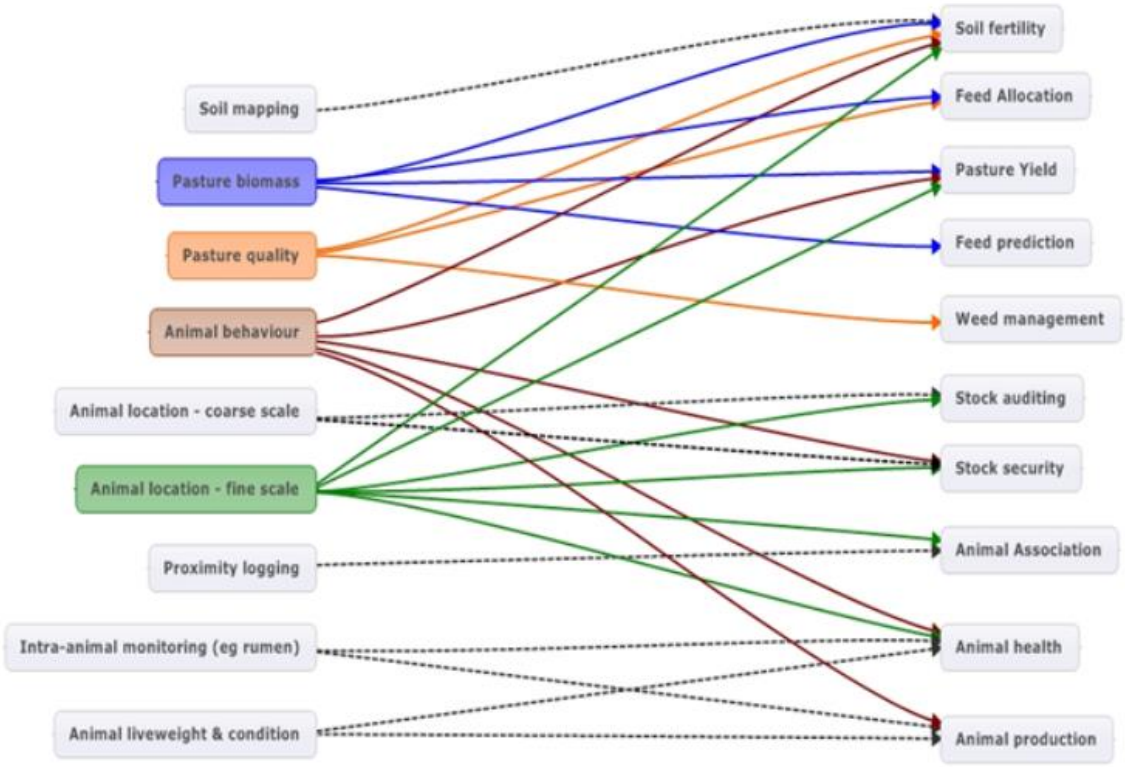



*Figure 3: Diagrammatric representation of how technologies (left hand side) may contribute to identified on-farm needs (right hand side). Solid coloured lines show technologies that align with 3 or more applications.*

Farmers, however, face massive barriers to using digital agricultural tools such as precision agriculture:

> *"Without reliable & reasonable connectivity agricultural businesses and progress is severely limited. These limitations showcase the widening gap in technology and innovation between the internet 'haves' and 'have nots' they will only increase over time from here forward. Some of our own issues include:*
> - *Limiting RFID technology gains and full use in managing sheep;*
> - *Limiting access to online & real-time support for technologies;*
> - *Utilising drone technology;*
> - *Internet buying and selling of livestock;*
> - *Marketing ourselves via the web & social media;*
> - *Responding to clients efficiently, effectively & timely & potentially using video clips to showcase animals;*
> - *Upskilling & lifelong learning;*
> - *OH&S on farm; and*
> - *Accident & emergency contact ability on farm. […]" – Victorian farmer, 2016*

[3] Griffith, C, Heydon, G, Lamb, D, Lefort, L, Taylor, K, and Trotter, M (2013) Smart Farming: Leveraging the impact of broadband and the digital economy, CSIRO and University of New England. (p. 20)

Using innovative digital technologies does not only improve efficiency on farms, it is also the basis for a sustainable and modern biosecurity system in Australia. Many agricultural biosecurity threats have the potential to affect public health, necessitating a fast and concerted biosecurity response in the case of a biosecurity incursion.

