

The Productivity Commission and the USO

Will it tackle the \$300m pa paid to Telstra for the USO?

There is no shortage of advice on what to do with the universal service obligation (USO). The Productivity Commission is sifting through previous work including the 2014 Vertigan Regulation Report and the 2015 Shiff Regional Telecommunications Review and has called for submissions (closing 21 July) in response to its excellent [Issues Paper](#).

There is, I think, general agreement that the current concept of a standard telephone service (STS) needs major revision, that data is now as important as voice and that mobiles are probably more important than fixed services (and more affordable).

My submission for the Commission is [short](#) because my [paper for ACCAN](#) says most of what I want to say.

Vodafone's Dan Lloyd says that *"to continue to pay \$300 million a year to one company for services that actually taxpayers have already paid to swap out and replace with a new generation of infrastructure is truly extraordinary."* That is not quite right because it supposed to cover copper services outside the NBN's fixed footprint. But, I agree with the Shiff Review that *"The cost effectiveness of the USO agreement between the Australian Government and Telstra is questionable"*.

The final extent of the fixed NBN footprint and therefore also the number of customers and households covered by the "copper continuity obligation" should be known by now. The Commission could get these final numbers and the alternatives available to these users and their choices, which should not be a secret.

While the Commission's terms of reference say it should have regard to existing contractual commitments for the provision of the existing USO, it is not taboo. The [contract](#) between the Commonwealth and Telstra can be questioned before the mandatory review in 2021 if:

1. there is a change in the scope of the STS services Telstra is required to provide (which could be an outcome of the Commission's review) or
2. because *"either party may, at any time, provide the other with a cost saving proposal. Such proposals cannot be unreasonably rejected"* or
3. *"if a permanent cessation of rollout occurs after the (fixed NBN) rollout has reached 20% of premises, either party may elect to seek renegotiation of the (TUSOP) agreement"*.

The Commission has dared to suggest that not nominating any carrier to be the USP provider is an option and Germany provides a precedent. That is also my preferred option because mobiles do the job and are competitively provided. But, it must be supplemented with a new safeguard in the form of what the Shiff Review calls a *"Consumer Communication Standard for voice and data which would provide technology neutral standards in terms of availability, accessibility, affordability, performance and reliability... It would include such matters as social tariffs, other measures for low income groups, or the data plan exemption of selected government and education sites to improve affordability and support social inclusion"*.

The Commission does shrink from fearless advice. We look forward to hearing what it proposes.

John de Ridder