

# COMMENTS ON THE PRODUCTIVITY COMMISSION TELECOMMUNICATIONS UNIVERSAL SERVICE OBLIGATION INQUIRY DRAFT REPORT

Our comments have been structured as follows. General comments on the Draft report with respect to the use/availability of data, assumptions and perceptions are followed by comments on the Commission's treatment of particular issues and specifically: payphones, mobile services, satellite and voice, scope of a new universal service, affordability, future funding mechanisms, timing and transitional matters. Our position with regard to each of the Draft Recommendations is then summarised. An addendum provides more specific comments on the Draft report; in the main these comments note inconsistencies or points which require further clarification.

## General comments

### *Lack of a co-ordinated approach across Government regarding telecommunications*

It is disappointing that the ad hoc nature of the Australian Government's approach to telecommunications continues, with different parts of Government clearly not communicating with other i.e. the Productivity Commission and Department of Communication and Arts, since the current inquiry into the TUSO obviously relates to elements of the Government's Telecommunications Reform Package and vice versa. Instead, we have on the one hand the Commission recommending a market driven approach rather than the current USO approach (p11) whereas the Government's proposed Regional Broadband Scheme and SIP (whereby nbn is the default provider) embodies precisely the latter. This unco-ordinated approach is all the more disappointing given that the Commission's own draft finding 4.2 also identifies a lack of policy co-ordination and states that there would be benefits from removing duplication and moving towards a more integrated approach to meeting universal service objectives (p20, see also p103, 226). While we support draft recommendation 4.1 and draft recommendation 9.3, and believe this would provide an ideal opportunity to develop a Regional/Remote Telecommunications Strategy, we consider it unlikely that Government will adopt recommendation 4.1, particularly given that they clearly intend to introduce legislative reform in the first half of 2017. Accordingly, the credibility and authority of the Draft report has been undermined by the Government's decision to release its Reform Package prior to completion of the TUSO Inquiry and vice versa. More specifically, with regard to the Commission's analyses of the extent to which the market can provide a TUSO, these analyses assume no changes in current policy settings (p164); clearly its analyses have already been superseded by the release of the Government's Reform Package. The Draft report will clearly require re-working in the light of these proposed reforms.

### *Lack of available data/inadequate data*

The report notes on a number of occasions the inadequacy of data, lack of available data e.g. page 19, where it states that “there is a dearth of data on the number of premises covered by the...TUSO”; page 34 “the Commission’s analysis has been somewhat hampered by the commercial-in-confidence nature of some of the information provided by certain participants”; p85 notes that there is no recent data on the numbers of TUSO customers; p164 states that “It is challenging to assess the reach of the market in addressing the Commission’s proposed universal service objective, particularly assuming the full roll out of NBN infrastructure. While data – and past trends in data – are used where possible to infer what might occur, there is an element of uncertainty associated with the assessment as it is contingent on outcomes that may or may not occur in the future”, yet at the same time argues that “a universal telecommunications service objective should be founded on clearly-specified and **evidence-based** economic and/or social policy **rationales**” (p154, bold in the original). A significant and serious flaw in the report is that it has not been able to determine whether or not the existing TUSO is providing value for money (p19), which weakens the argument that the TUSO is an inefficient policy instrument (p92). Without this data to serve as a benchmark, it is difficult to see how the Commission can credibly claim to have analysed the extent to which the market can provide a TUSO when both the benefits and the costs to government and industry as a consequence of having no TUSO, are currently unmeasurable.

### *Tendency for the report to over-generalise*

Throughout the Draft report there is a tendency towards over-generalising and use of sweeping statements that are inaccurate and/or misleading. For example, statements such as “NBN Infrastructure will enable the provision of wholesale broadband (including voice) services to all premises within Australia” (e.g. p10, see also p163, 217, 267 for similar statements) and that “...NBN infrastructure...is designed to provide wholesale broadband (including voice) services to all Australian premises” (p205), are misleading as this implies that a) the NBN was designed to provide voice services to all premises and b) that all premises will have the same quality of voice service regardless of their location. However this is not the case and to state that it is, or to so imply is misleading; while it may have capability to provide voice, it was not designed to do so; a subtle but important distinction, particularly in relation to voice services for those reliant on satellite. Such remarks are also inconsistent with other parts of the report, for example in Box 2.4 p53, where the report states that satellites can be optimised to provide different services...Telstra’s USOSat satellite is designed to provide voice services, while nbn’s Skymuster satellite is designed to provide broadband services”; p106 where the report states that “NBN infrastructure has been designed to supply a ‘high quality’ voice service only within its fixed-line footprint....In its submission, nbn stated: 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 (sub 47, p16) (p106, 178). However this statement is inconsistent with that made on p169 which does not differentiate between technology platforms: “However, nbn...has argued that it has designed the NBN infrastructure with the expectation that Telstra would continue to supply voice services over its existing networks under TUSO and Copper Continuity Obligation”.

We believe that where statements along the lines of “broadband (including voice) services will be available to all premises” appear in the report, it would be more accurate if they read “although not initially designed to provide voice services, the NBN broadband service (including voice) will be available....”, notwithstanding our views on voice and satellite (refer below).

Similarly, the final paragraph on page 92 requires amendment as we appear to have been cited out of context. Whilst our submission emphasised the importance of choice and flexibility in the development of an effective USO regime, we categorically did not state, nor imply that “not everyone will necessarily want or value access to a telephone service”, as is currently suggested by this paragraph. Instead we consistently argued that a new USO needs to cover both fixed and mobile, voice and data. We also stated that a new USO should outline the roles and responsibilities of the nbn, retail providers and Government, in contrast to the Commission’s view that universal service should be addressed by targeted government intervention (draft finding 6.5) and should not involve any retail universal service obligation (p205).

We also note throughout the report the persistent use of “90,000”, or “up to 90,000” as the number of premises within the satellite footprint that don’t have mobile coverage (e.g. p12, 22, 176, 178, 179, 194, 204, 239) even though this number is the lowest of all estimates provided. The basis for the selection of this figure (other than it is the Commission’s own) and not the figure of 150,000 for example, is not adequately justified.

#### *Assumptions and perceptions regarding those in regional and remote Australia*

It is disappointing that the report appears to be underpinned by inaccurate perceptions about regional/remote residents and “lifestyle choices” (reinforced by statements on p 10; also p 141, 148) apart from acknowledging children, and Indigenous residents and their connection to country and requirement to demonstrate continuous connections to land under particular legislation. We strongly advise the Commission that living in these areas is not simply a “lifestyle choice”. Without residents in these areas industries such as agriculture, mining and tourism, which benefit the broader community, would be significantly smaller or not exist at all. Further, it fails to recognise that with regard to some regions, people live in/move to those areas because that is where work is available, rather than in some metropolitan areas.

