



# **Telecommunications Universal Service Obligation**

Submission by the Australian Communications Consumer Action  
Network to the Productivity Commission

25 January 2017

## About ACCAN

The Australian Communications Consumer Action Network (ACCAN) is the peak body that represents all consumers on communications issues including telecommunications, broadband and emerging new services. ACCAN provides a strong unified voice to industry and government as consumers work towards availability, accessibility and affordability of communications services for all Australians.

Consumers need ACCAN to promote better consumer protection outcomes ensuring speedy responses to complaints and issues. ACCAN aims to empower consumers so that they are well informed and can make good choices about products and services. As a peak body, ACCAN will represent the views of its broad and diverse membership base to policy makers, government and industry to get better outcomes for all communications consumers.

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# 1. Executive Summary

ACCAN thanks the Productivity Commission (PC) for the opportunity to comment on its Draft Report on Telecommunications Universal Service Obligation (DR). We welcome the PC's recommendations on bringing the USO up to date and ensuring that it is more transparent and efficient in its delivery of services to consumers. The PC inquiry is an important examination into re-evaluating the delivery of essential telecommunication services to Australians. Furthermore, we welcome the recognition that some consumers may face accessibility and affordability gaps, which may require specialised social programs.

ACCAN believes that an overarching obligation to ensure that services are available, affordable and accessible is important. If the USO is re-framed to be a policy objective (that all premises should have baseline broadband and voice services), aspects of the protection that comes from a legislative obligation may be lost. It is important that the universal service and the associated programs that target the market gaps, are co-ordinated and reviewed together to ensure that wider benefits and perspectives are considered, which an obligation may deliver better than a policy objective.

While recommending updating the USO, we believe that the DR needs to be more forward looking in its examination. Its proposed findings and recommendations confirm that nbn and broadband should be the baseline but we think that the DR could go further to ensure that the new regime is adaptable and appropriate in future years. There appears to be a varying baseline service depending on the level that nbn chooses to offer to different geographical areas. We do not believe that a network (nbn) that can offer "quality that is far superior to what is currently available" is a sufficient baseline criterion for a service. We are concerned that it does not provide sufficient guidance or protection now and into the future. Without having a clear definition on the baseline service, drawing conclusions on market gaps such as affordability and accessibility is difficult.

The following submission outlines ACCAN's thinking on the findings and recommendations in the DR. In particular, we would like to raise concerns about voice services (which are at this point untested) and affordability.

## 1.1. List of recommendations

### 1.1.1. Updated USO regime

1. An overarching transparent, accountable and enforceable right should ensure that consumers can access communication services and seek redress if necessary.
2. That the Productivity Commission clearly states that the reformed USO baseline broadband service is capable of 25Mbps and proportional upload speeds to all Australians.
3. Include, in Recommendation 9.3, an assessment of reliability and intelligibility as measurable factors in the baseline service.
4. The presence of retail service providers should be monitored throughout Australia against established criteria of plans, inclusions and supports that should be available to consumers. If these are not available commercially then the Government should consider tendering for a retail provider to specific premises.

### 1.1.2. Community Telecommunications and Payphones

5. Amend “(such as payphones)” in Recommendation 7.5 to “(such as payphones, satellite community phones, landline community phones, Wi-Fi hotspots, mobile phone hotspots and small cell mobile coverage)”.
6. Insert clause to 7.5: “The funding of the service should include the provision, operation and maintenance of the service, and include and not diminish existing remote area tariff benefits (such as extended zone tariffing and free calls on satellite community phones”
7. Further evidence is required to support the removal of payphones on a nationwide basis. Community consultation should remain at the centre of community telecommunication services.

### 1.1.3. Voice Services

8. The Productivity Commission should amend finding 6.2: “Voice services offered to premises in the NBN fixed-line and fixed wireless footprints will be of a high quality and equivalent to the standard and offered under the TUSO, **once the nbn network can be assured and amended to meet and deliver the associated guarantees and protections in the fixed wireless footprint.**”
9. Consumers’ should continue to have access to voice services, without any degradation in the level of service. While alternative, innovative, technology neutral and cost effective ways to deliver voice services in satellite areas should be considered, to ensure that consumers are not put at risk, the delivery of the current Universal Service Obligation and Copper Continuity Obligation should remain until an adequate alternative voice service is established.

### 1.1.4. Indigenous Telecommunications Program

10. The Community Telecommunication Program should prioritise remote areas with no services. A specific Indigenous Telecommunications Program could ensure that money is dedicated to meet particular needs of this community better.

### 1.1.5. Transitional arrangements

11. A clear transitional path should not put any consumer at risk from losing services. ACCAN is in favour of Option 2; removing the standard telephone service USO in all areas once the NBN rollout is complete, as it would allow time for transition and for the new programmes to be established. However, this could be flexible if the other elements of the safeguards are not in place, or are in place earlier than the completion of the nbn rollout.