Currently, electronic livestock monitoring systems, such as the National Livestock Identification system used for cattle, are often beyond reach for farmers because rural and remote Australia has unreliable internet access. Consequently, farmers rely on paper records, hampering a fast and concerted response to biosecurity incursions. Innovative tracking technologies and digital monitoring of biosecurity threats are only effective when the devices operate within a functioning telecommunication space.

It is crucial that farmers across the country have reliable and constant access to internet services in order to digitally monitor their crops and animals. Transfer of data and access to databases enables efficient, effective and sustainable biosecurity management in the 21st century. The adoption of digitally enabled farm equipment can also deliver environmental benefits. For example, digitally enabled chemical applicators reduce the amount of chemical applied to a parcel of land to treat it for weeds via precision deployment. This reduces the amount of excess chemical which resides in the soil or enters waterways.

**The digitalisation of Government services**

Recent years have seen a concerted effort to shift the delivery of Government services online. The issues associated with regional connectivity outlined in this section have limited the ability of regional Australians to participate in modern day delivery of Government services. For example, the *etax* section of *mygov* requires continuous connection to lodge returns.

The NFF recommends that the PC investigate means by which farmers can access online Government services, including ways which do not impact on their broader data quality and affordability. Consideration should be given to making governmental and educational services exempt from data usage and charging in light of expensive data packages for Australians relying on remote telecommunications infrastructure such as satellites.

***Recommendations:***

1. ***The PC should recognise that Australians living and working in a regional setting have inequitable access to telecommunications: Service is less reliable, more expensive and has a lower quality despite a clear demand for and dependence on such services.***

2. ***The PC should investigate the future data needs of agriculture in respect to the adoption of digital agriculture.***

3. ***The PC should investigate means by which farmers can utilise their fixed line connection to deliver an on farm mobile data service.***

# 2. The impact of the National Broadband Network on the USO

### Ongoing need for a relevant USO

The NFF is supportive of the NBN and its aim deliver broadband service offerings throughout Australia. However, the ongoing development of the NBN does not negate the need for a USO. Instead, it provides the opportunity to reform the current USO to ensure it is relevant in the contemporary telecommunications landscape.

While it is true that the NBN acts in some regard as a replacement for the current USO, it is not a comprehensive replacement. It provides a solution to one of the many issues that the USO seeks to overcome – physical connectivity. The other objectives around quality of service, affordability of service and consumer safeguards remain. In addition, the provision of the NBN means that it is now imperative that current safeguards that apply to voice services are updated to include data.

The provision of the NBN will not overcome the need to regulate quality, affordable and reliable telecommunications access for rural and regional Australians. Regulation are needed to ensure that the NBN delivers health and education services, business productivity improvements and emergency communications to all Australians, at all times and at an affordable price. These outcomes are note appropriately addressed by simply delivering a physical wholesale broadband infrastructure.

### Connectivity gaps with an NBN only service

For many segments of the regional and remote market, the attainment of *quality* and *affordable* 21st century telecommunications will remain a challenge if they are delivered solely through the NBN.

The NBN theoretically presents the opportunity for consumers to make voice calls by utilising Voice over Internet Protocols (VoIP). However, many users that currently use satellite services for internet access risk a total telecommunications outage in case of a blackout if they transitioned to receive their voice services via VoIP instead of their current landline connection. Given the manner in which weather conditions can interfere with satellite coverage, this is a real not a hypothetical risk for rural Australians. The nature of living remotely dictates that reliable telecommunications services cannot always be delivered wirelessly.

In addition, there is no guarantee that the opportunity for service provision generated by the NBN as a wholesaler will result in the delivery of sufficient and acceptable retail services, especially taking into consideration that rural consumers have no means to hold service providers to account. The NFF and a number of its members have received correspondence from Telstra that it will not be offering a retail package for users who access the NBN via the Long-Term Satellite Service (LTSS). It is highly likely that this is a result of the uncommercial nature of servicing the 3% of customers who will rely on the LTSS to access broadband.

While other often small and specialised retailers are offering service products on the LTSS, they cannot provide the range of products that major telecommunications providers can. Importantly, they cannot offer bundling services that usually drive down costs for consumers.

**Issue identification and resolution between wholesaler and retailer**

The NFF has received correspondence from farmers who have faced difficulties resolving connections issues whereby there is an unclear division of responsibility between the retailer and the wholesaler (nbn co). If a connection issue is the fault of nbn co, the retailer directs the customer to the Telecommunications Industry Ombudsman (TIO). However, the customer has been informed that the TIO only has responsibility over issues regarding retailers.

