



# Implementation of Universal Service Policy Discussion Paper

Submission by the Australian Communications Consumer Action Network  
to the Department of Broadband, Communications and the Digital Economy



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## **About ACCAN**

The Australian Communications Consumer Action Network (ACCAN) is the peak body that represents all consumers on communications issues including telecommunications, broadband and emerging new services. ACCAN provides a strong unified voice to industry and government as consumers work towards availability, accessibility and affordability of communications services for all Australians.

Consumers need ACCAN to promote better consumer protection outcomes ensuring speedy responses to complaints and issues. ACCAN aims to empower consumers so that they are well informed and can make good choices about products and services. As a peak body, ACCAN will activate its broad and diverse membership base to campaign to get a better deal for all communications consumers.

### **Contact:**

Danielle Fried, Disability Policy Adviser

Suite 402, Level 4

55 Mountain Street

Ultimo NSW, 2007

Email: [dani.fried@accan.org.au](mailto:dani.fried@accan.org.au)

Phone: (02) 9288 4000

Fax: (02) 9288 4019

TTY: 9281 5322

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## Contents

Preamble .....	4
Response to Discussion Paper Questions .....	8
A. Arrangements for voice telephony .....	8
B. Arrangements for payphones .....	13
C. Arrangements for the transfer of emergency call handling functions .....	16
D. Arrangements for the National Relay Service.....	21
E. Arrangements for migrating voice only customers to a fibre-based service.....	22
F. Technological solution for transition of copper-based public interest services.....	25
G. Funding arrangements for USO Co .....	26
H. Institutional arrangements for USO Co.....	29
Appendix 1 .....	33

# Preamble

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ACCAN appreciates the opportunity to provide comment on the implementation of universal service policy for the transition to the NBN environment, although the limited timeframe has somewhat limited the level of detail in this response.

ACCAN has serious concerns about key elements of the policy as it is emerging overall.

While understanding the need to expedite consideration of universal service policy in order to reach agreement with Telstra — and so put in place a crucial plank of the NBN's viability — ACCAN is concerned about the precedent this will set. There are two key issues we would raise in this regard.

Firstly, the complex and cumbersome series of arrangements which the Discussion Paper envisages migrating across to USO Co provides for universal supply of a strictly defined standard telephone service. Thus, this Discussion Paper takes as given that universal service is the voice-only standard telephone service, its equivalent to ensure accessibility for people with disabilities, and the various provisions that have accrued under the rubric of universal service (such as payphones, emergency service, public interest services, and the National Relay Service). The Discussion Paper sets down a review of standard voice telephone service arrangements in 2018 — that is, in eight years' time — and specifically mentions only competitive processes (a well-canvassed issue) and unbundling of wholesale and retail services.

The continuation of the current level of universal service into the NBN world is welcomed. But in reality, the USO defined in this way is supplied to fewer and fewer Australians and it has become increasingly irrelevant.<sup>1</sup> The lowest income consumers often prefer a mobile phone or a broadband service which can be used for voice calls, rather than the standard telephone service as it is enshrined in the legislation inherited from past decades. The needs of consumers with disability are frequently not met by the current USO, with many consumers with disability requiring access to high-speed broadband or mobile phones rather than the standard telephone service as currently defined.

To add to this, the transition to NBN raises the spectre of a yawning gulf between the standard telephone service (a definition essentially established in the 1990s — the last century) and the vastly greater capabilities and features of next-generation broadband set to become the default entitlement for all Australian citizens. There are indications that the transition to broadband has already started leading to social exclusion issues that need to be addressed.<sup>2</sup> There is good reason to suggest that Australia shares the experience borne out in a 2010 study of a decade of US data on broadband adoption and use, which found that:

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<sup>1</sup> Jock Given, *The eclipse of the Universal Service Obligation: taking broadband to Australians*, *info*, 10.5/6, pp. 92 – 106.

<sup>2</sup> Anthony Eardsley, Jasmine Bruce, and Gerard Goggin, *Telecommunications and Community Wellbeing: A review of the literature on access and affordability for low-income and disadvantaged groups*. Final report for the Telstra Low Income Measures Assessment Committee (LIMAC). Sydney: Social Policy Research Centre and Journalism and Media Research Centre, University of New South Wales, 2009.

Each successive wave of technology augments the barriers to adoption creating walls behind which the disconnected are trapped. Moreover, since there is strong evidence that broadband is a pervasive and dominant communications technology for a broad swath of economic, social and political activities. The lack of access to the technology compounds social inequality. The problem of digital exclusion reinforces social exclusion and has become severe.<sup>3</sup>

It remains unclear how and when the government proposes to address these most profound issues of universal service. This is the proverbial elephant in the room of current Australian universal service policy — and it is something that other national governments around the world are already beginning to address. The comprehensive Berkman Center study of broadband investment around the world, undertaken for the US Federal Communication Commission, noted that European governments in particular are putting policies in place not only to give universal availability of broadband to residential households — but also to address the critical issue of ubiquitous connectivity for individuals.<sup>4</sup> These policy developments highlight the key issues for consumers if real access for all is to be delivered.

Secondly, the government's USO Co is only defined in terms of this outdated standard telephone service. Its role, it would appear, is confined to the translation and maintenance of this narrow Universal Service Obligation. This is a real problem and missed opportunity. Rather than USO Co being charged with providing advice on the adequacy of the Universal Service Obligation, and whether, when, and how it should be updated and upgraded, the agency — regarding which there is little detail so far — is not set up to gather information, assess the evidence, or provide advice on such important questions. This is regrettable as this could have provided a properly resourced and well-designed agency to fill this gap, which currently exists between the Department of Broadband, Communications and Digital Economy and the Australian Communications and Media Authority.

While this Discussion Paper relates to only a limited aspect of universal service, it is still necessary to understand the broader policy context and imperative. ACCAN believes the transition to an NBN environment is an opportune moment to make the content of the Universal Service Obligation (USO) more relevant to Australian society today, and acknowledge the need for social inclusion in a broadband world.

Some aspects of this long-awaited reform of universal service do emerge from the current Discussion Paper. ACCAN welcomes the provision of emergency call handling functions and the National Relay Service as key responsibilities of USO Co. We believe that there is the possibility of greater improvements to emergency call handling which will come with its independence from Telstra. And as an essential service, it is commendable that the NRS levy be 'rolled into' a USO levy rather than stand alone. As Australia moves into an NBN environment, converging technologies are likely to have a significant impact on the NRS, and it is useful to view changes to universal service policy alongside the review of the NRS.