Elsewhere the report assumes that only those end users in non-commercial areas are the beneficiaries of the existing TUSO (p85-88). This view does not acknowledge that end users outside of these areas also benefit, for example, by being able to communicate with potential customers. Rather it would appear to reflect underlying perceptions regarding those who live in regional and remote areas do so primarily because of “lifestyle choices” unrelated to economic prospects (see p148). Similarly, the discussion regarding positives of the TUSO (p101-102) focuses on the end-users with only a fleeting references to the importance of economic connections, farmers and small business although elsewhere the report briefly identifies in general terms how telecommunications can support economic growth and regional development (p138-139). Whilst the Commission has clearly pursued data around the costs of a TUSO, it has not adopted a holistic approach as we suggested in our submission, and provided any data other than potential savings, around the

economic value of the benefits (or what the foregone value in economic activity may have been if the existing TUSO had not been in place); in the absence of such data, it is difficult to see how the Commission can credibly claim that “...the weight of evidence suggests that the costs are likely to be greater than the benefits [of the TUSO]” (p102). This, combined with the acknowledgment that they have been unable to determine if the existing TUSO represents value for money, seriously undermines the entire report. All the more so, given that on p149, the report states “...for Government intervention to be justified, the costs to the community need to be outweighed by any community-wide benefits” and on p151 that “It is only following a comparison of all the costs and benefits and a finding that there are net community-wide benefits, that a policy should be implemented”. It is our contention that the Commission has not sufficiently considered the economic value of net community wide benefits.

The report states that “Users of the TUSO would include customers who have a fixed voice service connection from Telstra and live in a non-commercial area (generally in regional and remote Australia), and do not have an alternative service available (for example, a mobile service) (p85); this sentence requires clarification, given that the following sentence states “ In theory, a TUSO customer would be a premises that has a standard telephone service with Telstra – a service that other providers would not have connected on a commercial basis” and that Telstra provides TUSO services to some regional and remote consumers via satellite and radio in order to meet its TUSO obligations. Additionally other TUSO users (i.e. non-commercial services) may include services for the disabled, including those who reside in metropolitan areas. Relying solely on a geographic indicator as a measure of “non-commercial” services means that the Commission’s estimates of the number of TUSO premises may well be underestimates.

## Comments on particular issues

### *Proposal for a “baseline service” rather than a new TUSO, and scope of such a service*

The United Nations declared the internet a basic human right in 2011 and in 2014 United Nations Resolution A/HRC/RES/26/13 called on all states to “promote and facilitate access to the Internet”, as well as to “promote digital literacy and to facilitate access to information on the Internet”<sup>1</sup>. It has been repeatedly demonstrated that market-based policy and procurement mechanisms do not work in regional and remote areas where there small, dispersed populations spread over vast distances. Existing telecommunication service safeguards such as the USO, CSG and NRF were created because communications is recognised as an essential service, like other utilities (e.g. water and electricity) and guaranteed access and repairs over these services is a crucial element. The Glasson Review in 2008 recommended a new framework and to provide for a ‘Communications Services Standard (CSS)’ that should include<sup>2</sup>:

- The voice standard must include internationally recognised voice quality measures;
- The broadband standard must be equitable with services delivered by the NBN; and

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<sup>1</sup> United Nations General Assembly. Human Rights Council. 2014. A/HRC/RES/26/13. The promotion, protection and enjoyment of human rights on the Internet. retrieved from <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/G14/082/83/PDF/G1408283.pdf?OpenElement> on 15/6/2015.

<sup>2</sup> [https://www.communications.gov.au/sites/g/files/net301/f/2008\\_Glasson\\_Report\\_RTIRC.pdf](https://www.communications.gov.au/sites/g/files/net301/f/2008_Glasson_Report_RTIRC.pdf)

- The mobile standard must be for hand-held mobile phones.

We do not believe that the Commission's overarching proposal that future universal telecommunications services be delivered through a series of programs targeting select consumers funded from general government revenue with the nbn as the default wholesale provider will guarantee availability, accessibility and affordability for all consumers, particularly in regional and remote Australia. Additionally, it is inconsistent with the Government's historical approach to telecommunications services, and the recently released Reform Package; the recommendation to develop a new baseline service falls short of a universal service obligation. It is our view that draft recommendation 5.1 should be amended to specifically refer to development of a new TUSO, underpinned by a baseline service. Development of a new TUSO should not be delayed until the NBN roll out is complete but commence as soon as possible in conjunction with a review of the CSG and other related policies and programs. Draft finding 6.5 should also be amended accordingly.

Notwithstanding our views that a new baseline service should underpin a new TUSO that covers fixed and mobile, data and voice, we agree that such a baseline service should address availability, accessibility and affordability.

The Draft report states that "Conceptually, a baseline level of service refers to a minimum acceptable level of service for broadband and voice that enables basic telecommunications-enabled functions to be undertaken successfully" (p10) and elsewhere that "a baseline service is one that is reliable and intelligible" (p135). However, the report does not clearly articulate what these basic functions are, nor identify minimum technical standards; instead it assumes that these will be determined under the relevant consumer safeguard framework (p219). This position is inconsistent with statements elsewhere in the report such as "The Commission's assessment is that the service level provided by NBN infrastructure will be more than adequate to meet a baseline level of broadband (including voice) service availability for the vast majority of premises..." (p10). In recommending that the nbn be the universal provider of wholesale broadband services, it follows that the NBN service (with its speeds etc.) becomes by default, the minimum standards, and this is the approach adopted by the Commission (p10, see also chapter 6). This does not recognise that between the NBN and end-user there are RSPs who also will also be responsible for providing part of the service; for example, wholesale download rates of at least 25Mbps does not automatically result in end-users receiving the same speeds. Apart from draft recommendation 9.3 regarding the review of telecommunications consumer safeguards framework, there is no explicit recommendation in relation to taking action to define what minimum standards might be considered to represent a baseline service. Such minimum standards should be framed in terms of what service the end-user actually receives (as opposed to be being based on targets as per the approach adopted in chapter 6), as opposed to wholesale download rates, for example, and be technology neutral. These standards should also clarify responsibilities for service repair, consistent with draft recommendation 9.3.

Although the report states that the nbn is providing universal availability (e.g. p10), the report later states that there are some users for whom this is not the case, for example regional and remote communities without mobile phone coverage, people with no fixed address and no access to a mobile phone, those needing to access emergency services (e.g. p13, 193, 197). The Commission

suggests a program of funding for a community telecommunications services such as payphones (p13), a suggestion which is inconsistent with the report's recommendation elsewhere (e.g. p17, 264) that payphones be removed from the existing TUSO agreement with Telstra immediately, a move which would not guarantee availability (or accessibility) since such programs would be at risk of being cut in future Budgets.

Regarding availability and accessibility we further note that the groups identified in draft finding 6.3 p23 (i.e. the disabled and those with life threatening conditions; Indigenous people in remote settlements; some older people; people with no fixed address; and a small number of users of emergency services within the NBN satellite footprint), does not include those on low incomes. Those on low incomes are dealt with separately in draft finding 6.4, p23, 203, which relates to affordability. This does not address affordability issues for those in remote and very remote areas.

In its key points from Chapter 7 the report states that "options to address accessibility, affordability, and other particular user needs should be targeted and flexible, facilitate informed consumer choice and support efficient competition" (p205). While we believe that options should be flexible and facilitate informed consumer choice, we suggest that "efficient competition" is geographically limited and the key point should be amended to recognise this.