### 1.1.6. Market Gaps

12. The Productivity Commission’s findings and recommendations on affordability are premature and further, and ongoing, analysis should be conducted in relation to affordability. Further direction should be provided on how reforms to low income supports could be achieved.
13. Measures to address accessibility barriers to remain an important feature of the Universal Service Obligation.

## 2. Current USO regime, updated baseline service and the NBN

### 2.1. Obligation or Policy Objective and related objectives

ACCAN welcomes the PC's findings that the current regime lacks transparency and is overdue for reform. We note that the PC recommends moving away from a legislative obligation for all Australians to have access to telecommunications services, and instead favours introducing an overarching policy objective.

We agree with the PCs recommended stocktake of programs that share USO objectives as soon as possible (Recommendation 4.1). This will help to ensure the objectives are being met, that the reformed USO is streamlined with other programs meet the needs of consumers. There are several concurrent reforms being undertaken in the telecommunications sector. While these reforms are needed, the high degree of inter-relatedness means that it can often be difficult to provide commentary on one isolated aspect of the delivery of essential services without understanding the full implications from all the reforms.

In the same light, the PC's DR in a number of instances refers aspects of broadband and voice service to other bodies for review. This includes the performance (referred to as the reliability and intelligibility) and safeguards of the new baseline broadband service to the Department to review. It is difficult to understand the full implications of the PC's findings on a minimum baseline service without understanding these elements of the service, as they define the usability of the service.

While ACCAN is supportive of many of the elements identified in the DR and the more targeted approach being recommended, we believe that the absence of an explicit obligation may result in availability, affordability and accessibility gaps that put consumers at risk. Individual components discussed in the DR, such as the safeguards review and legislative obligation at the network level, are needed improvements. However, ACCAN believes the legislative objective that communications services 'should be reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business'<sup>1</sup> must be reflected in updated safeguards and obligations that reflect the essentiality of communications services for consumers.

Due to the importance of the service ACCAN is concerned that ensuring access to communication services through a policy objective may result in a movable goal which experiences varying levels of commitment and funding depending on the political outlook on the day and the body responsible for delivering the specific element. Ensuring essential services should guarantee consumers rights to communication services and be independently reviewed, transparent and accountable.

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<sup>1</sup> Section 4 of the Telecommunications (Consumer Protection and Service Standards) Act 1999

Recommendation 1: An overarching transparent, accountable and enforceable right should ensure that consumers can access communication services and seek redress if necessary.

## 2.2. Broadband service

While we welcome the inclusion of broadband as the baseline service we are concerned that the PC is basing this on the wholesale level (expectation of what nbn will deliver) without clearly establishing what this is in terms of a baseline for broadband. While “the existence of the NBN means that the objective of universal service can be reframed to provide a baseline broadband service to all premises in Australia”<sup>2</sup>, a retail broadband service consists of more than just a network that is capable of delivering 25Mbps. The USO updated to include broadband should be on the merits of ensuring that everyone can connect to broadband services and its associated external, economic and social benefits.

Furthermore, on a number of occasions the DR refers to the Statement of Expectation guidance to nbn to deliver at least 25Mbps and proportional uploads as being a sufficient level for a baseline service.<sup>3</sup> However, in the current draft Statutory Infrastructure Provider (SIP) legislation the qualifying network is capable of achieving 25Mbps or is a satellite service.<sup>4</sup> There seems to be some degree of inconsistency as under the draft legislation 25Mbps is not intended to be provided to everyone. Additionally, there is no mention of other technical features, such as upload speeds. Upload speeds are increasingly important and needed for many applications, including voice service. Without a clear identification of what the PC is defining as baseline broadband, the USO is likely to result in a situation where the obligation and nbn is unable to be reviewed as the network and services that it delivers are not sufficiently and clearly defined.

Recommendation 2: That the Productivity Commission clearly states that the reformed USO baseline broadband service is capable of 25Mbps and proportional upload speeds to all Australians.

ACCAN agrees that the “quality of a broadband service also depends on how reliable its throughput is, how successful it is, and whether the content that is being communicated is intelligible”.<sup>5</sup> These are very difficult concepts to define for a broadband service, particularly where the market is divided into multiple levels (wholesale, retail, over the top) and the responsibility for achieving this level of quality and reliability cannot be delegated to one body.<sup>6</sup> ACCAN believes that further analysis of the meaning of these and the development of an industry standard or code may be required.

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<sup>2</sup> Pg. 2

<sup>3</sup> E.g. Pg. 5, 30, 52, 159, 165

<sup>4</sup> Department of Communications and the Arts, Telco Reform Package. <https://www.communications.gov.au/have-your-say/consultation-telecommunications-reform-package>

<sup>5</sup> Pg. 159

<sup>6</sup> For explanation of the different factors that affect broadband services see ACCAN article and infographic “What affects the quality of my broadband” <https://accan.org.au/tip-sheets/what-affects-the-quality-of-my-broadband>

Furthermore it is not clear to us that the work currently underway by the Department of Communications and Arts will fully address and define reliability and intelligibility, as this is not in terms of reference.<sup>7</sup>

Recommendation 3: Include, in Recommendation 9.3, an assessment of reliability and intelligibility as measurable factors in the baseline service.