In light of this, transparent standards for a minimum service provision between wholesalers (NBN) and retailers, and between retailer and customer should be set. These should be independent of any contractual arrangements and they should be readily available and be written in plain English. There must be both a body assigned the responsibility to monitor this and a body for customers to report arising issues. The PC should consider if a declaration of service by the Australian Competition and Consumer Commission is the appropriate means to achieve a service guarantee between telecommunication wholesalers, retailers and customers.

Furthermore, while the sale of the NBN in the short to medium term may appear unlikely, it is important to establish the NBN as a wholesale provider of last resort in such a way that it is not extinguished by the sale of the nbn co or its network, or by the repeal of the *NBN Companies Act 2011*.

***Recommendation:***

4. ***The National Broadband Network does not negate the need for a USO, but provides the opportunity to ensure the USO and associated consumer protections are appropriate in the current telecommunications landscape and cover both voice and data services.***

5. ***The PC should investigate the setting of transparent standards for minimum service provision between wholesalers (NBN) and retailers, and between retailer and customer. These should be independent of any contractual arrangement and written in plain English.***

# 3. Modernisation of the Consumer Safeguards and the USO

### Objectives of the Universal Service Obligation

In the NFF's view, the objective of the USO should remain in line with what is in place currently. As stated in section 9 (1) (a) and (b) of the *Telecommunications (Consumer Protection and Service Standards) Act 1999 (Cwlth),* the current objective is to ensure that USO services are 'reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business'.

This objective should be taken as a charter to ensure that the structural 'digital divide' that exists between those in regional and metropolitan areas (as described in section one of this submission) does not continue to expand. Further, the notion of services being 'reasonably accessible' should be understood to include the availability and affordability of the service.

While the overarching objectives of the USO must remain the same, the specific 'services' that are made reasonably accessible should be reformed in response to the changing telecommunications landscape. Specifically, a reformed USO and associated consumer protections must apply minimum standards to *both voice and data services*. This is discussed in more detail later in this section.

***Recommendations:***

6. ***The overarching objective of the USO, as stipulated in section 9 (1) (a) and (b) of the Telecommunications (Consumer Protection and Service Standards) Act 1999 (Cwlth), should remain, with 'reasonably accessible' taken to include the availability and affordability of the service.***

7. ***Stemming from its statutory objective, the USO should ensure that the 'digital divide' between regional and urban areas is reduced to the smallest possible levels.***

### Modernisation of the Universal Service Obligation: Technological Neutrality

As discussed in section two of this submission, the roll out of the NBN will see all Australians theoretically provided with broadband connection infrastructure. Where this occurs to a sufficient standard it would allow for consumers to undertake Voice over Internet Protocol (VoIP) calls. Such VoIP calls could act as the delivery means of the Standard Telephone Service.

Irrespective of the transition to technological neutrality, it is critical that consideration is given to retention of a standard telephone service where appropriate. At present, there is still risk that that the transition to an alternate delivery of the USO may compromise the quality or resilience

of the service. As outlined above, VoIP also presents connection or reliability issues associated with issues of satellite congestion, poor weather and blackouts.

***Recommendation:***

> ***8. The USO should allow for technology neutrality in its delivery of the safeguarded services where doing so does not compromise the resilience of the service.***

**Consumer Safeguards**

In the NFF's view, the reformed USO should apply consumer safeguards to both *voice and data* services delivered via the NBN. The extension of the USO to include minimum data standards was a key recommendation coming out of the 2015 Regional Telecommunications Review and is linked to the roll out of the NBN and the changing nature of farm households and businesses.

In this regard, while the broadband connection will be provided, incorporating data provision into consumer safeguards will act as a means of holding retailers and wholesalers to account in the event that there are issues with service provision.

The NFF supports the retention of voice services as a part of any future universal standard, particularly in areas that would otherwise have no communications in the event of a blackout, and is seeking further information about whether connection to the NBN through 'Skymuster' provides reliable landline 'VOIP' services in the event of a blackout.

As stipulated in the objectives of the USO, consumers must have 'reasonable' access to voice services. The NFF views the reasonability of the service should incorporate issues of availability and affordability. Doing so is imperative in the very likely event that remote customers cannot attract a retail service (or can only attract unreasonable offers); in the event that there is difficulty between the customer and the retailer; or in the event that problems between retailer and the wholesaler create issues for a customer.

The NFF recognises the difficulties in placing quantified conditions of baseline affordability and data to determine reasonability. Notwithstanding, this PC review should investigate what considered reasonable baselines are. Moreover, the delivery of data should be future focused. The NFF recommends the development of a mechanism to set standards that can be calibrated overtime to ensure that the set standards 'keep pace' with increasing technology and data requirements.