We note that the report states that "there is merit in giving assurance to communities in regional and remote areas that NBN infrastructure is designed and intended to deliver universal access to broadband services. Such assurance could be given through Australian Government monitoring of retail presence on the NBN with a non-automatic trigger for it to step in and competitively tender for the delivery of retail services to a particular area where retail presence is absent..." (p11, see also p205). We suggest that an automatic trigger would provide genuine assurance and note that despite this statement, it is not carried through to the relevant draft recommendation. We suggest that draft recommendation 7.2 be amended to include reference to an automatic trigger, without this the net effect of this finding is a motherhood statement that provides no real assurance to those in regional and remote areas.

### *Satellite and voice*

The report only briefly acknowledges the issues to date with satellite services, in the form of a footnote on p11 and again on p175. We take issue with the report's dismissal of these issues thus: "Poor experiences with nbn's interim satellite service and satellite support scheme... may have unduly led to concern with the quality of the service offered over nbn's Skymuster satellites" (p175). Such a comment can appear condescending and belittling to those consumers who rely on satellite, and suggest a certain disregard for this particular user group and their legitimate concerns.

The report states that "premises within the NBN satellite footprint benefit from vastly improved internet access with modestly increased latency" (p12) but provides no evidence to support the "vastly improved access". Further, it fails to acknowledge that the quality of the satellite service is likely to decrease with increasing congestion of the satellite service, even though it notes in Box 2.4 on p53 that "satellite services are limited in capacity" and again on p108 that satellite broadband is limited in capacity. It is worth noting that in mid-2015 nbn was indicating in public forums that one

satellite would function solely or primarily as a back-up, yet by mid-2016 it was clear that both satellites would be required to carry traffic. We believe it is only a matter of time before users of the Sky muster service begin to experience the same issues in terms of speed/congestion as was the case for the ISS.

Draft finding 6.2 (p22, 180) states that “the quality of the broadband service applied by NBN infrastructure will be superior to the quality of service previously available across all Australian premises”. This statement could benefit from clarification to acknowledge that the quality of service will also be dependent on that provided by RSP’s, as well as other factors, not just the infrastructure itself. Further we suggest that while theoretically the quality of the service should be superior, evidence from the roll-out of the NBN to date, suggests mixed results. Our stakeholders have variously reported that they have either not noticed any difference in the quality of their service, or frustratingly, the quality of their service has declined since switching to the NBN. The findings of 6.2 can also be seen as internally inconsistent i.e. the first sentence refers to the superior quality of the broadband service, and elsewhere in the report the phrase “broadband service” is used to refer to both data and voice, yet the second dot point (and p106, 163, 179) indicates that voice services in the satellite footprint will fall short of the existing quality regarding some aspects, as well as in terms of service repair timeframes (p179). Draft finding 6.2 should be broken down into separate findings regarding the quality of the data service and quality of voice services. This would improve clarity. The second dot point should be further amended with regard to the reference to 90K premises in line with our comments elsewhere in this submission.

Regarding voice service options within nbn’s satellite footprint, the report states that the majority of Skymuster satellite users will be able to access an alternative voice service (p175). We note that this “majority” ranges from 78% (maximum) down to only 64% based on the data provided in Table 6.3. Regarding the assumptions underpinning the estimates presented in Table 6.3 we note the assumption that the average number of people per premises is equal across satellite, fixed line and fixed-wireless footprints. We believe this assumption is flawed given household sizes in very remote parts of Australia (and particularly the NT) can be significantly larger than those elsewhere. For example, in the Central Desert Regional Council LGA the percentage of households with six or more people usually resident is 33.3%, compared to only 3% nationwide; in the MacDonnell LGA the percentage is 29.8%, and 36.2% in the Roper Gulf LGA, (data from 2011 Census, compiled by id.)

In its hypothetical estimates regarding capacity on the Skymuster satellites (p178), the Commission has used average household data from across Australia (which engage in less than 40 minutes per day of combined fixed and mobile voice calls) but has not provided any justification for using this data rather than household data from those in remote and very remote areas, which may well show higher usage than the average Australian household owing to their greater reliance on telecommunications generally.

The suggestion that people within the satellite footprint who can receive mobile coverage should simply use mobile for their voice services (p175-6) acknowledges there is an issue with voice over the satellite such that mobile voice is a superior voice service, but fails to recognise the very high cost of mobile services, particularly in very remote areas, even though elsewhere in the report, the “very large differences in price...” between fixed and mobile broadband access, is noted (p46).

Other suggestions, such as low-latency satellite services and upgrading to the nbn's 'technology choice' program (p176) involve considerable expense and for this reason should not be considered viable alternatives for residential premises in these areas.

Regarding emergency services within the NBN satellite footprint the report argues that the strong preference for using mobile phones for raising emergency assistance provides evidence that market conditions are likely to ensure that in most cases emergency services are accessible, including in regional and remote areas (p196). We believe that this argument is flawed because it (presumably) draws on data at a national level and fails to recognise that people in remote areas are not always within mobile range. How many Triple Zero calls from very remote areas were made from mobile phones? The statement that there are alternatives such as satellite mobile phones, personal locator beacons, HF radios and so on, fails to acknowledge the additional expense associated with these items. The final remark "Further, technological advances are also likely in this area" (p196) is a dismissive throw-away line that should either be justified with the provision of further information or simply deleted. That fact that the NBN satellite network is not configured to provide voice call access to emergency services is noted only by a single sentence and a two sentence quote from nbn (p197). While the finding that there is scope for further government intervention regarding access to emergency services within the NBN footprint in areas without mobile coverage is logical, the suggestion that alternative communications devices be used (p197) is dismissive while the suggestion that various options for the provision of a baseline service for this group be potentially married with the provision of emergency call services (p197), without further elaboration on this point in this chapter, comes across as a weak suggestion when it could be stronger, given the options for the provision of retail voice services canvassed in Chapter 7.

The statement that "Population movements away from isolated areas may also reduce the number of people dependent on satellite" (p177), needs amplification. On what basis (and why) does the Commission expect there to be a presumably large enough migration of people away from these areas such that the number dependent would be significantly reduced, and further what is the relevance? Is the report hinting that if the number of people dependent on satellite was sufficiently small that this service could be withdrawn altogether?

Box 2.4 on p53 refers to the higher latencies reducing the quality of real-time user-to-user communications but having less effect on web browsing and video streaming where most traffic is unidirectional. There is no reference to video-conferencing where the traffic is two-way and potential impact higher latencies may have, particularly where quality is an issue such as in particular telehealth/remote medical settings and in the Justice (Court) sector.

We note that Telstra's Copper Continuity Obligation (CCO) is integrated into its obligations in relation to the existing USO, and that this may have implications for nbn's fixed wireless and satellite deployment (p18). This obligation requires Telstra to continue to maintain and operate its existing copper network in nbn's fixed wireless and satellite footprint for the provision of voice services until 2032 (p18). The draft report suggests that the CCO be treated in line with its recommendations to abolish the standard voice and payphone services, and only briefly notes the potential risk this poses for some consumers in remote areas (p272); we do not agree that "mobile services add a layer of security" for all these users as is implied in this paragraph; many of these users do not have mobile

coverage. Without the CCO some satellite customers may be left with no telecommunications alternatives in the event of an emergency.