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<sup>3</sup> Mark Cooper, 'The Socio-Economics of Digital Exclusion in America', paper given to Telecommunications Policy Research Conference, George Mason University, Arlington, Virginia, 1-3 October, 2010, [http://www.tprcweb.com/images/stories/2010%20papers/MarkCooper\\_2010.pdf](http://www.tprcweb.com/images/stories/2010%20papers/MarkCooper_2010.pdf)

<sup>4</sup> Berkman Centre for Internet & Society, *Next Generation Connectivity: A Review of Broadband Internet Transitions and Policy from Around the World*, Final Report, February 2010, Harvard University, Cambridge MA, <http://cyber.law.harvard.edu/pubrelease/broadband/>



We note that the notion of a continuing special USO obligation on Telstra that stretches into the long-term future also contradicts the principle that is guiding the *Telecommunications Amendment (Competition and Consumer Safeguards) Bill* that Telstra should become a regular retail service provider and lose its special status and power in the communications market.

However, the general problem that the Discussion Paper highlights is that Australia needs a modern approach to universal service adequate for the national broadband environment.

In ACCAN's view, the USO needs to be redefined so that all consumers can nominate their preferred any-to-any service. We need to move beyond 20<sup>th</sup> century debates about voice or voice-equivalent communication.

The importance of the redefinition of the USO is underlined by the fact that many of the mooted benefits and imagined uses of the NBN – for instance in the area of health or government services – are premised on assumptions about consumers being able to easily and affordably access broadband. A meaningful USO must include safety net access to broadband at a reasonable price because it is a foundation stone for the policy objectives and the promise of the NBN. Furthermore, many consumers with disability will require free or low-cost equipment allowing them to use this broadband service, and consumers who are Deaf or hearing-impaired and who use video technology as an alternative to or augmentation of voice telephony will require guaranteed minimum download and upload speeds. USO Co should therefore include an independent disability equipment program – possibility as part of a next-generation National Relay Service – one which includes mobile, broadband and augmentative/alternative technologies as well as the standard telephone service equipment currently provided by Telstra.

With the internet now an essential service, we have the opportunity to take advantage of an NBN environment to go beyond just simply transitioning existing services. For example, USO Co could provide genuine internet access – not simply a phone service - for low income earners by providing non-carrier-specific basic email services, and firewalled internet access to government services.

Disadvantaged consumers in particular may not even be aware of the existence of a Universal Service Obligation, and there is now an opportunity for USO Co to take an active role in providing public education about its services.

The best mechanisms to achieve a more flexible and relevant universal service policy will depend on many variables. There are many countries which have developed differing approaches and from which Australia can learn – particularly throughout the European Union and in South Korea.

But the first step needs to be taken. The Government should open a consultation process on what a new USO for a broadband-enabled society should be.

New ideas will no doubt emerge in such a process, which not only would be more effective at ensuring social inclusion but also relieve the Government of the need to fit the unwieldy square peg of the current standard telephone service USO into the round hole of the NBN environment.



ACCAN has nevertheless addressed itself to the questions raised by the Discussion Paper in the limited timeframe available. We hope that the USO will be opened up to redefinition in the near future and we look forward to the opportunity to participate in future discussions.

# Response to Discussion Paper Questions

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## A. Arrangements for voice telephony

***3.1(1) Is it appropriate for the agreement to specify that Telstra both operates and maintains nominated infrastructure (i.e. deliver wholesale services) and also supplies the standard telephone service (i.e. deliver retail services)? What alternative or additional arrangements could be established that would enable the provision of a standard telephone service, for example, an agreement with Telstra that relates only to the delivery of wholesale services in combination with a subsidy scheme for retail service providers or by appointing a retailer of last resort?***

In the NBN environment it will be important to clearly place accountability for delivering the standard telephone service against both the operator and maintainer of wholesale services and those companies supplying the standard telephone service as a retail service.

ACCAN believes there is a general issue to be addressed about this relationship between wholesale and retail services, something that has been key to universal service through its history. As discussed in the McKinsey report, NBN Co will play a critical role in establishing, maintaining and upgrading the infrastructure to the premises that will effectively establish the new benchmark for the Universal Service Obligation.

In the transition — both to the NBN, and to a modernized concept of the Universal Service Obligation — the two key principles should be that:

- the existing standard telephone service be delivered in entirety;
- no consumer be disadvantaged, or worse off, during the transition period to the NBN or after the NBN is fully operational.

Accordingly, the key test for the adequacy of the arrangements for voice telephony should be that:

- they efficiently, effectively, and fairly maintain the delivery of the standard voice service to all consumers.

In this light, what is important is adequate agreements for both wholesale services and retail services, regardless of which entities provide these in the transition period.

Given the issues faced by successive governments in introducing contestability and competition into the delivery of the standard telephone service, ACCAN would urge caution in seeking to experiment around the margins in the transitional phase. Clearly, the point of the NBN is that retail competition in various service markets (as conceptualized in McKinsey) will be able to flourish.





There are a number of detailed requirements for meeting the standard telephone service that Telstra has often struggled to meet. This is an additional reason to be cautious about a retail subsidy scheme. If such a scheme is contemplated, there must be very strict performance standards, monitoring, effective consumer feedback, and rapid problem-solving and compliance measures put in place to ensure that consumers do not suffer inadequate supply of the standard telephone service.

In summary, ACCAN believes that:

- the government should quickly ascertain, through this consultation process for instance, where there are any real prospects for retail competition in the provision of the standard telephone service;
- if there are not, then it is appropriate to enter into dual, separate agreements with Telstra for provision of both wholesale and retail services.

In any case, ACCAN strongly recommends that the main provisions of such agreements be publicly canvassed, so that consumers and their representative bodies can be satisfied that standard telephone service will be safeguarded.

***3.1(2) Under what circumstances would it be appropriate for non-copper infrastructure to be used to efficiently deliver voice services to customers in National Broadband Network non-fibre areas that are currently served by copper infrastructure?***

In principle, ACCAN believes any infrastructure would be appropriate to be used to deliver voice services to customers in NBN non-fibre areas that are currently served by copper infrastructure.

Again, the test is whether all aspects of the standard telephone service are being delivered to such consumers, and whether the delivery is being achieved in an effective and fair, as well as efficient, manner.

The difficulty is that there are much-valued, well-established aspects of voice telephony service - such as quality of service - that can pose problems when delivered via non-wireline technologies. This is evident with mobile and satellite networks and services, whose basic functions - such as the ability to place calls and engage in voice communications without loss of service, poor acoustic quality, or drop-outs – are not always reliable. Next-generation wireless and satellite promise improvements in voice quality, but real world testing will be crucial to gauge whether they are capable of delivering a standard telephone service.