## 2.3. Retail

ACCAN notes that the PC, on the basis of sufficient retail competition over NBN, has found that services will be available to consumers.<sup>8</sup> A number of submissions to the Productivity Commission, including nbn, support the argument that retail presence will be nationwide due to uniform wholesale pricing.<sup>9</sup> While uniform input costs and retail competition is very important, there are a number of cases where competition is not sufficient to determine that all consumer needs are met. There are elements to a service, or types of plans which RSPs may not be incentivised to supply. Without obligations or conditions certain services, such as voice only services, sufficient level of data inclusion, Priority Assistance or equipment for Tele-Type Writer (TTY) may not be available to consumers in all areas. These requirements do not form part of the requirements on all RSP, put rather on Telstra in fulfilment of its role as the Universal Service Provider of the Standard Telephone Service.<sup>10</sup> Competition alone may not provide these other elements of a service.

In particular, ACCAN believes this may be a cause for concern where the network delivering the service is not NBN. Many of the bigger providers do not offer services over some of the networks competing with NBN, leaving some consumers on these networks unable to access the range of services they would like. Additionally, it is not currently possible to get a voice only service over an nbn Satellite service. For a number of consumers, such as elderly consumers, access to a voice only service is essential.

The presence of retail service providers should be monitored against a range of service criteria such as minimum level of data, maximum price, whether a voice only service is available, whether TTY equipment is supported, emergency services access, and itemised billing. Some of this may be established as a requirement from all retail services providers through the upcoming consumer safeguards review by the Department of Communications and the Arts. If any premises cannot access a retail provider that will provide a service, or a plan that includes the established criteria then the Government should examine the need to tender for the delivery of a retail service to these premises. This could be similar to the Australian Broadband Guarantee, which set out the cost for consumers and the required minimum level of service.

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<sup>7</sup> The Department of Communications and the Arts Telecommunications Reform Package and the Consumer Safeguards Review.

<sup>8</sup> Pg. 11

<sup>9</sup> Nbn submission to Productivity Commission, July 2016.  
[http://www.pc.gov.au/\\_data/assets/pdf\\_file/0014/203135/sub047-telecommunications.pdf](http://www.pc.gov.au/_data/assets/pdf_file/0014/203135/sub047-telecommunications.pdf)

<sup>10</sup> Contracts with Telstra in relation Voice only Migration (Module D), Extended Zones.



Recommendation 4: The presence of retail service providers should be monitored throughout Australia against established criteria of plans, inclusions and supports that should be available to consumers. If these are not available commercially then the Government should consider tendering for a retail provider to specific premises.

## 2.4. Community telecommunications and Payphones

ACCAN supports recommendation 7.4 to ensure mobile coverage is targeted based on community input and likely to yield additional coverage. A program that funds community telecommunications services (recommendation 7.5) is also welcomed as a more targeted approach to meeting consumer communication needs than the current payphones obligation. We note however that there is a large mix of services which currently meet this need and suggest that they are also included in the recommendation.

Recommendation 5: Amend “(such as payphones)” in Recommendation 7.5 to “(such as payphones, satellite community phones, landline community phones, Wi-Fi hotspots, mobile phone hotspots and small cell mobile coverage)”.

Furthermore, to ensure adequate funding and to maintain the tariff benefits that apply to some existing community phones and that apply to extended zone calls, a clause should be added to the recommendation.

Recommendation 6: Insert clause to 7.5:

“The funding of the service should include the provision, operation and maintenance of the service, and include and not diminish existing remote area tariff benefits (such as extended zone tariffing and free calls on satellite community phones)”

The DR in a number of circumstances, but in particular in relation to payphones, determines the need for a service based on the total demand.<sup>11</sup> While the evidence supports that lower numbers of consumers are using the service, ACCAN is concerned that it is not truly reflective of the consumer experience. Consumers have increased access to a range of services, but this is not consistent across all geographic areas. While some consumers may now be able to meet their communication needs through other telecommunications mediums, others may still have the same or increased level of demand on community services. Communities, such as Ngaanyatjarra, often experience queues for the community public payphone, where an increased number of phone lines is required to meet the demand.<sup>12</sup>

<sup>11</sup> Demand for TUSO-funded services is decreasing. Pg. 89

<sup>12</sup> Example provided by NG Media during consultation.

It would be detrimental to remove all payphones on the basis on national average data. There is a process in place currently to remove payphones which requires community consultation.<sup>13</sup> ACCAN believes this is very important in the delivery of community services and that no payphone should be removed without community consultation. Community consultation should be identified as part of the transitional process and a key element of the community telecommunications service.