If appropriate, a transition to a reformed USO could be accompanied by a grandfathering provision on the USO/Standard Telephone Service so that there is overlap in case of issues during the roll out.

***Recommendations:***

> ***9. The services delivered by the USO should set minimum standards for the provision of voice and data services.***
>
> ***10. The NFF recognises the difficulties associated with placing a quantified limited on conditions of affordability and data to determine conditions of 'reasonable access'. The NFF recommends that the PC investigates a mechanism by which data standards can be calibrated to ensure that the 'digital divide' between regional and metropolitan consumers does not widen.***

**Reporting and Benchmarking**

In order to facilitate the integration of contemporary consumer safeguards into the USO, there is a clear requirement for regular benchmarking and reporting of the connectivity in regional Australia. Doing so will allow for an understanding of the 'digital divide' between customers in regional and metropolitan areas and enable the calibration of safeguards accordingly. Furthermore, there must be a specific reporting mechanism placed on the NBN as the wholesaler with regards to the administration and delivery of telecommunication services.

***Recommendation:***

> ***11. The USO should mandate regular benchmarking and reporting of the baseline telecommunication services delivered to regional Australia to inform current and future USO settings and associated consumer safeguards.***
>
> ***12. The PC should direct the appropriate body to collect detailed information on the use of USO services to inform any changes to the administration and delivery of such services.***

**Technological review of the a reformed USO**

The current agreements has a ten year technological review requirement. Given the rapidly increasing frequency of technological change, coupled with the desire for flexibility to be impeded into the new arrangements, the PC should consider the appropriateness of reviewing the roll out and function of any new USO on a more regular basis.

***Recommendation:***

> ***13. The PC should consider the appropriateness of reviewing the roll out and function of any new USO, in particular with regards to relevant technological developments, on a more regular basis than the current 10 year requirement.***

# 4. USO funding arrangements

As noted in the Issues Paper, the current agreement extends until 1 July 2032[4]. The NFF is aware that questions have been raised about the cost effectiveness of the agreement in delivering the designated services. Similar concerns have also been raised within the NFF membership.

Noting the commercial sensibilities surrounding the USO agreement and the limited information provided by the Commonwealth Department of Communications, the NFF requests the PC to examine the agreement so as to determine its overall cost effectiveness.

This request is conditional, however, to the premise that cost savings are then redirected to improving contemporary telecommunications outcomes for those Australians at a telecommunications disadvantage. In this regard, a potential redistribution of funds that provide net gains for regional telecommunication concerns the provision of payphone funding, as described in more detail in section 5 of this submission.

Further, the PC review discusses the funding arrangements of the USO. This will no doubt be of particular concern to telecommunication operators who contribute to the Telecommunications Industry Levy which, in conjunction with public money, funds the USO. In the NFF's view, any amendments to the funding of the USO must not see regional Australians disproportionality charged, either directly or indirectly, for access to basic telecommunications services.

***Recommendations:***

14. ***The PC should examine the current USO agreement to determine its cost effectiveness, with any cost savings redirected into improving contemporary telecommunications outcomes for those Australians at a telecommunications disadvantage, such as through the Mobile Blackspots Programme.***

15. ***Any amendments to the funding of the USO must not see regional Australians charged at a higher level, either directly or indirectly, for access to basic telecommunications services.***

[4] Commonwealth of Australia (c) (2016), Telecommunications Universal Service Obligation; Issues Paper, Productivity Commission, ACT.

# 5. Funding and Provision of payphones

**Funding provided in relation to the number of payphones operated**

The NFF recognises the ongoing role that payphones will play in ensuring access to phone services. In many regional areas payphones play an important role in providing last resort access to telecommunications. Notwithstanding this, the PC should examine the current provision of payphone arrangements to ensure that they are operating efficiently and delivering demonstrable benefit and service.

As stated in the PC Issues Paper, the number of Telstra payphones has declined by 46 per cent from over 32 000 in 2003-04 to around 17 500 in 2014-15. The fall in the number of non-Telstra payphones is even steeper over this period at around 74 per cent. To this end, The NFF is seeking further information regarding whether the annualised funding for the payments is linked to the number of payphones operated.

Additionally, the Issues Paper states that there is no data on who uses payphones. The NFF would encourage the PC to investigate who uses payphones, for what purpose and the frequency of use. This information should inform subsequent analysis of the cost effectiveness of the current arrangements and help determine if they are the best means to deliver the intended connectivity outcomes.