***3.1(3) What arrangements should USO Co put in place to ensure the ongoing delivery of voice-only services once the NBN Co fibre network is operational?***



When the responsibility to deliver standard telephone services under the USO transfers to USO Co, as relevant areas are disconnected from the copper exchange, there are a number of principles that ACCAN suggests should underpin the arrangements:

- no interruption to standard telephone service delivery from the change in infrastructure from copper to fibre, and from wholesale provider from Telstra to NBN Co.;
- USO Co should have a standard agreement in place with NBN Co. to ensure its activated fibre network in each area being progressively connected can support standard telephone services;
- well before the decommissioning of the copper network, USO Co should put a process in place to select and strike an agreement with a standard telephone service provider (or providers) in each area;
- in considering the options for standard telephone service delivery, USO Co should ensure there is a: public education campaign with targeted information in accessible formats and community languages; early and comprehensive consultation with affected consumers in the area to ensure their preferences are best accommodated;

as the regulator of the Universal Service Obligation, the ACMA should play a key role in monitoring switch-over and checking any agreements with suppliers, to ensure all components of the standard telephone service are delivered, without interruption or diminution of features or quality.

As well as the issues raised above, there are some complex yet highly significant aspects of the standard telephone service – currently spelt out in licence conditions – that ACCAN believes need to be explicitly addressed. In particular, the licence conditions on Telstra are where the key plank of the affordability provisions for the current universal service obligation is articulated – the low-income support measures. In fulfilment of this licence condition, Telstra's Low Income Measures Assessment Committee has developed a sophisticated set of approaches that deliver important products, services and support to address the needs of affordability for low-income consumers. If and when other providers take over the standard telephone service from Telstra, and when USO Co takes over as wholesale provider, what will the stipulations be regarding this, and other, licence conditions? In this transition, the agreement should certainly state that the licence conditions apply (if there is any ambiguity), but: 1) how would identical licence conditions be enacted for any new provider? 2) how would USO Co and the ACMA ensure that the low-income measures provided were at, or above, the current standard of those delivered by Telstra?

***3.1(4) What key principles and considerations should be taken into account in providing flexibility in the duration of the agreement with Telstra to reflect changing circumstances, such as the availability of NBN Co's wireless or satellite services?***

As suggested in the Discussion Paper, ACCAN believes there is merit in the government striking an agreement with Telstra to ensure stable delivery of standard telephone services in non-fibre areas. Such an agreement should include clear performance standards, with scope for reviewing and upgrading of these (for instance, at the mid-point of the contract).



ACCAN can see there is usefulness in providing flexibility in the duration of the agreement to reflect changing circumstances. There will be a need for the expected value of any Universal Service Obligation placed on Telstra to be appropriately registered and compensated if the agreement is materially changed or ended. From ACCAN's perspective, however, the key principle that should underpin such flexibility is the superior level of service to be gained for consumers, and the greater effectiveness, fairness and efficiency in delivery of the standard telephone service. From the consumer perspective, it is the prospect of earlier, rather than later, migration to a more advanced infrastructure capable of providing better service that should motivate and inform flexibility in arrangements.

***3.1(5) If separate agreements were established for non-copper infrastructure to deliver voice services in National Broadband Network non-fibre areas, what would be an appropriate term?***

ACCAN does not have a fixed view on the appropriate term for agreements established for non-copper infrastructure. However, we suggest the term of agreements should be long enough both for consumers to gain familiarity with the new infrastructure and mode of voice services and for any problems or shortcomings with the provision of standard telephone service on such non-copper infrastructure to be resolved.

***3.1(6) What is the desirable end state model for the provision of voice services outside the fibre footprint, in terms of technological solutions and universal service arrangements, beyond the life of the initial agreements?***

The ideal long-term ('end-state') model for the provision of voice service outside the fibre footprint once the transition period, and initial agreements, are over, should be predicated on the following principles:

- voice services on a par with those offered inside the fibre footprint, but certainly meeting (and preferably exceeding) all aspects of the standard telephone service;
- continuing improving level of voice services closely connected to the higher level of service and capabilities offered by the NBN platform (non-fibre and fibre); that is, voice services not seen as legacy of the PSTN environment — but rather an integral and dynamic part of the convergent media, NBN, next-generation network environment;
- universal service arrangements that give maximum choice of services and provider to each consumer;
- regulatory arrangements that provide strong enforcement regime for delivery of universal voice and other related services;
- secure funding arrangements for universal service to provide incentives for providers to provide an excellent level of choice, and to vie with each other to provide retail standard telephone services.

***3.1(7) What transition path will enable the desirable end state model to be achieved and how can the initial agreements create the right incentives to ensure that this transition path is followed during the term of the initial agreements?***

The transition path that will enable the desirable long-term ('end-state') model is to embed principles and incentives around:

- deployment of state-of-the-art technology;
- integration of voice services with other rapidly evolving data and convergent media concepts;
- safeguarding and delivering existing voice telephone service-based USO, while positioning infrastructure and service cultures and options to continue its evolution;
- providing high-quality, guaranteed service for consumers, through sustainable long-term arrangements;
- evolving viable, tested options for competition in provision of a standard telephone service;
- embedding consumer consultation in transition and establishment of long-term model, including provision of clear and accessible information and education for consumers.

***3.1(8) Having regard to the timetable for finalising the negotiations with Telstra what methodology/approach should be employed to determine the funding costs for the purpose of the proposed contract?***

ACCAN notes the difficulties faced across various jurisdictions over the past two decades in arriving at a definitive and widely endorsed costing of universal service. ACCAN has no fixed views on what methodology or approach should be employed to determine funding costs in order to fashion contracts between the government and Telstra. However, there is good reason to base a dispensation as suggested in the Discussion Paper (p. 11) – namely, drawing upon previous costs models devised by the ACCC but adding a revenue component.

As more is known about the economics of NBN fibre and non-fibre networks it make sense to consider paradigms not previously employed in relation to PSTN-based universal service such as relatively straightforward service fees for operating networks, or new network cost models. Such models, and others also, have featured in universal service provision in developing countries, especially with the development of mobile phones. Now internationally there is much debate about the cost and business models underpinning next-generation broadband networks.

While there are now more resources and new concepts in this area of economics and policy to seek a better approach in costing universal service, it is difficult to see how this could be properly achieved in the transitional period (especially in the next six months to two years). It would take some time to work through the issues and options for developing and applying such approaches — so in the first instance it does not seem feasible to adopt these, when there is even less of a base of industry and policy support for these.