Recommendation 7: Further evidence is required to support the removal of payphones on a nationwide basis. Community consultation should remain at the centre of community telecommunication services.

## 2.5. Funding

ACCAN welcomes a move to a competitive tender process for programs to address market gaps. However, we note that there is a degree of inconsistency with this move and the narrow levy that the Government is implementing in the Regional Broadband Scheme to fund the non-commercial nbn network.

We support a principles based approach, based on the core principles of transparency, economic efficiency, accountability, contestability, sustainability and equity. Ultimately, ACCAN's concern is that services and related supports are delivered sustainably and are available, affordable and accessible.

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<sup>13</sup> Section 3.8.2 of Telstra's *Standard Marketing Plan*.

<http://www.acma.gov.au/~media/Networks/Information/pdf/Universal%20Service%20Obligation%20Telstras%20Standard%20Marketing%20Plan.PDF>

### 3. Information requested

The Productivity Commission requested information in relation to three areas and ACCAN would like to provide the following responses.

#### 3.1. Satellite for voice services

##### 3.1.1. Voice services

ACCAN is concerned that the PC has determined that Fixed Wireless meets the standard to deliver voice services, without directing that the nbn Fixed Wireless network is modified to ensure the delivery of this service. The nbn network needs to be upgraded in order to ensure the delivery of this service. The NBN Wholesale Broadband Agreement currently explicitly states that it is unable to deliver assurances associated with a voice services.<sup>14</sup> In their submission nbn stated “If service levels consistent with the voice CSG were required on nbn’s fixed wireless and satellite networks, this would also increase nbn’s costs”... As nbn has not designed or deployed its Fixed Wireless or Satellite networks with a view to supporting voice services, further detailed analysis would be required to understand the technological, operational and service quality implications of having to do so”...and “Any framework that assumes a role for nbn that is in any way different from nbn’s current product set and rollout plans will have both operational and cost implications, and will require funding to implement and maintain.”<sup>15</sup> ACCAN is concerned that these elements are not being addressed and fixed wireless will be relied on to deliver voice services in its current design, putting consumers on this technology at risk. ACCAN recommends that the finding should be nuanced to take this into consideration. Alternatively, the Productivity Commission could recommend an immediate investigation into the ability to re-design the Fixed Wireless network to deliver a voice service.

Recommendation 8: The Productivity Commission should amend finding 6.2:

“Voice services offered to premises in the NBN fixed-line and fixed wireless footprints will be of a high quality and equivalent to the standard and offered under the TUSO, **once the nbn network can be assured and amended to meet and deliver the associated guarantees and protections in the fixed wireless footprint.**”

##### 3.1.2. Satellite voice services

ACCAN has five serious concerns about the PC’s DR in relation to voice services in satellite areas.

<sup>14</sup> NBN Wholesale Broadband Agreement 2. Pg. 26 Priority Assistance and Pg. 27 and Customer Service Guarantee service is not available on FW or Satellite. [http://www.nbnco.com.au/content/dam/nbnco2/documents/sfaa-wba2-product-catalogue-nebs-prod-desc\\_20170109.pdf](http://www.nbnco.com.au/content/dam/nbnco2/documents/sfaa-wba2-product-catalogue-nebs-prod-desc_20170109.pdf)

<sup>15</sup> NBN submission to Productivity Commission, pg. 15 and 16. [http://www.pc.gov.au/\\_data/assets/pdf\\_file/0014/203135/sub047-telecommunications.pdf](http://www.pc.gov.au/_data/assets/pdf_file/0014/203135/sub047-telecommunications.pdf)

1. **Current mobile coverage assumptions.** The Draft Report assumes that 90,000 premises within the satellite footprint do not have mobile coverage.<sup>16</sup> Mobile coverage maps are not always accurate; a fact recognised by the networks: “Obstructions – such as buildings, vehicles, trees, hills and building materials – can all reduce the signal level available for your mobile handset, tablet or mobile broadband device.”<sup>17</sup> This demonstrates that premises may be in a mobile coverage area but still have no coverage inside their premises. ACCAN does not consider that coverage outside the premises qualifies as a service. Therefore, we have concerns that the number of premises in the current assumptions in the Draft Report is optimistic.
2. **Identifying the addresses lacking mobile coverage.** The satellite footprint is aimed to provide services to the whole of Australia. Mobile coverage is based on commercial decisions and is unrelated to the satellite network. ACCAN believes that it will be very difficult to determine where mobile coverage needs to ‘fill in’ satellite coverage, making any tender process difficult to conduct. Furthermore consumers may be put at risk if a restriction is put in place which does not include premises that appear in mobile coverage maps from accessing a voice solution when in reality do not have access to adequate voice services.
3. **Future mobile coverage is not guaranteed.** The Telstra 3G network is likely to be in existence for a limited period, estimated to be another 5 years, with the switch off already discussed for 2020.<sup>18</sup> The Draft Report states that currently only 74% of non-metro population have 4G coverage. There is no guarantee that this will reach the 98% coverage, or more, that the 3G non-metro populations currently has.<sup>19</sup> Likewise, any further mobile coverage expansion is not guaranteed and is dependent on commercial decisions or the continuation of Government funded programs addressing mobile black spots.
4. **Degradation of reliability.** The DR states that the reliability some consumers in rural, regional and remote areas receive is below the average national experience. Prima facie, this does not mean that the lower reliability standard delivered by Sky Muster should be sufficient.<sup>20</sup> ACCAN strongly disagrees that the level of reliability should match the poor reliability that is currently experienced. It is evident from the annual reporting by Telstra to the ACMA, the complaints to the Telecommunication Industry Ombudsman and the Regional Telecommunication Independent Review Committee (RTIRC) that the standard of voice service has dropped in the last number of years.<sup>21</sup> The ever lowering experience does not justify the current standard being applied to the reframed USO.