In assessing the quality of a voice service the Commission has used three criteria: reliability, latency and repair timeframes (p171). However in considering for example, repair timeframes the report uses performance targets, rather than actual outcomes (p171). The report also notes that while the CSG provides compensation in the event that a provider does not meet its regulatory obligations, no such compensation is provided for in relation to the nbn (p171) and its service repair timeframe targets for the satellite service are below those of CSG-attracting services (p175). This is particularly an issue for regional and remote (including very remote) users where repair times can be considerable and lack of telecommunications can have a significant negative impact upon education, health and business activities, let alone the implications for life-threatening situations and natural disasters. The impact of rain fade in the tropics on service quality is not given due consideration in the report (refer p175) despite a number of participants raising this as an issue (e.g. see Box 6.2 p173-174).

In considering whether the voice service via satellite is good enough on p179, the report refers to the quality of voice services in the third paragraph and notes the number of premises that cannot receive a mobile voice service, and then proceeds to argue in the following paragraph that this does not suggest an availability 'gap' because these premises will receive a broadband service that was superior to what was previously available. This does not logically follow because the report is discussing voice services in the former paragraph and data services in the latter. Concluding with the statement that there is a decreasing preference for voice services is inconsistent with statements earlier in the report that demand for voice has stabilised. It also fails to recognise the importance of voice services for critical services; for example, elsewhere the report states that 99.9% of remote consultations by the RFDS were delivered by telephone (p194).

We believe that given the short time frame in which the Skymuster service has been operational, it is too soon to be able to make any real informed assessment, and suggest that the Commission instead of taking a 'it may be too soon' line (p179) , simply acknowledges that it cannot make an assessment at this time. Similarly, claims that there does not appear to be gap warranting further government intervention in relation to telehealth (p194), are also premature given that nbn's proposal to offer Skymuster services to users of telehealth in remote and isolated communities is in its infancy. Citing examples of pilot programs (p194) without acknowledging that such programs are pilots with no guarantee that they will continue in the future creates a false impression regarding the range of programs available. Regarding initiatives by nbn regarding the delivery of telehealth and distance education services via Skymuster, while such initiatives are commendable, we question whether such initiatives would be maintained in the long-term, once nbn was privatised. Again, regarding the performance and services in relation to the Skymuster satellites we believe that it is premature to draw any conclusions at this stage.

We note that the report says to consider baseline quality services in relation to voice on satellite in terms of what the broader community would regard as acceptable for a universal service (p179) and suggest that if the broader community had to rely on satellite service with its inherent limitations

and constraints on data allowances, long service repair times, there would be widespread dissatisfaction.

We note that the report has identified three potential options for the provision of retail voice services within NBN's satellite footprint: competitive tender for the delivery of these services, funding Telstra to deliver these services, and funding nbn to augment its networks to deliver voice (p219-221) with a preference for the first option. However given the existing market failure in the areas covered by the satellite footprint, we question whether this would be realistically achievable.

### *Mobile Services*

It is disappointing that whilst the main body of the report clearly recognises that consumers want the USO to cover mobile and broadband services (e.g. see p96-98), the Commission has not carried through with a clear recommendation to this effect. Instead, there are weaker statements such as "Government intervention should also reflect the complementary role of mobile services" (p2); "...mobile services complement universal service availability and may be a suitable targeted policy response in some circumstances" (p157); "It [the Commission] also acknowledges that mobile services can play a complementary role..." (p165); "mobile services play an important complementary role in enabling ubiquitous universal services provision" (p201); and "this program [the Black Spot Mobile Program] and others could be rolled into a universal service fund to ensure that funding to address the availability of mobile services in rural and remote areas is considered alongside telecommunications services alternatives" (p227). Instead, its draft recommendation relates to the next round of funding under the Mobile Black Spot Programme. The failure to explicitly identify mobile in draft recommendation 5.1 is all the more disappointing given that for some people (e.g. homeless), mobile is one of only two options, which in the absence of payphones (as recommended by the draft report), would then become their only option. A premises-based universal service obligation does not serve the homeless, nor Indigenous people in remote areas that are highly mobile. A new TUSO should therefore capture mobile as well as fixed services otherwise there will not be any truly "universal" service. The Commission's own draft finding 3.2 states that "One third of Australian adults now rely solely on mobile phones for voice services" (p20) and elsewhere in the report notes that there has been a 271% increase in voice calling from mobile services (p37); we suggest that this data provides a strong case for the inclusion of mobile, as well as fixed services in a new TUSO.

In its consideration of mobile services the report has focussed on coverage almost exclusively from a demographic, rather than geographic, perspective (e.g., p17, 168). This in turn can lead to the erroneous impression that there is mobile coverage virtually across all of Australia and that in terms of mobile services there is no market failure, despite the fact that this is not case for parts of the regional and remote Australia and despite the existence of the Mobile Black Spot Programme. We believe that the Commission has not given due consideration to the extent of geographic coverage in its consideration of mobile.

The report suggests that the existing Mobile Black Spot Programme should be "re-cast to enhance its cost-effectiveness" and that the Australian National Audit Office's recommendations regarding the

program should be implemented (refer pages 2, 13, 25, 205, 225-6). While we agree that areas for funding should be prioritised based on community input, rather than nominations from Members of Parliament (as per part of draft recommendation 7.4), the remainder of their suggestions would likely see little, if any improvements in mobile coverage in regional and remote areas, as the focus would likely be on pockets of metropolitan areas in accordance with the draft recommendation that the program be amended to “more closely target locations where significant additional mobile coverage is likely to benefit mobile customers” (p13) and elsewhere cites examples as being highways, townships and popular tourist destinations (p226).

### *Payphones*

We strongly disagree with the Commission’s view that Telstra’s contractual obligations in relation to payphones should be immediately wound back (p17, p266-267, draft recommendations 3.1, 9.1, 9.2). The report states that there would be benefits to both Government and Telstra (p17) and argues that it is difficult to justify continuing the payphone USO in the face of “extensive coverage” of mobile services across Australia. Using the phrase “extensive coverage” is misleading (even when followed by a reference to population) as it suggests significant geographical coverage which is not the case.

Draft finding 3.2 while noting the decline in payphones, should be amended to recognise that there are still user groups for whom a payphone remains their only form of telecommunications. Such an amendment would also provide greater internal consistency, for example, both in relation to the discussion on pages 91-92, p101 and p 193 (“the telecommunications needs of people without a fixed address can be met by the provision of mobile and community telecommunication services such as a payphones and Wi-Fi”) and in relation to draft recommendation 7.5. Regarding the related draft recommendation 7.5, that the Government should “establish a funding program for a form of community telecommunications service (such as payphones) that targets locations that do not have a satisfactory alternative voice service such as a mobile service”, we believe this is an inadequate approach that involves a high degree of risk and uncertainty as it would rely on the annual Budget process and therefore its continuation from year to year would not be guaranteed. Any such funding program should be underpinned by a legislative obligation to provide such services. We suggest that draft recommendation 7.5 is amended accordingly.