Overall in the area of costing, ACCAN submits that a key principle to underpin whichever approach adopted should be that it adequately rewards and motivates Telstra and other providers of universal service to provide excellent and improving levels of service — rather than regard the standard telephone service customer as a very much a low priority, commercially unattractive ‘last resort’ obligation.

***3.1(9) Irrespective of the particular methodology/approach employed, what arrangements should be put in place to provide stakeholders with transparency and confidence in the methodology and outputs?***

Whatever methodology or approach adopting for costing, it is imperative that the government:

- consults openly and widely with all stakeholders;
- uses the resources and expertise of a respected, independent government agency such as the Productivity Commission, in conjunction with the ACCC and the ACMA, to evaluate the options, publish their analysis of these, and conduct an open inquiry;
- tests any option against the interests of end-users and consumers in a sustainable, dynamic, future-looking provision of universal service.

## **B. Arrangements for payphones**

Payphones continue to be a crucial part of telecommunications service for consumers, and integral to delivering universal service. They are especially important for consumers who face affordability issues and other barriers to owning, accessing, and using other telecommunications, mobile and internet services.

Surprisingly, there is no mention in the Discussion Paper of the characteristics or needs of these consumers when it comes to payphones — something critical to inform and test any arrangements developed in this area in the transition of the USO to the NBN environment.

**3.2(1) What issues, if any, are associated with adopting Telstra’s framework for determining payphone locations to meet its Universal Service Obligation (see table 3.8 of the SMP) as a basis for a service agreement between USO Co and Telstra?**

The current framework for determining payphone locations is, in our view, fundamentally flawed because of the counterproductive distinction between commercial and non-commercial payphones and the excessive discretion allowed to Telstra. The location of payphones would be better defined by how great the public need rather than how profitable the site. Payphones must be prioritised in areas where there is inadequate mobile phone coverage. There must also be priority given to rural and remote areas, indigenous communities, caravan parks, Department of Housing estates and other low socioeconomic areas, national parks, highways, petrol stations, convenience stops, hospitals, beaches and waterways. Payphones must be in locations which are physically accessible to consumers with disability, and preferably near public transport points.

Perhaps the greatest risk in maintaining current arrangements is that only around one third of all Telstra phones are deemed to be USO phones. For example, in Alice Springs, NT, none of the payphones in town are deemed to be USO payphones. In the Cooma region of NSW, on the other hand, seven of the ten regional payphones are designated USO phones (see Appendix 1 for details). People do not, generally speaking, distinguish between USO and commercial payphones operated by Telstra; instead, most people would see any Telstra payphone as an essential service infrastructure operated in the public interest.

We further note the massive reductions in payphones that have occurred on Telstra's watch. We remain convinced that the trends of recent years will continue during the migration period, to the detriment of Australian communities, unless steps are taken to reduce Telstra's excessive discretion.

### **3.2(2) What alternative approaches could be adopted to identify the payphones that are to be provided by Telstra under its agreement with USO Co?**

ACCAN believes that it is essential that all Telstra-operated payphones are migrated to the USO Co oversight.

We note that in the past, massive reductions of payphones have caused public outcry. Indeed many proposals to remove Telstra payphones cause a degree of stress and anxiety among a community. Often it is disadvantaged people who are least able to engage with formal processes who are affected by payphone removals. We also note that in the past Telstra has argued that it is not sufficiently compensated for its payphone operations.

However, there is an opportunity now to better ensure the needs of consumers and communities in relation to payphone location are given more weight in the framework — through strengthened assessment and better consultation.

We suggest that the best way forward is to separate the roles of payphone location (including removal) and payphone servicing. We therefore recommend that the role of payphone location be immediately taken over by USO Co throughout the migration period and until such time as a full review of universal service is undertaken.

ACCAN encourages the government to appropriately compensate Telstra for its entire suite of payphones. This infrastructure should be recognised as essential public service infrastructure. We believe it is essential that Telstra be required to maintain all current payphones unless specifically requested by USO Co to remove a payphone.

**3.2(3) What issues, if any, are associated with adopting the current service performance standards for payphones as set out in Telstra's SMP as a basis for a service agreement between USO Co and Telstra?**

**3.2(4) What alternative approaches could be adopted to specify service performance standards for payphones under the proposed agreement?**

In light of ongoing community concerns over a number of years, and government responses to these, there is an opportunity to strengthen the effectiveness of service performance standards — and thus the quality and reach of payphones.

**3.2(5) Noting the desirability of facilitating contestable arrangements for the delivery of payphones in the longer term and the progressive transfer of responsibility for payphones in areas to be served by the National Broadband Network, what would be a suitable period for the initial service agreement between USO Co and Telstra?**

ACCAN has no fixed view on the suitable period for the initial service agreement. However, it suggests a key principle to be applied is continuity of service for consumers and communities — and of sufficient duration for a high level of service to be maintained and established.

While consumer choice and contestability have been fraught issues in the area of payphones, ACCAN would recommend the government proceed cautiously with applying these principles. The objective of such an exercise should not simply be competition for competition's sake; but, rather, genuine competition that provides better levels of service and quality (and indeed safeguards universal service) in payphones for consumers. After all, while the total amount of the payphone component of the USO obligation is significant (\$13.9 million in 2009-10) it is hardly a large, lucrative market - whereas the consumer benefit and social inclusion (unfortunately unresearched and not modelled) is considerable.

**3.2(6) What approach to determining the funding requirements for payphones would provide stakeholders with transparency and confidence in the outcome while minimising administrative complexity and the potential for ongoing disputes?**

In line with earlier comments, ACCAN favours as open as possible discussion of funding requirements, and provision of relevant information and research regarding these. This is important as consumers are the ultimate beneficiaries of funding agreements struck between any universal service provider (such as Telstra) and USO Co.

**3.2(7) What incentives should be included in service agreements to ensure that funding requirements for payphones align with efficiently incurred costs and remain flexible to future customer demands?**



ACCAN has no firm view on incentives to minimise costs, but believes incentives are important — though not if they imperil the quality or level of service to consumers required under the USO. Incentives should also be sufficient to drive innovation and flexibility to future consumer demands. Here there could be financial incentives for quickly and effectively responding to consumer demands, and, conversely, penalties for not doing so. Research would also be useful to investigate incentives for meeting consumer demand by particularly disadvantaged groups who are more reliant on payphones, such as consumers with disability.

