

Submission on the Productivity Commission Telecommunications Universal Service Obligation Draft Report

Context

Telecommunications and energy were deregulated in many parts of the world during the late 1990's. Politically these new markets were supported because:

- 1) Market signals would determine future investments. Service failures were no longer a political responsibility but became a private sector responsibility.
- 2) Asset sales provided government revenue. At the time, most governments had high levels of debt and poor social infrastructure.

Twenty years after Australian telecom and energy deregulation the outcome of a hands-off approach is evident. In the electricity and gas markets, a failure is most obvious. Consumers are facing higher prices and lower service levels than they may have otherwise had under a government owned service model.

Telecommunications market failure is less obvious, but demonstrated in rural stakeholders' submissions to the Productivity Commission. Call drop outs, and a lack of coverage, are evidence of the telecommunications market not delivering equitable outcomes to all consumers. Resulting in negative financial and social economic impacts.

Public Good Considerations

The Productivity Commission's draft report into the future direction of a universal service obligation (USO) in the telecommunications market highlights possible public good benefits associated with its recommendations.

Draft Recommendation 5.1: Baseline broadband (including voice) service

Government NBNCo investment in internet infrastructure plus Over-The-Top communications has partially repaired industry underinvestment. This government investment is the major reason recommendation 5.1 can be made.

The Productivity Commission should go further with its recommendation and place responsibility for the delivery of baseline broadband (including voice) service on the office of the Federal Minister for Communications. This would ensure that telecommunication public good is supported by Federal government funding.

Draft Finding 8.2: Funding for the delivery of universal services

The Productivity Commission's discussion of potential funding models for a baseline broadband (including voice) service is based on the presumption that a consumer levy is a possibility. A telecommunications levy is academically attractive as it shifts funds and changes outcomes only within the telecommunications market. Theoretically a telecommunications levy would have little impact on other markets.

The key issue with a telecommunications levy is not economic efficiency but rather political responses to industry and stakeholder lobby groups and potential voter (not consumer) reactions.

To mitigate political disinterest, any levy must not be seen by end-consumers as a reason for increased invoices totals. A levy should not appear on invoices as a line item. Ideally any levy is included in wholesale access to the infrastructure that it ultimately funds.

Conclusion

Telecommunication market failure has been mitigated by recent government infrastructure investment. To ensure success of a baseline broadband (including voice) service responsibility must be accepted by Federal Government. Funding for a baseline is best established via a wholesale NBNCo levy on retailers of their service.

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