The practical consequences of draft recommendations 9.1 and 9.2 for end-users do not appear to have been given adequate consideration. Whilst it is difficult to imagine Telstra removing payphones where they have invested in this infrastructure to deliver their Telstra Air Wi-Fi network, particularly in suburban areas, it is naïve to expect that Telstra would continue to retain and service its payphones in remote and especially very remote areas were it not legally required to do so. We believe that there is a very high risk that the draft recommendations 3.1, 9.1 and 9.2 and specifically that the payphone requirement be removed from the existing TUSO (draft recommendations 9.1 and 9.2), would leave some communities without any telecommunications at all, a situation which in the 21<sup>st</sup> century is just unacceptable. In addition to some remote Indigenous communities, it would also likely leave significant stretches of major highways (e.g. ca.300km between Barrow Creek and Tennant Creek) and roads (ca 550km between Warburton and Laverton along the Great Central Road) without any telecommunications for travellers, and further disadvantage those people with no

fixed address. Such disregard for these users is quite remarkable. As noted above, the draft recommendation 7.5 that a program of community funding for payphones is a poor substitute since presumably such a scheme would be on a competitive grant funding basis, funded from general government revenue and therefore would not necessarily guarantee a telecommunications service to all those affected.

The Commission estimates the annual TUSO subsidy per payphone (p89) but does not explicitly acknowledge that payphones service more than one premise. For example, using the Commission's highest estimate of \$49,718 and applying this to Imangara, the subsidy per residential premise is \$3,314.53, and \$974.9 per person. Further in terms of the annual payments to Telstra for TUSO services for the period 2012-2032, the payphones component represents only 14.8% of the total annual payment (based on data provided by the Commission in Table 3.1 p84). We note that only 27% of Telstra's payphones are in rural areas and 5% in remote areas (including 579 located in remote Indigenous communities) (p89). Regarding the reference to the installation of 67 new payphones (p48) the report should indicate where these were located. If the majority are located in remote/very remote areas then this would be another clear indicator that there remains a real need for payphones in these areas.

### *Affordability*

We believe that the Commission's consideration of affordability is flawed in that it has focussed on the "lowest price bundles of telecommunications services available" (p164), rather than user needs. For home businesses, the agricultural sector and those undertaking distance education (and some households undertake all three), the lowest price bundle is unlikely to be appropriate because of the lower data allowances (and speeds) that are characteristic of these plans. Box 2.8 on p56 notes that the IOT (internet of things) in rural areas will see smart monitoring systems; these types of uses are likely to involve more data which means more expensive plans with higher data allowances will be required for those in rural and remote areas. Additionally, the analyses in Appendix D only include the cost of the monthly service. It is our understanding that satellite users will be required to pay for equipment repairs/upgrades during the life of the Skymuster satellite themselves.

An additional point that should be recognised in the main text of the report (rather than being consigned to a footnote<sup>3</sup> on p108) is that satellite users and fixed line users are not paying for the same service; satellite users have their monthly data allowance capped in both peak and off-peak periods (e.g. Skymesh's cheaper plans only allow for between 3GB and 5GB during peak periods – i.e. 7am – 1am) and that service speeds slow (in our experience, to the point where it is un-useable) once customers reach their monthly data allowance. Comparisons of pricing plans across the delivery platforms are therefore not comparing "like with like".

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<sup>3</sup> Footnote

1. an additional piece of information at the bottom of a page;

1.1. a thing that is additional or *less important* (emphasis ours). From the Oxford Dictionary.

We note the report uses HILDA data in its discussion on affordability (p199-201); the Commission should note the limitations within this dataset, and particularly that certain groups are excluded (e.g. people in remote and sparsely populated areas).

The report states that “it may be more effective to monitor the cost of and/or spending on various types of basic telecommunications services as a share of disposable income for different household types. This approach is adopted in chapter 6” (p162) however this approach is not readily apparent in chapter 6; other than categorising households according to income levels, different household types (and different usage requirements) are not considered.

While we welcome nbn’s additional data allowances for distance education and the Australian Government’s direction that nbn develop similar products in relation to remote health and other community services (p108), we question the longevity of such measures once the nbn is privatised; given this uncertainty such measures are not necessarily long-term solutions in relation to affordability.

We take this opportunity to advise the Commission that we agree with ACCAN’s views that future affordability measures should be RSP independent in order to give consumers choice in their provider (Box 4.5 p126).

The report states that in principle affordability is more effectively addressed through transfer payments under the tax-welfare system than through cross-subsidies (p14, see also p232). However we reiterate our view that affordability for data services would be greatly enhanced if there was a pre-paid internet option for people on low incomes, homeless and remote Indigenous people. Regulatory and other structural barriers in the telecommunications sector which are clearly hindering the development of such an option should be reconsidered.

#### *Future funding mechanisms*

The report states that in terms of the funding approach for addressing market gaps and particular needs, that “the issue is to identify and implement the approach that is likely to distort behaviour less” (p15) but does not clarify whether it is investment behaviour (providers) or consumer behaviour that is the focus. The Commission also states that its assessment is that the scale of government intervention (and hence funding) required across all dimensions of universal service is likely to be smaller following the completion of the NBN roll-out than is under the current TUSO (p15) and on this basis recommends that it be funded principally from general government revenue rather than an industry levy (draft recommendation 8.2, p26, 258, see also chapter 8).

In terms of the funding mechanism we strongly disagree with the Commission’s view that a new universal services policy/program(s) be funded from general revenue (p16, see also chapter 8) and subsequent draft recommendation 8.2 (p26, 258). This misses the fundamental point about a TUSO; that is, that it provides certainty for consumers regardless of their geography or other circumstances. In dismissing the considerable risk that this entails for those most in need, the report simply notes on p16 that “there will always be some level of fiscal and political risk associated with

budget-funded measures” and “...fiscal and political dynamics can undermine the certainty of general government revenue as a source of ongoing funding, as a program could be replaced by other budgetary priorities” (p252-3). We believe that the report has sought to play down the very real political risk that such an approach would entail and instead argue that universal services should be enshrined in legislation and co-funded by Government and a levy from telco’s). Simply funding from general revenue would leave universal service program(s) vulnerable to budget cuts and real risk the program(s) would be cut altogether. The voices of those most affected are not likely to be able to be effective to see such decisions overturned as these voices tend to be those in remote (and very remote areas), Indigenous, low incomes – people’s whose political voice and power (number) is limited. The proposal to fund the program solely through government revenue does not provide certainty, is no guarantee of continued universal access and in one sense actually shifts the burden of risk onto those who can least afford it. Notably, none of the report’s draft recommendations refer to managing this risk, despite DoCA’s submission which stated that “Given wider Commonwealth Budget pressures we do not consider that increased Budget funding of any new universal service obligation is a viable option” (cited on p248). Instead, the report simply states that the risks ...”should be managed either through competitive tendering or through independent and transparent costing processes and regular reviews” (p257).