**Potential reduction of funding towards mobile connectivity**

Mobile access to internet and voice services is a basic expectation of most Australians, including those in regional areas. Such access has important safety implications for people on the land. Agriculture is statistically a high risk industry with regards to work health and safety. Often, farmers work alone in areas a long way from mobile coverage, which can limit access to emergency services and lead to preventable fatalities.

The NFF is seeking the PC to investigate the potential benefit of redirecting any funds gained from the rationalisation of current payphones into improving mobile phone coverage. This could potentially occur through the direction of funds to the Mobile Blackspot Programme. This Commonwealth programme provides funding, in addition to leveraging significant private sector investment, to build telecommunications infrastructure to address over 6,000 blackspots currently identified around Australia. These are predominately located in regional Australia.

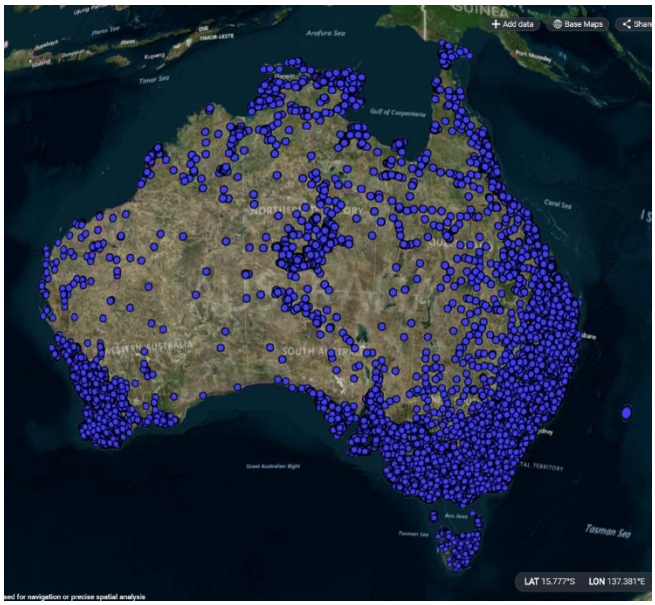



*Figure 4: Mobile Blackspots identified prior to June 2015*

***Recommendations:***

***16. The PC should examine the current USO agreement to determine the effectiveness of the payphones provision in delivering telecommunications outcomes.***

***17. The PC should direct the appropriate body to collect detailed information on the use of payphones to inform any changes to the administration and delivery of such services.***

***18. The PC should consider the redirection of any redundant funds currently allocated to the provision of payphones to the Mobile Blackspots Programme.***

# Attachment 1: NSW Farmers Telecommunication Survey 2014


## TELECOMMUNICATIONS SURVEY RESULTS

July 2014

# Overview

Given the large distances associated with living in rural areas, telecommunications play a vital role in maintaining social, community and business links. Unfortunately the lower population densities also mean that these areas do not get the same focus on service delivery.

Regional Australia is home to one third of the Australian population and makes an important contribution to the national economy, with agriculture producing 93% of all food consumed in Australia as well as exporting to international markets.

In NSW, 44,000 farm businesses operate across 72% of the total land area. While the largest services providers encompass 98-99% of the population in their mobile coverage network, this is mostly achieved through servicing highly urbanised areas as opposed to farming communities outside of regional centres.

The 2011-12 Regional Telecommunications Review identified that access to mobile broadband and voice services is important to capture the next generation of productivity improvements for the agricultural sector.

Undoubtedly parts of the farming sector are already taking advantage of the opportunities offered by access to mobile voice and broadband services. However, the current limitations of coverage, speed and pricing mean that many households and businesses in regional NSW are currently restricted in their access to such technology.

In order to capitalise on these benefits, there is an immediate need to improve the coverage and quality of voice and broadband services in regional areas.

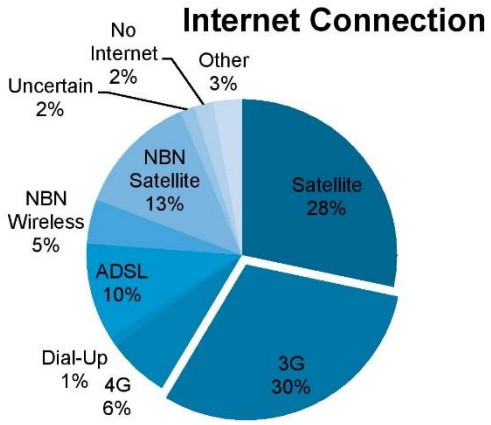
In an effort to better understand the current telecommunications environment in regional NSW, NSW Farmers undertook a survey of our membership in early 2014. The survey captured over 630 responses from farmers across outer metropolitan, regional and remote NSW, providing an important snapshot of the major telecommunications issues affecting regional users.