**3.2(8) What arrangements would facilitate the emergence of contestable payphone service agreements in the longer term? On what basis would these approaches achieve efficient outcomes?**

In thinking about the future of communications, payphones have the capacity to be utilised to transform our society. Rather than being a technology left in the 20th century, payphones can form the ideal basis for the ongoing development of community technology centres, offering the full suite of communications services, including email and internet access. Payphones are a well-established and understood ‘public access point’ for communities and individuals to access technologies. This kind of focal point for community access to technologies has emerged as a key element of policies addressing social inclusion and the digital divide over the past two decades. So long as they are not removed, payphones are a basic building block of useful, practical applied technologies that will become increasingly necessary into the future.

**3.2(9) Under what circumstances would retail service providers consider contesting payphone services delivered to meet the Universal Service Obligation?**

ACCAN has no fixed view on what circumstances and structure of funding arrangements would encourage retail service providers to contest payphone services.

Clearly, however, in this relatively small market, it would be inefficient to spend substantial resources and time focusing on contestability if it is not really feasible — and distracts from the core business of ensuring consumers have access to payphones as part of the Universal Service Obligation.

## **C. Arrangements for the transfer of emergency call handling functions**

Emergency call handling is an area of the highest public interest and concern — as it directly goes to the saving of human lives, as well as health and safety. Over the past decade, there has emerged a number of consumer concerns about the adequacy of emergency call handling, as a key component of emergency management and safety.





A set of these issues is related to the evolution of communication networks and services from the PSTN environment, where expectations had developed about ease of dialling emergency services and the provision of information to operators and through aspects of digital networks (location information). With development of national and state databases and operator services, as well as significant take-up of services such as mobiles and VoIP, as the Discussion Paper notes, there are challenging issues to be addressed, such as how to provide information on a person's location.

Accordingly, ACCAN will take a keen interest in the future review of Emergency Call Person policy. In the meantime, there are significant issues to be addressed in the transition. The key guiding principle is the overriding consumer and public interest in maintaining the highest standards of emergency call handling. In contemplating transitional changes to arrangements — such as flexibility in Telstra's contract to allow room to respond to policy changes — it is imperative that there is no room for diminution of standards in any handover to other service provider/s. Emergencies that occur every day demonstrate the importance of proper policy and service arrangements in this area. The need to proceed with the utmost care and rigour is underscored by national disasters such as the 2009 Victorian bushfires.

Finally, in regards to emergency services, there are two further factors which must be included in any transition, and under USO Co:

1. Priority assistance arrangements for people with life threatening illnesses
  - a. Consideration must be given to the technological transition from the copper network to the NBN. ACCAN's understanding is that currently, customers who use VOIP are excluded from priority assistance arrangements. This is unacceptable, given the serious health and safety issues involved.
  - b. Any shift in standard telephone service provider needs to also ensure that continuity of service and priority assistance arrangements are maintained
2. Back-up power supplies (batteries) may be required so that phone calls can be made in emergency situations, even when mains power is unavailable. This is particularly important for consumers who are unable to use, or do not have access to, mobile phones.

***3.3(1) What, if any, impediments are there to the initial contract with Telstra commencing on 1 July 2012? What alternative commencement date, if any, may be more appropriate? Why?***

ACCAN is unaware of any impediments to the initial contract with Telstra commencing on 1 July 2012. Regardless of which commencement date is most suitable for government and Telstra, the key issue is that the needs of consumers and emergency service organizations be put first to ensure continuity of service.

***3.3(2) How are existing performance standards and obligations for the Emergency Call Person best dealt with in an initial contract with Telstra? Is it sufficient to rely on***

***the outcomes detailed in the Emergency Call Service Determination or would additional detail in the contract be required to ensure that the current performance arrangements are appropriately captured?***

We note the Discussion Paper's view that "In moving to an initial contract with Telstra, the intent is to capture the extent of the existing emergency call handling arrangements but without introducing overlapping contractual and regulated obligations" (p. 19). Currently there are various pieces of legislation and regulation that constitute the existing performance standards and obligations. Taken as a whole these do provide clear guidance for carriage service providers who provide an emergency telephone service (especially the lead role of Emergency Call Person, taken on by Telstra). In the transition, however, ACCAN believes it is important for all relevant rules to be laid out — and all relevant determinations and regulations to be referenced — in any contract between Telstra and USO Co, in order that there is no ambiguity about the outcomes required.

Presumably the policy and regulatory framework will be the appropriate place to set this out in the future, capturing the new role of USO Co and NBN. Ahead of this and a comprehensive review of emergency telephone call handling, there should be no room left for doubt in any contract.

ACCAN also notes that there are, in fact, currently *two* Emergency Call Persons, and that changes recommended by ACCAN recently<sup>5</sup>, if implemented, may affect both ECPs. Further, it is essential that both ECPs – should there continue to be two ECPs - are charged with delivering a universal service obligation in relation to emergency calls, and this obligation should be clearly spelled out in the contract/s.

***3.3(3) Are there activities that Telstra currently performs as the Emergency Call Person that are outside of the current regulatory arrangements and should be included in a contract to ensure their continuation and inclusion in the funding arrangements?***

There are activities that Telstra currently performs as the Emergency Call Person that are outside the current regulatory arrangements, such as their important work providing public information and strategies to reduce non-emergency calls. Telstra is in something of a curious position, then, in the move to the NBN. There is a need to assess fully the various activities it undertakes over and above its compliance with existing regulations.

ACCAN notes that currently Telstra carries a substantial burden of the cost for its emergency call handling work, with only some being recouped from other carriers or sources. ACCAN imagines, therefore, that the question of how much Telstra receives for its new role will be raised in the context of contract negotiations with USO Co.

While these matters will unfold in the negotiations, it is in the public interest, and the interest of consumers, that the totality of the activities that Telstra undertakes to properly carry out its

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<sup>5</sup>ACCAN's Supplementary submission to Telecommunications (Emergency Call Service) Determination 2009  
<http://www.accan.org.au/uploads/supplementary%20submission%20re%20emergency%20call%20services%20determination.pdf>



Emergency Call Person role are safeguarded — and not inadvertently lost or diminished in the transition to NBN.

ACCAN also notes that there are activities which would improve public access to emergency call arrangements – such as education in community languages, in accessible formats and around disability access to both 000 and 106 - which are not currently undertaken or are undertaken at minimal levels. This includes mandated activities such as ensuring adherence to Web Content Accessibility Guidelines (WCAG) 2.0.

ACCAN's view is that all these activities – those unfunded activities already undertaken by Telstra and those activities which need to be undertaken – should be included in the ECP contract/s to ensure their continuation, and also that they be registered in the funding agreement between the government and Telstra.