#### *Timing and transitional matters*

The report recommends scrapping the existing TUSO (standard voice phone and payphone obligations) as soon as possible (i.e. draft recommendation 3.1 “the Australian Government should phase out the existing telecommunications universal service obligation as soon as practicable” (p20), (see also draft recommendations 9.1 and 9.2, p27, 265, 267) but brushes aside the fact that this would likely leave a gap period while new arrangements/policy are prepared and implemented, with the statement that this transition should “be carefully managed to mitigate the risks of loss of access to critical services” (Box 1.1. Principals for transitioning to any new universal service policy, p34; see also p265, 266) without a corresponding draft recommendation that this risk should be managed. Nor is there any draft recommendation that Government adopt the Commission’s transition principles. Regarding these three recommendations it is our view that the existing TUSO provisions should remain in place until such time that a new TUSO has been drafted (and existing CGS reviewed) and is ready for immediate implementation to ensure there is no “gap period”, and draft recommendations 3.1, 9.1 and 9.2 should be amended accordingly. For this reason we do not support Option 2 (remove the standard telephone service USO in all areas once the NBN rollout is complete, p17). Another reason we do not support this option (nor Option 3 – the progressive rolling back as the NBN is rolled out, p17) is that both are based on an implicit assumption that voice services of an acceptable quality to satellite customers will be provided by the existing NBN satellite service; currently this is an unwarranted assumption which elsewhere in the report the Commission has indicated it is still seeking advice on (e.g. info request 6.1 p 22, 28; chapter 6). We therefore suggest decisions regarding this matter cannot be made until such time that the actual voice performance of satellite has been subject to considerably more testing and monitoring under greater take up than is currently the case.

### *Other issues – choice/competition*

The report states that evidence suggests that there are around 140 retailers offering services to consumers on the network and a retail presence over the entire network including 10 retailers offering services over the Skymuster satellites (p11, see also p167), but elsewhere the report notes that the number of retail internet service providers in Australia with more than 1,000 subscribers has declined over the five year period to Dec 2015 (p62). In other words there is decreasing, rather than increasing competition in the market, a point reinforced on p63, where it notes that 91% of fixed broadband and 96% of fixed voice service retail markets are held collectively by only four providers and again on p167, where it notes that currently nearly 95% of NBN retail services are supplied by the four major providers. These figures tend to undermine arguments and implicit assumptions that market competition will act effectively to ensure that universal service is provided to all consumers, as well as statements that there is more choice (e.g. p68) and that this will contribute to affordability of retail communication services, particularly in regional and remote areas (e.g. p201).

In a similar vein, although the report notes (p66) that virtual network operators can provide cheaper mobile services, and that all Telstra-serviced VNO's are limited to Optus' 98.5% population coverage, which ensures that Telstra maintains its market dominance outside of these areas (which we note tend to be in the remoter parts of Australia), this example merely serves to highlight the lack of competition and choice in these parts of the country. Section 2.4. "There is more choice" (p68) should note that this degree of choice is not uniform across the country; for those living and working in remote and very remote areas there is little choice other than to go with Telstra because it's network has the greatest geographical coverage.

*General remark regarding market gaps and failure, competition and encouraging innovative solutions in regional and remote areas.*

The Commission should note that based on our direct (and unhappy) experience, the anti-competitive behaviour of large established market players represents a real and significant barrier to overcoming market failure and lack of innovative bespoke solutions in remote and very remote areas. Such behaviour can include threatening to withdraw existing services should the customer continue with an alternative provider and can occur outside of competitive tendering processes in which they expressed no interest.

### **Summary of position on the Draft Recommendations**

This section summarises our position on the Draft Recommendations. Where we have urged an amendment or revision to a recommendation, it should be taken as a given that the related finding(s) should also be amended accordingly.

Draft recommendation 3.1. The Australian Government should phase out the existing telecommunications universal service obligation as soon as practicable.

We do not support this recommendation in the current form. Instead we urge the Commission to amend this recommendation along the following lines:

The Australian Government should only phase out the existing telecommunications universal service obligation when a replacement USO is ready for parallel roll out, so that there is not a period when consumers are left without any services or customer service protection measures in place.

Draft recommendation 4.1. The Australian Government in consultation with state and territory governments, should conduct a stocktake (by the end of 2017) of all telecommunications programs that share universal service objectives to rationalise and improve their efficacy and cost-effectiveness. The Australian Government should also provide a forum for agencies and jurisdictions to promote program evaluation and share best practice.

We support this recommendation and suggest that the Commission go even further and make an additional recommendation that the Australian Government work with state/territory governments, industry, and the community to develop a co-ordinated Regional and Remote Telecommunications Strategy.

Draft recommendation 5.1. The Australian Government should reframe the objective for universal telecommunication services to provide a *baseline* broadband (including voice) service to all premises in Australia, having regard to its accessibility and affordability, once NBN infrastructure is fully out rolled out.

We do not support this recommendation in the current form. Instead we urge the Commission to amend this recommendation along the following lines:

The Australian Government should develop a new universal service obligation (and consumer safeguards) which provides a baseline for fixed and mobile, data and voice services, having regard to availability, accessibility and affordability. This work should commence as soon as possible following the review of consumer safeguards and stocktake of Government telecommunications policies and programs.

Draft recommendation 7.1. The Australian Government should introduce legislation as soon as possible to make explicit the role of nbn as a universal service provider of wholesale broadband services. The legislation should be in place before any decision by the Australian Government to privatise nbn.

This recommendation appears to have been superseded by the Government's release of its proposed Reform Package. While we support measures to ensure availability in principle, this proposal will simply entrench the nbn and its infrastructure in regional and remote Australia, in a similar manner to what has occurred with the existing TUSO and Telstra. Additionally we also note (as has the Commission on p181) that nbn as a wholesale provider, does not have a direct relationship with end users and therefore its ability to act as a default USO provider is limited. We reiterate comments made in our earlier submission that a new USO needs to recognise the combined responsibility and roles of nbn, RSPs and Government.

Draft recommendation 7.2. The Australian Government should ensure that any further intervention with respect to guaranteeing retail service provision over NBN infrastructure is minimal. This should involve monitoring by the Australian Government of retail presence on NBN infrastructure, and if necessary, contracting one or more retail service providers to service geographic areas lacking retail presence.

In light of the Government's proposed Reform Package, this recommendation may need revision. It could be strengthened by including reference to an automatic trigger for intervention.

Draft recommendation 7.3. The Australian Government should amend the National Broadband Network Companies Act 2011 to ensure that the planned Productivity Commission review of nbn following the full rollout of NBN infrastructure occurs regardless of whether or not privatisation is being contemplated. The review should cover the impacts of nbn on the economic efficiency of the telecommunications sector as well as all the matters already specified in section 49 of the Act.

While we support a review of the NBN once it is fully rolled out, the actual timing of such a review should be carefully considered given the danger of duplication and overlap with the work of other Committees including the Regional Telecommunications Independent Review Committee and Joint Parliamentary Committee on the NBN. Further, such a review should be a holistic review and not simply focus on economics.

Draft recommendation 9.3. The Australian Government should proceed with its intended review of the telecommunications consumer safeguards framework as a matter of priority. The review should include an assessment of:

- What, if any, future safeguards are necessary
- What changes should be made to Telstra's carrier licence conditions
- The future role of accessibility and affordability measures, including the Telephone Allowance, the National Relay Service and relevant elements of the National Disability Insurance Scheme
- The consumer protection roles of various bodies including the ACCC, ACMA and TIO
- The delineation of responsibilities for service quality (including fault repair) on the NBN.

We support this recommendation in principle but believe that it should be amended to specify that the review occurs prior to any phasing out of the existing TUSO. However we note remarks on page 276 that suggest that the Commission views the CSG and other safeguards as largely unnecessary.

