# ECONOMUSE

## The future of the USO – research for ACCAN

*Two options for consideration*

The occasional paper released today by the Australian Communications Consumer Action Network (ACCAN) explores the best way to provide every adult with universally available, accessible, affordable and empowering communications. I wrote it.

My interest in the USO has waxed and waned. Back in 1988, I led the Telstra team that worked with the Bureau of Transport and Communications Economics (now revived as the Bureau of Communications Research) to determine the cost of the Community Service Obligation (now the Universal Service Obligation, USO). The cost to Telstra was estimated to be either $240m or $800m depending on the costing method used. The method depended on the purpose of the costing, on which our opinions differed.

Subsequent USO costing was primarily determined by ministerial fiat. So I lost interest in the subject – until this year. In July, I wrote in this column about why universal service needs to be re-interpreted for a world in which fixed and mobile broadband play very significant roles. The Coutts report for Vodafone and the Shiff Regional Telecommunications Review (tabled in Parliament on 22 October) referred to in that column both discussed the need to update USO policy.

The affordability of fixed voice services has to be revised for voice over broadband - and voice is no longer enough. The bipartisan political support for the NBN shows that data at 25Mbps or more is now considered to be something that should be available to all Australians – even if politicians continue to disagree on the kind of NBN that best does that.

As the Shiff report says (see Recommendation 8 and Table 6), we need a new Consumer Communication Standard for voice and data which sets technology neutral standards in terms of availability, accessibility, affordability, performance and reliability.

A major focus of the occasional paper for ACCAN is affordability in the context of broadband. The paper proposes that large carriers could be required to offer a broadband social tariff which is no more than, say, $5/week (0.6% of median disposable income). The cheapest retail plans for a basic broadband service on the NBN are three times higher than this.

Mobile voice and data is not considered a problem for affordability at this time. Competition has ensured that cheap and affordable mobile services are available.

A fourth pillar of universal service policy is proposed. The first three pillars (availability, accessibility and affordability) are about the connection or carriage, as we used to say. The fourth is about what you can do with the connection; content or applications are part of that. It might be measured through the "key online activities" work of the Australian Digital Inclusion Index; which will also include progress towards digital literacy. And, it should include free access to government sites; as the Shiff report also suggests.

Having considered the four pillars of USO policy, the paper for ACCAN then considers the options for achieving them in terms of the mix of technologies and players available.

**Universality Principles**

| Options | Availability | Accessibility | Affordability | Apps/Content |
|---|---|---|---|---|
| 1 – copper status quo | <7% | Due to LIMAC (Telstra only) | | N/A |
| 2 – no USO | >90% | ACMA obligations | | |
| 3 – NBN USO | 100% | See your RSP | Poor | |
| 4 - mobiles | >90% +Blackspots | ACMA obligations | | |
| 5 – voice-only fixed/mobile | | Low Income Measures | | Only mobile |
| 6 – technology neutral | | Low Income Measures | | |

Two options stand out.

Option 2 does not require any carrier to be nominated as the universal retail service provider. Mobile competition could largely satisfy the universal service principles - the market will provide, helped by ongoing programmes like Mobile Blackspots.

Option 6 is the less risky option which extends Telstra's current obligations. It is already nominated as the default voice provider on the NBN. But, in becoming the default retail service provider (RSP) for voice and/or broadband it should not be constrained to use the NBN if a more efficient alternative is available. Unless Telstra has to price its social tariff below the floor set by NBN wholesale prices, there should be no need to revisit subsidy arrangements with Telstra - the current TUSMA contract for voice over copper would continue. However, the review of the TUSMA/Telstra contract should look at whether improved mobile coverage could free-up some resources to further improve mobile coverage.

In both cases, the desired outcomes would probably be driven by mobiles; which are very affordable and getting better in terms of quality and coverage.

***John de Ridder***

P.S. ACCAN is publishing a Consumer White Paper on the future of universal service shortly.