***3.3(4) Is five years an appropriate duration for the initial contract with Telstra? Why/why not? What alternative period, if any, may be more appropriate?***

***3.3(5) If USO Co was to enter into an agreement with an alternative service provider, would a six month transitional period be appropriate? Why/why not? What alternative period, if any, may be more appropriate?***

ACCAN has no fixed view on the appropriate duration for the initial contract between USO Co and Telstra. However, the principle underlying this should be that the period is sufficiently long to ensure quality provision of emergency call service. It is also useful to allow a sufficient period of time for the implementation of the NBN to unfold in order to identify any issues or risks in operating the service. Clearly, the duration should not be too long, given the government's desire to envisage competition in the provision of emergency call service.

If an alternative service provider was to be engaged after the initial Telstra contract, ACCAN again has no pre-determined position on the transition period — except to make the obvious point that the time must be sufficient to ensure absolute continuity of service, without any risk of service failure or diminution of quality in the handover.

***3.3(6) Is the proposed costing model an appropriate means of determining the costs of the Emergency Call Service? Why/why not? What alternative approaches, if any, are there to determine costs?***

ACCAN has no firm view on the best way to determine the costs of the Emergency Call Service — and will be interested to follow the debate on this issue.

Like the discussion of costing of universal service, however, ACCAN would propose that a key principle is that the great social, humanitarian, and economic benefits of proper emergency call handling not be undermined by attempts by any party to inadequately resource and cost this endeavour.

ACCAN certainly understands and supports the need to manage resources as best as possible, and strive for efficiency in delivery of service. Especially in the area of emergency call management, however, this can never be achieved at the cost of human life and health.

That said, the proposed costing model has the virtue of being relatively simple and pragmatic. It seems appropriate to use this model during the transition, during which time a more transparent approach to understanding the costs of emergency call handling should eventuate.

***3.3(7) Would the proposed costing model to determine the funding requirements for the Emergency Call Service provide stakeholders with transparency and confidence in the outcome? Why/why not? What changes, if any, could ensure greater transparency in the model?***

In theory, the proposed costing model could provide stakeholders with transparency and confidence in the outcome. However, whether it does will depend on how much information the government shares with the public, before it asks USO Co to strike a contract with Telstra. Unless there are adequate details provided in the public domain in a timely way, and proper consultation is conducted, then the desire to bring about greater transparency is moot.

***3.3(8) Would the proposed cost model facilitate the emergence of contestable service agreements? Why/why not? What changes, if any, could ensure that efficient outcomes are achieved?***

***3.3(9) What alternative costing models are available, that may increase the quality and efficiency of the Emergency Call Service, while minimising overall costs?***

The proposed cost model would certainly promote a better understanding of the costs involved, and whether the revenues and profits would be attractive for service providers to want to provide the emergency call service. Ahead of the analysis of such details, it is difficult to say that there will be a contest for such service agreements.

Better understanding and modelling of costs would work towards ensuring efficient outcomes are achieved, allowing scrutiny of the costs incurred and attributed to the emergency call service, and discussion about how this might be reduced — while always adhering to the necessary service outcomes. The related concept of contestability might also be conducive to efficiency, but the feasibility of this needs to be tested rather than assumed a priori.

Alternative costing models may well be available, but ACCAN favours a cautious approach in this area. Again it is important to seek to contain and minimise costs and strive for efficiency, but not at the cost of quality of delivery of this vitally important service.



**3.3(10) How could necessary upgrades to the Emergency Call Service over time be appropriately costed and funded during the initial contract with Telstra?**

Given community concern and dissatisfaction with the emergency call service, it is imperative that the initial contract include specific provisions planning and supporting necessary upgrades. We would suggest that upgrades be costed and funded up-front in the initial contract, with some flexibility built in to deal with significant variation.

**3.3(11) What incentives could be included in service agreements to ensure that funding requirements for the Emergency Call Service are efficient?**

ACCAN is sure that others will be able to suggest appropriate incentives in the contract to maintain a focus on efficient funding requirements. We would again make the point that in this transition there can be no question that the drive for such efficiency endangers the proper delivery of the service.

## D. Arrangements for the National Relay Service

**3.4 (1) Noting the current contestable arrangements in place to deliver the National Relay Service, and the timeframe for the establishment of USO Co, what are the short-term issues that need to be taken into account to ensure an effective transition of the contract management function to USO Co?**

ACCAN acknowledges that the timing of the current review of the National Relay Service is likely to affect the delivery of both Relay and Outreach provider contracts.

It is both our desire and our expectation that the review will lead to substantial changes in the breadth and customer base of the NRS. Consumers with a disability have waited many years for a next-generation NRS and it would be unreasonable for the timing of USO Co to interfere with any upgrade. Further, the new NBN environment will feed into these changes to the NRS, and so it makes sense to view the NRS review and the USO in an integrated way. ACCAN encourages public consultation around the nexus of USO Co and the NRS, and would be happy to contribute our expertise in this area.

As ACCAN's response to 3.7(2) notes, the tendering of the NRS contracts is the only current example of competitive tendering and contestability within the current USO environment. There is therefore likely to be substantial knowledge and skills within the ACMA both around the NRS tendering process and the management of the NRS contract. Despite the likely changes to the NRS, then, it may nonetheless be prudent for the new NRS tenders to be one of USO Co's early tenders, as long as USO Co is adequately resourced and trained in NRS issues. Again, ACCAN is pleased to offer our expertise in this area.

In order to ensure an effective transition, ACCAN supports extending the current contracts of the Relay and Outreach providers until the commencement of USO Co, with the expectation that any new arrangements under a significantly expanded or altered NRS could then be

undertaken by the winning tenderer/s for Relay and Outreach on the basis of a five-year contract from July 2012. To ensure a smooth transition for consumers, ACCAN recommends that:

- The Outreach contract continues to include a Helpdesk function, including the possibility of expanded responsibility for assisting consumers in smoothly transitioning from current technologies and platforms to NBN-based communications
- Should the Outreach and Relay tenders be won by separate organisations, both contracts to include clear KPIs around cooperation, to benefit consumers. For example, KPIs could be around the sharing of customer information, statistical data and complaints resolution.
- Research may be required as part of the beginning stages of transition to a next-generation NRS. This research should occur before 2012 and be independent of any potential tenderers, although it would inform the new tender.

## E. Arrangements for migrating voice only customers to a fibre-based service

ACCAN notes that the government's policy intention that voice-only customers and their existing service providers not be disadvantaged by the decommissioning of copper exchanges, and the switch over to the NBN.