Draft recommendation 7.4. Before proceeding to the next round of funding under the Mobile Black Spot Programme, the Australian Government should implement the Australian National Audit's Office recommendations relating to that program. It should also: target the program only to areas where funding is highly likely to yield significant additional coverage; revise its infrastructure-sharing requirements to be consistent with the ACCC's findings in the ongoing Domestic Mobile Roaming

Declaration Inquiry; and prioritise areas for funding based on community input – rather than nominations from Members of Parliament.

While we support elements of this recommendation and specifically that the areas for funding should be prioritised based on community input rather than nominations from politicians, we are concerned that targeting the program only to areas likely to yield significant additional coverage may further disadvantage regional and remote areas given that coverage is likely in this context to refer to population, rather than geography.

Draft recommendation 7.5. The Australian Government should establish a funding program for a form of community telecommunications service (such as payphones) that targets locations where premises do not currently have a satisfactory alternative voice service, such as a mobile service. This program should target particular needs and be flexible for delivery to such communities. This program should involve a competitive tendering process to allocate funding.

We do not support this recommendation in its current form because it is being proposed as an alternative to a universal service obligation underpinned by legislation. Government funding programs are vulnerable to constant change and consequently would not guarantee availability and access for those who most need it. It should be amended to make it clear that such a funding program would be underpinned by a new TUSO and associated legislation.

Draft recommendation 8.1. The Australian Government should use competitive tendering wherever feasible to deliver telecommunications universal service programs. As a first step, the Government should test the depth of relevant market segments.

Where there is no market depth and a competitive tendering process is not feasible, the Government should, at a minimum, subject all proposed program costings to an independent and transparent validation process. Where relevant performance comparators are available across programs, these should be used as a basis for benchmarking.

We support this recommendation in principle but note our response to draft recommendation 8.2.

Draft recommendation 8.2. The Australian Government should fund targeted measures meet telecommunications universal service objectives principally through general government revenue rather than an industry levy. The Australian Government should seek to minimise the risks of cost-padding and gold-plating through contestable and transparent processes.

We do not support this recommendation because it does not provide certainty regarding the provision of universal services but would be subject to significant risk each Budget cycle. Instead, we reiterate our view that a new TUSO should be co-funded by Government, wholesale and retail providers. We note also that the first part of this recommendation may need reconsideration in light of the Government's proposed Reform package.

Draft recommendation 9.1. The Australian Government should immediately commence negotiations with Telstra to amend, and ultimately abolish, module B (Standard Telephone Service USO) and module C (Payphones USO) of the Telstra USO Performance Agreement.

Draft recommendation 9.2. In negotiating changes to the Telstra USO Performance Agreement the Australian Government should seek an early termination of module C (Payphones USO) of the Agreement. These negotiations should be complemented by the required legislative amendments to also remove Telstra's statutory requirements in relation to the payphones universal service obligation.

We do not support either of these recommendations in their current form. Abolition of the existing TUSO without having a new USO ready for instantaneous implementation will leave some consumers without access to any services, particularly in remote and very remote areas where there is heavy reliance on a standard voice service and/or payphone. We reiterate our belief that this uninterrupted protection of basic services represents a basic human right which should be at the forefront of the Commission's concerns.

## Addendum: Specific comments on the main body of the draft report

Page 40, Box 2.2. It is unclear what the purpose of this information is. If such information is to be provided we suggest that it includes relevant examples from an Australian context, in order to actually demonstrate that the Australian telecoms sector “evolved more rapidly over the past two decades compared with slower evolution over earlier periods (box 2.2.)” (p38).

Page 44, Figure 2.4. It is unclear what the purpose of providing a log scale on this Figure is, given that the growing trend is already clearly obvious from the petabyte data. Also, it is unclear what element of the data presented in this figure relates to note c – includes internet service providers with more than 1000 subscribers only; is there a ‘c’ missing from the Figure title?

Page 48. Refers to ACMA 2015b – this reference is missing from the Reference list.

Page 51, Use of copper access network to deliver DSL broadband. The Commission may wish to note that in addition to the existing limitations of DSL over copper, the limitations in relation to its capacity to carry 4K UHD. E.g. short cable lengths.

([http://www.crestron.com/downloads/pdf/product\\_misc/4k\\_whitepaper.pdf](http://www.crestron.com/downloads/pdf/product_misc/4k_whitepaper.pdf))

Page 51, Table 2.1. It is unclear why premises which can actually receive a DSL service even though they may be affected by limited port availability and capped exchanges would be included in a Table which is clearly meant to show the number of premises which cannot receive such a service. If it is because it is not possible to distinguish to this level, this should be made clear.

Page 55, 5G mobile technology. Current phrasing of the second paragraph and Figure 2.10 on page 55 both suggest that 5G mobile will be available “anywhere”. We suggest this is both premature and overly optimistic given the current geographic coverage of mobile in Australia (5G may well allow for near total connectivity, but only if you are in mobile range) and recent reports suggesting that there may in fact be some unique limitations to 5G operating in Australia (e.g. see - <http://www.smh.com.au/business/telstra-pushes-for-5g-that-works-in-australia-20170108-gto0gz.html>)

Page 57, Sky muster spot beams. While the report states that the spot beams allow for more efficient spectrum re-use, it fails to note that these beams are fixed, and cannot be changed.

Page 67, Mobile investment. The report states that “Mobile investment in regional areas is increasing, both as a result of market forces and government support” and cites the 2015 RTIRC finding that “current investment plans and competitive dynamics are likely to provide additional coverage in the near future”. While this may be true for inner and outer regional areas and some large urban settlements in remote Australia, this is not the case in Very remote areas. In the latter areas of the NT, additional mobile coverage is achieved only through government support such as the Mobile Black Spots Programme, rather than market forces.

Page 70-71, regarding internet speeds the report states that average fixed and mobile broadband speeds are forecast to increase by 140% and 100% respectively between 2015 and 2020 (p70) but is

curiously silent on satellite speeds. Possibly because as more users take up satellite increasing congestion will more than likely result in slower speeds, as was the case with the ISS. The report also fails to acknowledge in the discussion on p70-71 that the most recent Akamai *State of the Internet* Report shows that Australia continues to fall further behind in terms of internet speeds, even though the Commission acknowledges that the fixed services sector is lagging in terms of speed and price but chooses to only discuss retail prices without also reporting on our relative performance when it comes to speed. Elsewhere it is clear that the Commission considers the peak wholesale download data rate of 25Mbps for all premises as “relatively generous” and “more than adequate” and chooses to make select comparisons with Canada and the United States to bolster this argument (e.g. p159). However by world standards, Australia performs poorly when it comes to internet speeds. In 2014 Australia was ranked 41<sup>st</sup> and 42<sup>nd</sup> globally in terms of average peak connection speed and average connection speed and had fallen further behind in September 2016: ranked 57<sup>th</sup> and 50<sup>th</sup> (Akamai *State of the Internet Connectivity Reports*).

Page 87, Figure 3.4d. The resolution needs improving for this figure as it is not possible to read the legend on an A4 print-out.

Page 103, Key points. We note that the equivalent annual subsidies of \$1200 per fixed wireless premises and \$1440 per satellite premises for the nbn, are in fact similar to the middle range of the Commission’s estimates for TUSO subsidies.