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<sup>16</sup> Pg. 176 – based on assumption of 99.25% mobile coverage.

<sup>17</sup> Telstra coverage map notes <https://www.telstra.com.au/coverage-networks/our-coverage>

<sup>18</sup> ArnNet, Telstra flags 3G network shutdown early, <http://www.arnnet.com.au/article/610472/telstra-flags-3g-network-shutdown-early-2020/> (accessed 19th December 2016)

<sup>19</sup> Pg 65

<sup>20</sup> Pg. 175

<sup>21</sup> As discussed on pg. 118. Also see pg. 8 of TIO submission to RTIRC <https://www.communications.gov.au/sites/g/files/net301/f/TIO%20submission%20-%202015%20Regional%20Telecommunications%20Review%20-%20Final.pdf>,

Pg. 110 of ACMA Communications Report 2014-2015 <http://www.acma.gov.au/~media/Research%20and%20Analysis/Report/pdf/ACMA%20Communications%20report%202014-15%20pdf.pdf>

5. **Mobile and satellite services as an adequate baseline.** A number of consumer safeguards and protections cannot be provided with a mobile and satellite service. For example, accessible TTY devices are not compatible. While ACCAN believes a reliable and quality mobile service may be a substitute, technically, to the current HCRC and copper services for most consumers, the associated safeguards, accessibility and priority assistance need to also be assured. The Draft Report finds this “is a matter for the Australian Government to address in its consumer safeguard review”.<sup>22</sup> However, ACCAN strongly believes that the service should be outlined first, and that the appropriate safeguards being deliverable over the chosen technology is a condition of recommending the service as an alternative (rather than standards being later adapted to meet a chosen technology).

Regional consumers should not be at risk of losing access to voice services. ACCAN does not believe that the adequacy of the satellite service for voice services will be known for some time yet. There are technical limitations of the Sky Muster service which are fundamental to how the service is delivered, and which cannot be amended. In particular ACCAN is concerned about the high latency and the susceptibility of the technology to weather conditions, which makes the service inappropriate in certain circumstances and areas.

The Draft Report discusses 3 options for the delivery of alternative voice services. ACCAN welcomes further discussion on alternative solutions. However, we are not sure why these options specify the technology or body that is used in the delivery of voice services. The chosen technology may vary between geographical areas. The solution should be technology neutral and competitive tendering should target the delivery of an adequate reliable voice service. While determining a suitable voice service in the satellite footprint ACCAN does not support removing the current obligation and service.

ACCAN member Centre for Appropriate Technology (CAT), based on their experience and work in this area, suggests consideration of cost effective means of extending mobile coverage such as small cells and mobile phone hotspot technology. CAT can provide the Productivity Commission costing information on a commercial in confidence basis upon request.

Recommendation 9: Consumers’ should continue to have access to voice services, without any degradation in the level of service. While alternative, innovative, technology neutral and cost effective ways to deliver voice services in satellite areas should be considered, to ensure that consumers are not put at risk, the delivery of the current Universal Service Obligation and Copper Continuity Obligation should remain until an adequate alternative voice service is established.

### 3.2. Indigenous telecommunications program

ACCAN welcomes the PC’s consideration that there is “no question” of scope for Government intervention in Indigenous telecommunications.<sup>23</sup> Community telecommunications services meet

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<sup>22</sup> Pg. 184

<sup>23</sup> Pg. 189

many needs, particularly where there is no mobile coverage or there are affordability barriers faced by the community.

After consulting with regional, rural and remote members who represent Indigenous communities, ACCAN believes that there are specific barriers faced by these communities, including unique linguistic and mobility barriers. Additionally, the costs and benefits of serving these communities may differ to the general community; due to the remoteness, population density and potential revenue generated from the service. Furthermore, Draft Recommendation 7.5 only provides for voice telecommunication requirements, residents of remote Indigenous communities need, and will continue to need considerable support in accessing online services, which may be addressed more sufficiently by an Indigenous specific program. This may affect the comparative benefits arising from targeted supports in these areas under a service-specific community-wide program, with programs in more densely populated areas comparatively delivering a higher benefit at a lower cost.