# Internet

The internet is now an integral part of social and business life in NSW. While internet access in both metropolitan and regional areas has increased significantly over the past decade, there are still differences in the type of internet being used.

The 2012-13 ABS Household Use of Information Technology survey indicates that metropolitan areas have a greater proportion of users on a DSL type of broadband connection, where fixed wireless and satellite broadband connection plays a larger role in regional and remote areas. While the percentage of the users on dial-up internet is quite low across the whole population, there is still a higher prevalence in more remote areas.

This information is consistent with the results of our 2014 Telecommunications Survey which demonstrated that farmers across NSW are predominantly connecting through satellite and wireless broadband connections, with the NBN starting to feature in the telecommunications landscape. In total, 82% of respondents to our survey reported that they are currently accessing internet through a satellite or wireless connection.

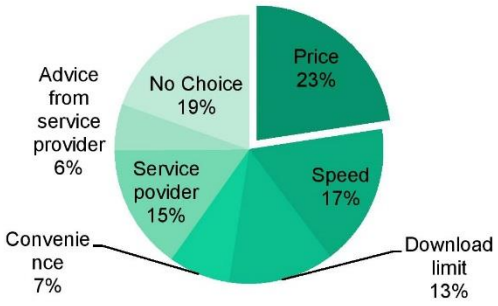



While many regional users are now able to access a broadband internet connection, the quality of these broadband services are typically lower than those in metropolitan areas. Our survey data indicates that current internet speeds are mostly at the level of moderate Kbps to low Mbps, much below the proposed offerings of the NBN Co at 25/5Mbps for fixed wireless and satellite services.

Volatility is another factor affecting the quality of internet services with many regional users experiencing periods of limited connection or no connection at all. This volatility affects user experience which is reflected in the levels of happiness amongst users towards their current internet plan. While the largest single response to our survey shows that people are neither happy nor unhappy with their current internet service, the skew is clearly toward those who reported being unhappy or very unhappy.


In terms of the regional internet market, our survey revealed that farmers feel limited in their choice of internet plan. While price remains the most determining factor, the second largest factor is that farmers have no choice of their internet plan or provider. This is not only a reflection of the lack of competition within the regional internet market but also a lack of understanding or customer information around the types of services and products which are available and appropriate for regional users.

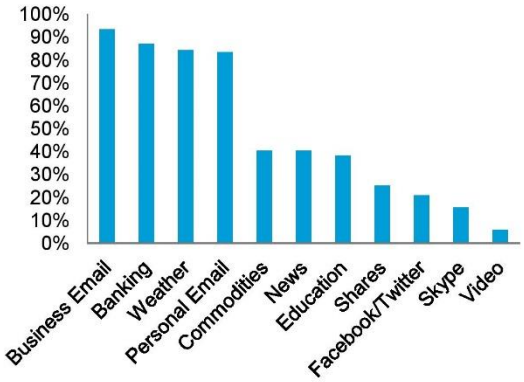
**Factors Influence Choice of Internet**




***"We are second class citizens in rural NSW in terms of internet speed and download capacity"***

In terms of how farmers are currently interacting and using the internet, our survey revealed that basic business functions dominate the main uses. Business email, banking and weather are the top three uses of the internet for farmers in NSW, while activities around social media recorded a lower response. Moderate recordings for education as well as commodity and shares demonstrate areas of future growth. The key change in use from our 2011 survey is in the area of online banking, which in 2011 recoded the second lowest area of use and is now the second highest. This clearly shows that as online delivery platforms improve, farmers are adopting the technology to meet their needs.

**Main uses of Internet**




With the roll out of the National Broadband Network fixed wireless and long term satellite services, it is expected that the range of uses for the internet will increase as the limiting factors of coverage and speed in regional areas are mitigated.

Similarly with the NBN, it is important that the federal government ensure equitable services and pricing across the NBN network, so that regional users are paying comparable prices for comparable services in line with their metropolitan counterparts.