Page 129, reference to the zone tax offset. The report may wish to note that the fixed amount of this offset has remained constant for the last 23 years (i.e. since 1993) despite changes to CPI; it amounts to the grand sum of \$338 for someone who spends 365 days in Zone A. The report should clearly state in the text that this is not a measure specifically designed to address affordability of telecommunications in these areas. Rather it was originally introduced in 1945 to “compensate the residents of remote areas of Australia for the ‘uncongenial climatic conditions, isolation and high cost of living ... in comparison with other parts of Australia’ ” (See Fullerton, A. 2014. Are You Still Here, Mr Haase? A Study of Australia’s Tax Rebates for Residents in Isolated Areas. *Journal of the Australasian Tax Teachers Association* 9(1). Available at <http://www.austlii.edu.au/au/journals/JIATaxTA/2014/3.pdf> [accessed 12/1/2017])

Page 139 – telecommunications and economic growth. The report refers to a 2009 Pricewaterhouse Coopers study cited by RAI in their submission which estimated the potential economic benefit from ubiquitous online services. In addition to the figures cited in this paragraph, the Commission may also wish to note the extent of savings that can also be achieved if those currently without internet access can participate in online opportunities, as per p2 of our earlier submission.

Page 144 – References to the extent of Australians online take up of Australian Government services compared to other nations should note that this is not necessarily by choice, given the Government’s preference for services to be “digital by default” (p144, preceding paragraph). This trend disadvantages particular users i.e. those without access to an internet connection and where there is no traditional (government) person-to-(client) person interface.

Page 148 – Refers to “uniform prices benefitting wealthy households in high-cost regional areas...”. The Commission should note that the number of what might be considered “wealthy households” in regional and remote areas of the NT is not great. These households are in the minority compared to those with low incomes. For example, in the Central Desert Regional Council LGA, the lowest quartile comprised 42% of households with income in 2011. The percentage of households in the highest quartile was 7.7% compared to 18.5% nationally, while in the neighbouring MacDonnell Regional Council LGA the percentage was 9.8% and 8.1% in the Victoria Daly Regional Council LGA (2011 Census, data compiled by id).

Page 152 – Box 5.7 notes principles used in the European Union, Canada and the United States. In this context it is odd that the report has not also noted that the United Nations declared the internet a basic human right in 2011, and in 2014 United Nations Resolution A/HRC/RES/26/13 called on all states to “promote and facilitate access to the Internet”, as well as to “promote digital literacy and to facilitate access to information on the Internet”.

Page 152-153 – International approaches to universal service policies. The Commission may wish to bear in mind that when it comes to comparisons with other countries (and particularly those in the UK, Europe and US) Australia’s geography and demography differs significantly. For this reason regional policies based on programs in these countries generally do not translate well into an Australian setting (Conway 2011).

Page 155, Box 5.9 – Participant’s views on principles for developing a new universal service policy – some examples. We note that, other than the ACCC, all the other participant’s views which the Commission has selected to highlight are from telecommunications companies. This selection potentially leaves the Commission open to accusations of bias. We suggest that some non-telco participant’s views are included in this box.

Page 167, paragraph containing reference to table 6.1 and related footnote no. 59. The Commission may wish to consider clarifying both the paragraph and footnote 59 – if the intent is to demonstrate that there are fewer access seekers in metropolitan areas this is not borne out by the data in table 6.1 which shows a total of only 41 for regional POIs, compared to 71 for metropolitan areas and 9 for outer metro areas.

Page 172, Table 6.2. There appears to be an inconsistency in the area classifications used in the table (i.e. urban, rural and remote), and the “Accessibility Remoteness Index of Australia plus published by the University of Adelaide)/ABS Remoteness Classification used elsewhere in the report (i.e. metro, inner and outer regional, remote and very remote). This inconsistency should be addressed as is not clear which particular category certain service centres might fall into. For example according to note a) urban areas are those with 10,000 or more people while remote areas have 200 or fewer people in which case Alice Springs would be considered an urban area, yet under the ABS Remoteness Classification it is considered a Remote area. Similarly Tennant Creek would be considered a rural area yet under the ABS Remoteness Classification it is Very remote.

Page 183 – it is not clear on what basis the Commission believes that the needs of those with a disability would change once the NBN is rolled out i.e. presumably their telecommunications requirements are dictated more by their disability, rather than the presence/absence of the NBN.

Page 185 – Regarding Indigenous people living in remote communities, we welcome the Commission’s view that “there is no question as to whether there is scope for government intervention here”. We believe that because of the culturally specific issues identified by the Commission (p185-7) that “generic policies broadly available to the community (p189)” will not be sufficient to ensure that appropriate telecommunications services are maintained for Indigenous people and specifically, those in remote and very remote areas.

We note the Commission’s finding in relation to Priority Assistance and specifically that there will be a gap unless a customer continues with Telstra. Owing to the implications for the TUSOP Agreement and Commission’s draft recommendation that the TUSO be discontinued, we believe that the Commission should formulate a specific recommendation in relation to Priority Assistance customers, rather than simply suggesting this matter be addressed by the Australian Government (p185).

Page 201 – The statement that Appendix D analysis suggests that basic fixed broadband packages over NBN infrastructure are expected to be relatively more affordable for most people as the NBN rolls out and that voice-only services migrating to fixed line and fixed wireless are not being affected, fails to mention satellite.

Page 208 – discussion regarding the public provision approach is based on an ideal or preferred situation. Unfortunately, the nbn and NBN broadband roll out has now been so politicised that it is difficult to envisage common sense, or even a bipartisan approach prevailing regarding telecommunications.

Page 220 – Future review of nbn. We agree that the nbn and NBN broadband network should be reviewed once roll-out is completed, regardless of whether or not it is privatised and note that with regard to Box 7.4 some of these matters are likely to have been considered by the Joint Parliamentary Committee on the NBN.

Page 222 – As the existing discussion regarding enhanced customer information about the NBN highlights faults and how the existing wholesale broadband agreement does not adequately protect consumers, this discussion would be more appropriately situated within the context of discussions regarding availability and accessibility and service standards, rather than customer information about the nbn. Instead, this section should focus on the need for clarity regarding the various roles and responsibilities of the nbn, RSPs and Government, additional to a CSG.

Page 228 – It appears on the basis of the third paragraph on page 228 that the Commission is opposed to Government intervention forcing nbn to undertake activities which may incur an additional cost/loss, but is not averse to Government intervention to remove any regulatory barriers to nbn exploiting its infrastructure for commercial advantage.

Page 229 – Refers to the NTG and remote libraries and provision of community Wi-Fi services. The Commission should note that this program does not cover all remote Indigenous communities in the NT. Additionally, as a Government funded measure it is subject (like all such programs) to, and vulnerable, to changes in policy and funding and is not guaranteed in the long-term. Refer our previous comments in relation to draft recommendation 7.5 and the associated uncertainty and risk this proposal entails.

Page 233 – Regarding the concept of a universal service fund, we would support such a fund but only if the funding mechanism is quarantined from the vagaries of politics that accompanies each Budget cycle and on the condition that there a Regional and Remote Telecommunications Strategy is developed prior which can be used to guide funding decisions. Without such a strategy is it likely that the ad hoc approach to policies and programs will continue.