In relation to consumers, ACCAN further notes with approval the considerations outlined in the Discussion Paper that:

- “a safety-net measure is provided so that existing customers with a voice-only service are not disadvantaged by having to meet any in-home re-wiring costs which may be required to transition from Telstra's copper network to NBN Co's fibre network ...
- arrangements for migration of existing voice-only customers are as administratively simple as possible for service providers and their customers” (p. 23)

In the development of detailed arrangements, it will be important to minimize costs for industry and for USO Co. However; we strongly recommend that these important stipulations for consumers be kept to the fore — not least because delivering on these promises will build confidence in the new NBN system.

We note that the Discussion Paper does not articulate what types of costs could be involved in the migration of voice-only customers. One example may be where a premise has multiple connection points. ACCAN would appreciate an elaboration on the types of migrations costs that may be incurred by service providers or customers.

**3.5(1) *What risks and benefits are there with the model proposed? Are there alternative models that would deliver efficient outcomes?***



On the face of it, ACCAN believes the model proposed is a reasonable one. Doubtless different stakeholders will perceive the risks and benefits in distinct ways. From an ACCAN perspective, the prime risk is that the 'agreed costs' and one-off flat fee will not be set at the right level — and that the service provider might seek to recoup perceived costs from the consumer. The other risk ACCAN envisages is that the drive to reduce the number of voice-only subscribers having their migration costs (especially in-house wiring) covered will see consumers unfairly missing out — in order that industry and USO Co makes modest savings.

In this light, it would be worth ascertaining exact figures on: 1) the number of voice-only subscribers; 2) the likely number of voice-only subscribers at the margins — that is, who would be difficult to identify as voice-only with any administrative ease or precision and 3) the types of migrations costs that may be incurred. The injection of such facts (or at least reliable estimates) into the discussion would certainly assist in gauging the scope and scale of the problem, ahead of adoption of any implementation scenario that would adversely affect these consumers.

It would also be valuable to clarify that carriers and carriage service providers cannot levy connection or migration costs on voice-only customers.

We question whether migration costs will differ based on geographic location/types of premises/ number of internal points of connection and therefore whether different categories of migrations fees may be necessary (e.g. the wiring costs of connecting a rural farmhouse to an NBN box on the property's perimeter may be significantly different to a multi-dwelling apartment in an urban area).

The definition of voice-only service raises very interesting questions that go to the heart of the problem with taking a narrow approach to universal service. Clearly there are a range of voice-only telephony services that work over mobile, wireless and IP networks. Yet if a consumer was using a voice-only service via Voice over Internet Protocol (VoIP) at the present time — something conceivable but probably not widespread — their house would have a broadband connection, most likely wired. The NBN will cut the nexus between voice-only telephony service and the PSTN through which this idea developed. Hence this class of voice-only service subscribers migrated from predecessor networks to the NBN will be vestigial at best.

Within these terms by which this exercise is defined, ACCAN believes that a suitable definition to identify the relevant customers would be a landline customer who is not receiving a broadband internet service delivered via the PSTN (especially when the copper network is disconnected, so the PSTN as we have known it ceases to exist). By this definition, we would expect that customers with a landline dial-up internet service would be eligible for assistance as these customers cannot be considered to have a broadband internet service,

ACCAN would welcome clarification of the other kinds of voice-only services and customers currently in the marketplace, in order that these can be identified and considered — to ensure that no consumer is disadvantaged.

***3.5(3) How can industry-based solutions best be encouraged to reduce the overall number of voice-only customers that require USO Co funding assistance to migrate from Telstra's copper network to NBN Co's fibre network?***

***3.5(4) How should the voice-only migration assistance be provided to avoid perverse incentives that would increase the number of customers that receive voice-only migration support, and then subsequently convert to broadband services?***

***3.5(5) What audit/cost verification mechanisms and processes should apply for migration of voice-only customers to a fibre-based service?***

***3.5(6) What issues would arise if USO Co was to meet the agreed costs of migration of voice-only customers three months prior to the decommissioning of an exchange? What alternative periods or approaches, if any, may be more appropriate?***

ACCAN believes industry is best placed to consider solutions to the problem of managing migration in order to avoid the pitfall of customers taking undue advantage of assistance to maintain their voice-only services in the NBN.

However, ACCAN would query some of the assumptions in the Discussion Paper that frame these questions. Firstly, given that the government is keen to stimulate take-up of the NBN by all citizens, is it such a problem — or 'perverse incentive' — that voice-only consumers might decide to broaden their use and expenditure by converting to other broadband services? After all, the voice-only consumer migrating to the NBN will now be using a broadband service — just carrying voice. Secondly, if industry sees a financial incentive to grow their business and the market by offering competitive packages to have consumers outfit their household appropriately for the NBN, this would surely go a long way towards minimising the problem.

There are obvious ways to identify voice-only customers, such as length of time they have solely had voice service. Similarly there are obvious ways to discourage conversion to other broadband services upon migration — such as a time period during which a customer needs to pay back part of the cost. The difficulty with this latter approach is that it is not especially economically rational: again, surely industry and the USO Co would be keen to have the additional revenue, rather than encouraging customers to stay on voice-only service on the NBN as long as possible (something that merits the label of a 'perverse incentive'). We are confident that a balance can be struck.

While ACCAN appreciates the idea of only meeting the agreed costs of migration of voice-only customers three months prior to the decommissioning of an exchange, we suggest that this needs further exploration and analysis. Presumably, the idea is that any consumer keen to migrate to the NBN would do so earlier, and that industry, in its own interests, would be encouraging people to do so. Then only the die-hard voice-only consumers would cling to the copper until its expiry date. One of the difficulties here is likely to be that many of these voice-only consumers are likely to include those who are not 'early adopters' and may have less consumer and technical literacy. Hence the burden would be on a fully accessible public



education and marketing campaign to explain the issues fully. In addition, there is a danger that there would be a rush for such consumers at a relatively late stage, raising concerns about what is happening with their service. It is perhaps also worth noting that a voice-only customer has no incentive to migrate to the NBN where they will incur costs because there is no discernable difference in having a voice service over copper and fibre.

**3.5(7) What are the basic activities and materials that a flat one-off payment should address?**

**3.5(8) What is an appropriate method for determining the average cost for the activities and materials, and how should any differences in costs of migration be managed?**

**3.5(9) What role could industry play in ensuring that the costs that are to be taken into account are efficient?**

ACCAN believes that these three questions are best answered by industry, and looks forward to considering their response.

