



## What the NBN-Telstra deal means for you

You may have heard that Telstra has struck an \$11 billion deal with the Government to transfer its voice and internet customers to the national broadband network (NBN). Part of this deal was a change to the way the Universal Service Obligation (USO) will be delivered.

There has been a lot of coverage about what all this means for Telstra and its share price but not much about what it means for everyone else.

Many details remain to be decided, but here is a summary of the key USO changes in this announcement.

Currently under the USO, Telstra has the obligation of ensuring that a standard phone service and payphones are reasonably accessible to all Australians.

Under the deal announced yesterday, Telstra is being paid to give up its special status as the owner of the phone lines and become just like other telecommunication companies – offering services but not owning the infrastructure.

### The Government will contract out the USO

Because of this, the Government has announced it is going to take on the overall responsibility for delivering USO services. A new wholly Government-owned company called “USO Co” will be launched to provide the funding for:

- Delivering the USO for the standard phone service and payphones;
- Delivering the public interest services such as emergency call handling functions ('000' and '112') and also special services such as the National Relay Service (NRS) where USO Co will take over the contract management role.

It is important to note that USO Co won't deliver any services itself. It will sub-contract with phone companies who will bid to provide the service.

So USO Co is just a means for channelling money from the Government to one or more phone companies who will actually provide the service. It is therefore impossible to say now who will be the USO provider in any particular area after USO Co begins operating on 1 July 2012.

While there is no announcement now on enlarging the USO, we at ACCAN are heartened to see the Government declaring that **“now and increasingly into the future, high speed broadband should be seen as a critical utility service like water, electricity and gas.”**

### When and how does USO Co take over from Telstra?

Nowadays your phone calls get carried over the old copper wires. Gradually, as the NBN fibre network gets rolled out across the country, the phone system will be moved onto the NBN so that your phone calls will be carried over the fibre cables instead of the copper wires.

The old copper exchanges will be progressively shut down one by one after the change-over happens in each area.



Starting on 1 July 2012, USO Co will take over responsibility for the USO services in a particular area, once that area's phones have changed over to the fibre network. There are no details yet on the timing for the shut down of the copper exchanges.

For those areas that won't be covered by the fibre network, USO Co takes over from July 2014. Even though Telstra gives up its USO obligation at that point, it will have to maintain its existing copper network and keep the phones working in those non-fibre areas until 2022.

#### **Other key points in the announcement**

- There will be consultation with Telstra and other key stakeholders on when USO Co should take over responsibility for emergency call handling functions.
- Once it is launched, USO Co will operate a 'consumer referral service' to advise consumers of the USO provider in their area.
- The Government will fund an information and education campaign in consultation with Telstra to inform the public about the change over and the timing in particular areas.
- The Government will retain policy control of the emergency call function and the National Relay Service.
- The Australian Communications and Media Authority (ACMA) will continue to have responsibility for monitoring compliance.
- A review will be conducted of the USO phone arrangements in 2018.

#### **Funding**

The Government has agreed to provide dedicated funding for USO service delivery of \$50 million per year for the years 2012/13 and 2013/14, and then \$100 million per year after that. The existing USO funding arrangements will apply in the meantime.

The rest of the funding for USO Co will come from an industry levy scheme which will replace the current levy scheme.

USO Co is also supposed to fund Telstra to develop an "appropriate technological solution" to transition such devices as public alarms and traffic lights from the copper network onto the NBN fibre network.