***"Please bring rural and regional areas up to the same standard of telecommunications as our city friends. We feel we are being left behind in a very technologically driven world"***

# Mobile Coverage

As outlined in the 2011/12 Regional Telecommunications Review, mobile communications play an ongoing and expanding role in supporting Australia's digital economy, with coverage being essential for people to run a business, foster social interaction, encourage tourism and growth as well as assist in emergency situations

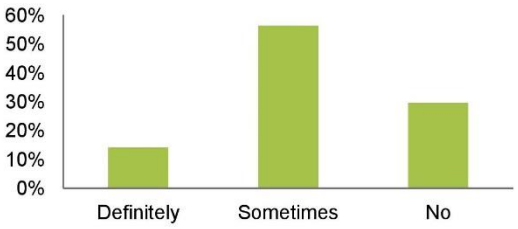
The essential nature of mobile coverage is clearly exemplified through our survey where **97.5%** of respondents indicated that they consider mobile coverage an essential service.

> ***"In the modern age I do not feel that good communications are a luxury, they are essential"***

Despite this essential role, farmers are currently limited in their access to mobile coverage for both voice and internet services. Poor mobile coverage is not only frustrating for farmers, impacting on simple business efficiencies such as making a mobile phone call from the paddock, but it also contributes to risk in emergency and disaster situations

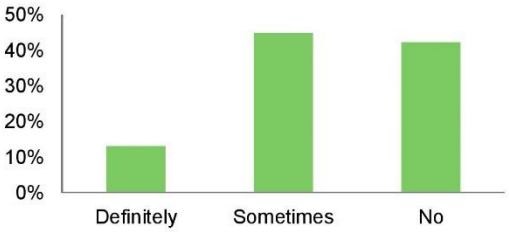
Our survey indicated that even in the current telecommunications environment, very few farmers have definite on farm coverage for mobile phone calls, with 56% of respondents reporting that they only 'sometimes' have coverage and as many as 30% having no access to coverage at all.

**On farm coverage for phone calls**



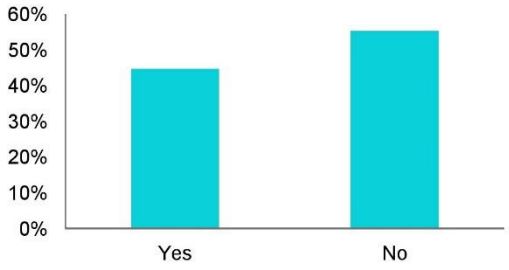

While the call function is the often the primary use for mobile phones, the expansion of smart phones and tablets into the telecommunications market has elevated the importance of mobile data coverage. The current situation of mobile coverage for internet services has even greater limitations for farmers. Only a small percentage of farmers have definite on farm coverage for mobile internet services with the majority, 87%, sometimes having coverage or no coverage at all.

**On farm coverage for mobile internet**




Similar to our 2011 survey, 45% of respondents reported that they use internet or email on their mobile phone. However given that only 12% have definite on-farm data coverage, it appears that the primary constraint in rural NSW is the ability to get a signal

**Use email and internet on mobile phone**



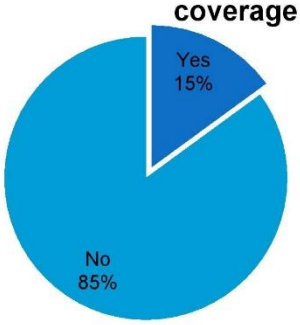

Given the current limitations of mobile services, it is clear why farmers and communities in regional NSW are unhappy with their current level of service and are seeking improvements.

> ***"We need mobile coverage so we can streamline our business and increase efficiencies. . . "***

At the moment, improvements are largely undertaken by private network operators who expand their network coverage and capacity on a commercial basis. While this approach may be adequate in addressing some small scale telecommunications issues, it is not achieving the broad base improvements which are necessary across large parts of the state.

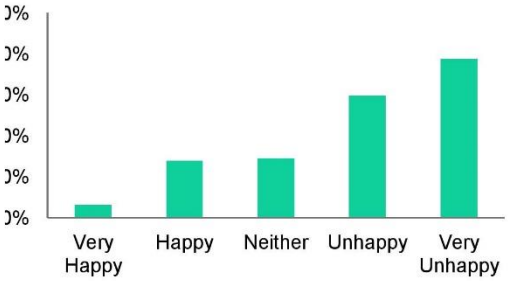
The limitation of this piecemeal approach is reflected in our survey where only 15% of farmers reported an improvement in coverage over the past two years, with the majority identifying no improvement at all.

**Recent improvements in coverage**




The current situation is clearly impacting farmer's happiness towards mobile services. Overall 68% of farmers indicated that they are either unhappy or very unhappy with their current mobile phone coverage, with fewer than 20% reporting that they were happy or very happy. This broad base unhappiness reflects the relative disadvantage of farmers and regional users in terms of mobile coverage.