While ACCAN does not have a strong evidence that an Indigenous-specific program alone can meet the group's needs, we do believe that certain principles need to be observed, including prioritising remote, low density populations that deliver high community benefits. A community program that ring-fences a sufficient percentage of its funds to these communities could potentially deliver the same level of benefits.

Recommendation 10: The Community Telecommunication Program should prioritise remote areas with no services. A specific Indigenous Telecommunications Program could ensure that money is dedicated to meet particular needs of this community better.

### 3.3. Transitional arrangements

There are a number of elements that need to be considered in relation to transitional arrangements. The timing of the consumer safeguards review and telecommunication reform legislation is critical before any current arrangements can be abolished or reduced. ACCAN has concerns over how some of the options identified in the PC DR would operate.

In its first submission ACCAN stated that the new USO should come into effect as the NBN rolls out (similar to Option 3). However, we now believe that this may put some consumers at risk as the new baseline services and associated protections are not in place. In particular, we are concerned about;

- The time required to amend NBN in the Fixed Wireless footprint to ensure the delivery of voice services,
- The continued availability of voice only services in the nbn fixed line network, and
- Consumers served by networks other than nbn and the potential detrimental effects they might experience due to the removal of the USO obligations.

These groups of consumers have a level of dependency on the USO and associated protections. Consumers should not be put at risk before new measures are put in place, and for this reason we believe the current USO should remain, at least, until the NBN rollout is complete and conditional on the alternative arrangements being established. This allows time for the Draft Report recommendations to be examined, contracts to be re-negotiated and the consumer safeguards review to be completed. If these can be completed prior to the completed rollout of the NBN then there could be a case for earlier transition.

Recommendation 11: A clear transitional path should not put any consumer at risk from losing services. ACCAN is in favour of Option 2; removing the standard telephone service USO in all areas once the NBN rollout is complete, as it would allow time for transition and for the new programmes to be established. However, this could be flexible if the other elements of the safeguards are not in place, or are in place earlier than the completion of the nbn rollout.

## 4. Market Gaps

ACCAN welcomes the DR recommendations regarding a review of safeguards as a matter of priority, the funding of community telecommunication services, and how the Mobile Black Spot Program is targeted.

We would like to make the following comments about affordability, accessibility and safeguards.

### 4.1. Affordability

ACCAN has a number of concerns with the Draft Report's analysis and conclusions on affordability. While the initial entry prices may be comparable to ADSL (as they were designed to be) we are cautious that this could lead to the interpretation that the long run affordability over the network will not be an issue. The nbn is not expected to recover its costs until 2040 and was established to deliver a higher level of services to what the current (ADSL) technology can deliver. The "increasingly essential" "nation building" network was recognised from its establishment to "help drive Australia's productivity, improve education and health service delivery and connect our big cities and regional centres."<sup>24</sup> Technology is moving from a depreciated asset, ADSL, which has significantly lower costs to an updated technology which needs to recoup significant costs. It is important that both the investment costs and the intended move to a more advanced technology are factored into the examination.

#### 4.1.1. General affordability

##### *Household spending on telecommunications*

Affordability is a complicated multi-dimensional issue which is difficult to measure. The PC, in its examination of affordability in section 6.3, has used a number of available statistics including the ABS Consumer Price Index (CPI) and the Household Expenditure Survey (HES), which we have reservations about. While we agree that the per unit cost of inclusions (data, voice minutes, SMS rates etc.) are decreasing, the use of services is increasing significantly. The reduction in unit costs does not balance the increased use of services. This is significantly driven by the increased number of connected devices in the average household, currently more than 9, and expected to grow to 29 by 2020.<sup>25</sup>

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<sup>24</sup> Joint media release with Prime Minister, Minister for Finance, and Minister for Broadband, *New National Broadband Network*, 7 April 2009. <http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/036.htm&pageID=003&min=wms&Year=&DocType=>

<sup>25</sup> Nbn, *Internet uninterrupted: The connected future of Australian households*, <http://www.nbnco.com.au/blog/connected-homes/internet-uninterrupted-the-connected-future-of-Australian-households.html>



Additionally, the CPI measures a basket of goods consumed by “metropolitan private households”.<sup>26</sup> This can impact on the ability to apply the trend from this group more generally to consumers in all geographic areas. Furthermore, the available data is outdated, particularly the HES where the most recent release, 2009-2010, predates the rollout of the NBN. There has been a significant change in the use of services since this data was collected.<sup>27</sup> We believe that the HES may present more optimistic figures as they exclude groups of consumers that arguably face the greatest barriers, including remote Indigenous communities and overseas residents.<sup>28</sup> While these groups may be low in number for a survey such as the HES, they impact on the usefulness of this survey being used to determine affordability across all groups in society.

