

Telecommunications Universal Service Obligation Inquiry

Submitted by: John de Ridder

This is a short submission because a comprehensive review of the issues and options is contained in the Occasional Paper that I prepared for ACCAN in November 2015 - see <https://accan.org.au/our-work/research/1132-the-future-of-the-uso>

My paper for ACCAN concluded that the two most compelling options for the future are:

- A. No USO (my Option 2) and
- B. Technology Neutral (my Option 6)

The first reflects my view that mobile voice and broadband is already the default affordable service for most consumers. It looks like Germany creates a precedent (PC. Box 7); but the Commission should look more closely at that example to see if any safeguards apply there.

The second is what I have also called the “safe” option because it relies on Telstra. Within the NBN’s fibre footprint, Telstra already fulfils the role of retail provider of last resort for customers who wish to take only a voice standard telephone service (STS) over the NBN. Under this option, Telstra would not be required to use the NBN if a cheaper alternative exists.

In any option going forward:

1. Universal service should apply to both voice and data and be platform independent.
2. The definition of standard telephone service has to be revised for a digital context. It could accept all digital forms - SIP, OTT (e.g. Skype), VOLTE although quality needs to be defined.
3. Abolish untimed local calls? This seems an anachronism in an IP (global) world
4. Affordability guarantees and accessibility issues need close attention (social tariff carrier obligations? Set a line-in-the-sand on affordability? E.g. \$20 pm for unlimited voice, text plus some data)
5. The NBN satellite service will continue to be necessary for 100% coverage except where a better terrestrial solution is deployed – e.g. commercial cellular wireless.
6. The three existing pillars of universal policy (universal availability, accessibility and affordability) should be extended to include social inclusion (p17 of the Discussion Paper notes government services – why not also make data downloaded through mygov.au free?)

It is important not to confuse the NBN with the USO. The NBN addresses only one leg of universal service policy – availability. Yes, its fixed wireless and satellite services are non-commercial with geographically averaged pricing and that pricing needs to be supported by non-NBN broadband (not just fixed providers) making the same implicit contribution to high cost service areas as the NBN does (see my submission to the Bureau of Communications Research at <http://deridder.com.au/site/wp-content/uploads/2015/05/USO-Levy-JdR.pdf>). We are still waiting for the Bureau’s recommended levy to be accepted and implemented.

The NBN does not help with the other two legs of universal service policy. It leaves accessibility issues to its wholesale customers and their end customers and contributes nothing to solving the affordability side of universal service. Universal service obligations only make sense at the retail level – “who are you going to call?”

The Commission’s excellent Discussion Paper canvasses the key issues and calls for pertinent information which I believe should include:

- I. Details of mobile coverage versus
 - a. Remaining copper network
 - b. NBN fixed wireless network (implies redundancy?)
 - c. NBN fixed networks

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. These final numbers and the alternatives available to these users and their choices should not be a secret. They are a policy matter.

- II. Details of payphone usage to test whether it should still be subject to USO
 - a. What number/proportion of emergency calls are made from such phones?
 - b. How many reverse charge calls are made from such calls?

Currently, *“when the NBN is deployed in a rollout region, TUSMA can decide whether to fund the migration of each listed Telstra public payphone in that rollout region to the NBN or to an alternative technology or fund an alternative payphone from a third party provider, in which case Telstra can close down the payphone”* (see <https://www.telstra.com.au/abouttelstra/download/document/2011-definitive-agreements-telstra-nbnco.pdf>). Of course, the payphone may not be needed at all.

- III. Details of consumer preferences
 - a. NBN should provide details of the proportion of customers that refused to have an NBN service activated (i.e. became mobile-only).
- IV. The ABS has unpublished data on pre-NBN mobile only households (p7 of the Discussion Paper reports on adults only)

Other matters:

TSOP: While the Commission has to have regard to existing contractual commitments, the TUSOP contract can be questioned before the mandatory review in 2021 either because 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 because *"either party may, at any time, provide the other with a cost saving proposal. Such proposals cannot be unreasonably rejected"* (see <https://www.telstra.com.au/abouttelstra/download/document/2011-definitive-agreements-telstra-nbnco.pdf>). A third possibility contemplated by these agreements is that *"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"*.

Convergence: The Commission should avoid thinking of mobile and fixed platforms as different – they are converging. Fibre is being ever more closely to consumers in mobile networks at the same time as fixed networks are reaching out to consumers in their homes and elsewhere on Wi-Fi networks. A truly multi-technology mix NBN would be considering the use of small cells as another access option (this hybrid is not shown in Figure 1 of the Commission's Discussion Paper). In future, universal service should be agnostic about the delivery platform (i.e. technology neutral).

Competition: The Commission currently believes that the NBN *"should bring further competition to the retail broadband market as it reduces retailers' barriers to entry"* (p9, Discussion Paper). That may have been the expectation and with a different commercial model it might have occurred; but it is not what is happening (as noted on p10 of the Discussion Paper). The large number of POIs and CVC pricing is forcing consolidation in the retail industry. What we need to ensure is competition to the NBN because the affordability of the NBN is poor now and will get worse in the future – NBN wholesale prices will be double what they were with the copper network (see my site <http://deridder.com.au/> for numerous articles on all this).

John de Ridder

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