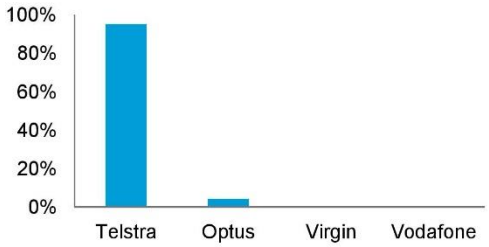
**Happiness with current mobile coverage**




While the current Federal Government's funding commitment to mobile black spots takes an important step in addressing market failure in the rural telecommunications market, there is a need for industry, government and services providers to develop a long term, coordinated plan to address ongoing coverage and competition issues in regional areas along with a funding mechanism to ensure coverage is progressively improved.

While expanding coverage is the primary concern in regional areas, there is also a need to look at the competitive forces in the regional telecommunications market, especially when 95% of survey respondents indicated that Telstra is their current mobile service provider. How is this relative lack of competition impacting retail price competition, products, service delivery and choice for regional users?

**Service provider**



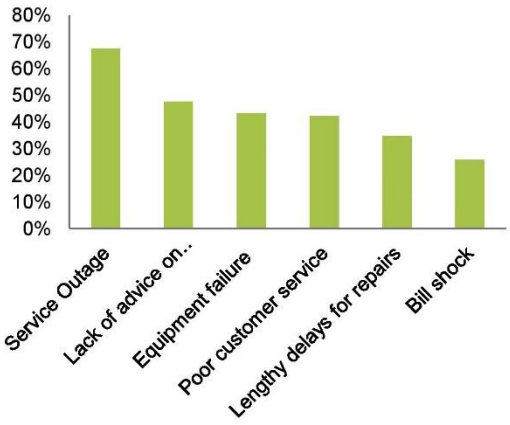

***"Telstra continues to push the latest mobiles that are capable of all sorts of functions, however we merely need to be able to make and receive calls effectively for starters"***

# Customer Service

While the experience of service issues is not exclusive to rural and regional areas, there are a number of factors which exacerbate the impact on regional customers. This includes the distance and the time taken to access service centres and repairs, the lack of understanding towards rural telecommunications issues and importantly the inability of many to take their business elsewhere with Telstra accounting for 95% of the market.

In terms of the type of service issues experienced by regional customers, our survey reported that 67% of farmers have experienced a service outage, 47% have experienced a lack of advice on products which are suitable for regional areas and over 40% have experienced equipment failure and poor customer service.

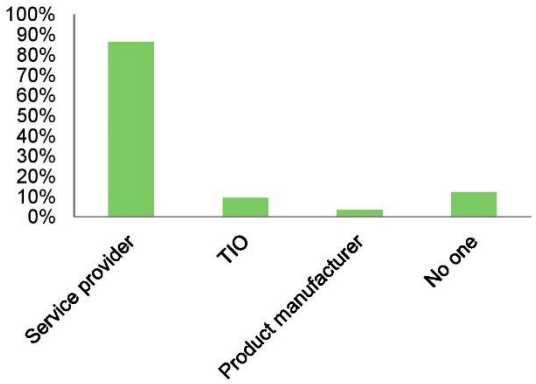
**Issues experienced**




In an effort to resolve these issues, 86% of farmers indicated that they refer the issue directly to their service provider, with only small percentages involving the Telecommunications Industry Ombudsman or product manufacturer.

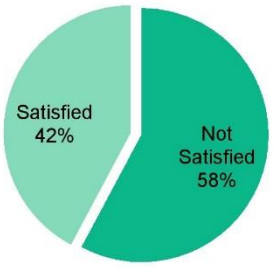
***"Difficulty in communicating service issues to Telstra call centre staff, they have no idea of country areas"***

**Issue reported to**




Unfortunately the ability of farmers to achieve a resolution to their service issues is not great. When asked whether they were satisfied with the response they received to their reported issue, 58% of farmers indicated that they were not satisfied, clearly outweighing the 42% who were satisfied.

**Satisfaction with response**




***"Absolutely frustrated with the delay in answer to faults and queries and the failure of service to meet the request until several, extremely lengthy waits on the phone"***

Given that the majority of farmers report issues directly to their service provider and Telstra is the primary service provider in regional areas, there is clearly a need for Telstra to improve their customer service, both in terms of advice on products and the resolution of issues, to those in rural and regional areas.