### *Plans used in the analysis are not baseline broadband services*

The PC’s determination on affordability seems premature when the technical features of baseline services have not been fully defined. For example, the plans that have been used in the affordability analysis in Appendix D are primarily 12/1Mbps with 10GB of data. This is not consistent with the references throughout the Draft Report to “25Mbps”.<sup>29</sup> In order to receive this baseline broadband service (25Mbps), and higher speed tiers, an additional amount, usually \$5-\$30 a month is required.

### *Level of quality offered from the service not factored in*

Comparing different plans over different technologies may not be representative if they do not meet the baseline service standard. In Appendix D the report makes a number of comparisons between voice services over different technologies. For example the PC says that consumers in the NBN satellite footprint could pay less for voice communication over nbn compared to legacy services. There is a significant difference in the voice service delivered over satellite and that of Telstra fixed line. The Draft Report acknowledges that critical devices, such as medical alarms, and priority assistance and emergency calls may not be appropriate on satellite services. These do work over the Telstra home phone plan and this is reflected in the cost. Comparing Telstra’s home phone packages to satellite VoIP therefore may result in an unfair comparison, as one service is significantly inferior. ACCAN cautions comparisons and conclusions about affordability of services when the underlying level of service, reliability and inclusions are not factored in.

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<sup>26</sup> ABS Consumer Price Index.  
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DSSbyCollectionid/1E564CACF4CBEC32CA256ED8007EF06E?opendocument>  
 (accessed 17<sup>th</sup> January 2017)

<sup>27</sup> See ACMA Communications Report 2014-2015 for change in use of services over the last five years.  
<http://www.acma.gov.au/theACMA/Library/Corporate-library/Corporate-publications/communications-report-2014-15>

<sup>28</sup> ACCAN submission to ABS ICT Statistics Review Committee. February 2015. <http://accan.org.au/our-work/submissions/1038-communications-statistics>

<sup>29</sup> Pg. 159

### *Minimum data availability*

Data allowance is an important element for a consumer as it represents how much of the service they can use.<sup>30</sup> There is a large difference in the level of data included between the plans over nbn (10GB) and legacy plans (40GB) that are compared in Appendix D; 10GB of data is not comparable to 40GB. The average data use over the nbn service is 131GBs/month.<sup>31</sup> While accepting the Draft Report's point (pg. 44) that the majority of users may be below the average data usage, we would expect the median usage of a fixed service to be much higher than 10GBs; (the plan used in the basis of the affordability measure), at a guess the current median usage in Australia is more likely in the region of 65GB. When the speed and level of data is considered, the cost for a baseline service with median usage is around \$60/month. A similar legacy plan, albeit potentially slower due to the technical restrictions of ADSL, is \$55/month.<sup>32</sup> Therefore, we believe that the cost of the baseline broadband service with the required amount of data is higher than the entry prices used in the report. This will affect the overall conclusions on the level of affordability and it is very important that the baseline service, and all its associated factors are established before comparisons and determinations can be made on affordability.

The level of data is also important in the consideration of future affordability. The estimated growth of data is 22-53% per annum.<sup>33</sup> At a base of around 65GB/month median premises data usage in 2016, this could be over 150GB/month by 2020. Many services would not be able to deliver this amount of data, regardless of affordability. The Sky Muster satellite service limits the amount of data that consumers can use in its fair usage policy and restricts the number of services that can be purchased.<sup>34</sup> This means that consumers in satellite areas may be unable to access the median or baseline amount of data needed from as early as 2020 and be severely limited as to what they can do within a short timeframe. Already there are many consumers who report that their use of service is curtailed on Sky Muster due to the limited data that is available.<sup>35</sup> Full consideration of the amount of available data is not sufficiently addressed in the DR.

### *Future affordability*

The DR outlines the long term price controls in the Special Access Undertaking as a means to ensure that services will continue to be affordable. While nbn is limited in its ability to increase individual

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<sup>30</sup> Previous research indicates that this is the second most important aspect of a service. See 'Broadband speeds and performance leaving consumers disappointed' February 2016. <https://accan.org.au/our-work/1160-broadband-speeds-and-performance-leaving-consumers-disappointed>

<sup>31</sup> Nbn Corporate Plan 2016-2017

<sup>32</sup> Whirlpool analysis (16<sup>th</sup> December 2016)

<sup>33</sup> Cisco, *Visual Networking Index*, <http://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/mobile-white-paper-c11-520862.html>

<sup>34</sup> Nbn PDF max average download usage across an RSPs end users of 15-25GB during peak periods, upload of 3-5GB during peak periods, with max individual usage of 75-150GB in a 4 week rolling period

<sup>35</sup> See Better Internet for Rural, Regional and Remote Facebook Page for numerous examples and consumer surveys on the Sky Muster data inclusions. <https://www.facebook.com/groups/BIRRR/>

prices that it charges RSPs (to Consumer Price Index minus 1.5%),<sup>36</sup> the corollary that consumers will not pay more than this price control is not true. It is expected, and the viability of nbn is dependent on, consumers purchasing and needing higher speed tiers and higher data allowances. Although about a third of consumers are currently purchasing the 12/1Mbps speed tier, nbn predicts that by 2020 there will be an increase in consumers choosing speed tiers above 12/1Mbps, an increase in take up of services, and average revenue per end user increasing from \$43 to \$52.<sup>37</sup> This results in consumers paying for higher plans.

Furthermore, the draft report assumes that nbn pricing is responsive to increases in demand. The recent changes in CVC pricing are designed to ensure that nbn optimises its return from each of the retail providers. In effect the change to a dimension price discount by retailer will charge a higher per unit cost from low provisioning RSPs and a lower per unit cost for high provisioning RSPs. While this may result in a degree of responsiveness to demand increases, it does not ensure that low end services benefit from overall or average increases in data demand. This we believe would, at least, raise a doubt about the price controls and CVC pricing as being sufficient to determine that services will be affordable in the future. Higher speed tiers and larger data allowances will be essential to complete the range of applications that consumers will be using online; from government services to tele health to business applications. The implications this will have on affordability need to continually be examined.

#### 4.1.2. Low income consumers

ACCAN welcomes the recognition by the PC that services are not affordable for some consumers. Since our initial submissions to the inquiry we have completed our joint research with the South Australian Council of Social Services (SACOSS) resulting in the 'Connectivity Costs' report.<sup>38</sup> SACOSS's submission to the USO inquiry includes a number of critiques of the Draft Report's treatment of telecommunications affordability, of which ACCAN is in agreement. Connectivity Costs presents a number of important findings for low income telecommunications affordability, including:

- The inadequacy of the Centrelink Telephone Allowance (CTA) in addressing affordability barriers through the tax-welfare system due to the poor targeting and level of support,
- The varying level of difficulty to pay for telecommunication service among different groups of recipients of the CTA,
- The poverty premium paid by low income consumers of five times the price paid per unit by the highest income quintile,
- The need to contact Government bodies through telecommunication mediums and the financial difficulty that this can create.

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<sup>36</sup> NBN Special Access Undertaking, December 2012, varied November 2013, price limit pg. 196.

[http://www.nbnco.com.au/content/dam/nbnco/documents/NBN%20Co%20SAU%20-%20Varied%20on%2018%20November%202013%20\(clean%20version\).pdf](http://www.nbnco.com.au/content/dam/nbnco/documents/NBN%20Co%20SAU%20-%20Varied%20on%2018%20November%202013%20(clean%20version).pdf)

<sup>37</sup> NBN 2017 Corporate Plan. Activated premises as a percentage of premises ready for service (pg. 27) and speed tier mix on page 51. <http://www.nbnco.com.au/content/dam/nbnco2/documents/nbn-corporate-plan-2017.pdf>

<sup>38</sup> SACOSS and ACCAN, *Connectivity Costs*, 2016. <http://accan.org.au/our-work/research/1257-connectivity-costs>

Recommendation 12: The Productivity Commission's findings and recommendations on affordability are premature and further, and ongoing, analysis should be conducted in relation to affordability. Further direction should be provided on how reforms to low income supports could be achieved.

## 4.2. Accessibility

ACCAN welcomes the PC's acknowledgment that there are and will continue to be consumers with disabilities that require specific protections and safety nets. ACCAN strongly supports the retention of accessibility measures in any reframed USO. ACCAN's submission in July 2016 supported the following elements in a reframed USO<sup>39</sup>:

- The establishment of a Disability Telecommunication Service to provide communications information, equipment provision, training and support.
- The continuation and expansion of the National Relay Service to provide services for deaf blind and multilingual consumers, with all services offered 24 hours a day.

Recommendation 13: Measures to address accessibility barriers to remain an important feature of the Universal Service Obligation.

## 4.3. Guarantees, Safeguards and benchmarks

We welcome the recommendation for an immediate review of consumer safeguards. These are an important element to the service delivered. Most of these are essential to how services perform. The Draft Report quotes TPG as saying that mandating CSG removes a 'competitive differentiator'.<sup>40</sup> ACCAN does not agree with this. Connection and fault rectification timeframes and reliability are not a selling factor. Most consumers assume that services will work to a certain standard and do not ask about such basic performance metrics of a service. Customer Service, however, is another aspect of a service, which we believe remains a competitive differentiator for industry and is unaffected by ensuring that all consumers have access to basic safeguards on essential services.

ACCAN looks forward to working with the Department of Communications and the Arts in reviewing safeguards in the immediate future.

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<sup>39</sup> ACCAN, Submission to Productivity Commission July 2016. <https://accan.org.au/ACCAN%20Submission%20to%20PC.pdf>

<sup>40</sup> Pg. 115