## F. Technological solution for transition of copper-based public interest services

**3.6 (1) Apart from traffic lights and public alarm systems, are there any other public interest services that currently rely solely on the copper network that should attract support? What industry-based commercial arrangements, if any, are in place or could readily be made available by the market for these services?**

ACCAN believes that this question is best answered by industry. However, ACCAN notes the existence of commercially provided personal emergency response services (such as VitalCall and MyLife), which may be considered to work in the public interest. ACCAN believes that it is the role of industry, not USO Co, to fund these arrangements.

**3.6 (2) What existing or soon to be available technological solutions for migration of copper-based public interest services, if any, could be used or readily adapted without requiring USO Co to substantially fund development of a new technological solution?**

ACCAN believes that industry is best placed to respond about technological solutions for migration of copper-based public interest services. However, ACCAN notes overseas-based projects<sup>6</sup> which use integrated satellite and terrestrial systems to provide improved outcomes

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<sup>6</sup> Such as Data Services for Transport and Mobility Users

([http://ec.europa.eu/information\\_society/activities/eten/cf/opdb/cf/project/index.cfm?mode=desc&project\\_ref=ETEN-26061](http://ec.europa.eu/information_society/activities/eten/cf/opdb/cf/project/index.cfm?mode=desc&project_ref=ETEN-26061)); Data Broadcast Services for the Mobile Citizen

([http://ec.europa.eu/information\\_society/activities/eten/cf/opdb/cf/project/index.cfm?mode=detail&project\\_ref=ETEN-45607](http://ec.europa.eu/information_society/activities/eten/cf/opdb/cf/project/index.cfm?mode=detail&project_ref=ETEN-45607);

[http://ec.europa.eu/information\\_society/activities/eten/cf/opdb/cf/project/index.cfm?mode=search&s\\_status=&s\\_keywo rd1a=&s\\_keyword1b=&s\\_keyword1\\_type=&s\\_partner\\_country=&s\\_call=&s\\_prototype=&s\\_date\\_start=&s\\_date\\_end=&disp=1&more\\_projects=true&kwd\\_id\\_search=16&page=3](http://ec.europa.eu/information_society/activities/eten/cf/opdb/cf/project/index.cfm?mode=search&s_status=&s_keywo rd1a=&s_keyword1b=&s_keyword1_type=&s_partner_country=&s_call=&s_prototype=&s_date_start=&s_date_end=&disp=1&more_projects=true&kwd_id_search=16&page=3); IP-based traffic networks that allow drivers to plan their commuting

([http://www.telecomengine.com/article.asp?HH\\_ID=AR\\_5128](http://www.telecomengine.com/article.asp?HH_ID=AR_5128)).



for road users and public transport users. We encourage consideration of such systems in the public interest.

**3.6 (3) For each public interest service identified, are there particular issues or challenges that would need to be resolved in order to develop a technological solution?**

ACCAN believes that industry is best placed to identify any issues or challenges.

**3.6 (4) If required, should the USO Co funding for development of a technological solution or solutions to transition public interest services only support migration from copper to fibre, or should technological solutions also support migration to other platforms (for example, wireless or satellite)?**

USO Co funding should not be limited to fibre only, if technological solutions using other platforms would provide equal or greater public interest benefit. See 3.6 (2).

**3.6 (5) In circumstances where competitive sourcing of solutions is unavailable, what benchmarks could be used to determine the likely cost of researching and developing or adapting technological solutions for migration of copper-based public interest services**

**3.6 (6) How could funding be structured to encourage innovative industry-led solutions to support migration of copper-based public interest services**

**3.6 (7) What approach to determining the funding requirements for the development of a technological solution for migration of copper-based public interest services would provide stakeholders with transparency and confidence in the outcomes?**

ACCAN believes industry is best placed to comment on these matters.

**3.6 (8) What arrangements should apply to intellectual property developed with USO Co funding and to its commercialisation?**

Intellectual property developed with USO Co funding should remain with USO Co, or at least the Crown.

## G. Funding arrangements for USO Co

ACCAN notes the important questions that the Discussion Paper opens up regarding funding of universal service — not just USO Co.

As noted at the outset of its submission, ACCAN again urges the government to commission a comprehensive public inquiry into all universal service matters, especially in the NBN



environment, so that these important questions of funding arrangements, and the fundamental financial, economic, and policy issues they raise, can be properly addressed.

Notwithstanding this concern, ACCAN's general view regarding funding arrangements for USO Co is that:

- there is a pressing need to raise the level of funding for the Universal Service Obligation, and safeguard this into the future;
- if USO Co is to be an effective custodian of universal service, its funding must not be constrained; in this light, dedicated government funding is certainly welcome; however, given the pressure on consolidated revenue and spending, industry funding will play a critical role in covering the 'residual';
- there is scope to simplify the levy calculation mechanism of universal service;
- the funding base of universal service should be broadened, to better align the obligation with all relevant parties in the industry — not just a limited sub-set of carriers.

***3.7(1) Should the ACMA continue to retain responsibility for levy determination/collection/distribution, or should these responsibilities (in part or in total) be transferred to USO Co?***

As outlined at the beginning of this submission, ACCAN believes that the appropriate role for USO Co — indeed its outstanding opportunity — is to act as the 'champion' of universal service. For this reason, ACCAN favours not overburdening USO Co with administrative and regulatory responsibilities currently being undertaken by the ACMA or other regulators. As the ACMA oversees general compliance with legislation and policy, as well as licensing matters, and has expertise and resources to deal with levies, it is well-placed to continue with this responsibility.

***3.7(2) What are possible options to simplify and more closely align the operation of the current Universal Service Obligation and National Relay Service levy schemes?***

A starting point for this alignment is to regard the National Relay Service as part of any universal service policy and obligation. With the coming of an NBN environment, a next-generation NRS will take advantage of new technologies. A philosophical and policy integration of the National Relay Service is long overdue, and makes sense in this new environment. Then the arrangements for National Relay Service can be harmonised with those of the USO. (Interestingly the National Relay Service is the one shining example of competitive tendering and contestability working in the province of universal service.) However, there need to be mechanisms in place to ensure that the NRS portion of a combined levy is not downgraded in favour of funding for broader USO provisions.

**3.7(3) Noting the previous question on the alignment of levy schemes, views are sought on whether an annual revenue threshold for levy contributors should be in place? If so, what would be an acceptable level for this threshold?**

ACCAN has no pre-determined view on the desirability of an annual revenue threshold. We would be interested to know if the objectives of such a proposed change enunciated by the Minister on 15 September 2009 — minimising the financial and administrative burden on smaller carriers and the ACMA — are likely to be met. Also ACCAN would like to understand more about how a more 'equitable framework' would eventuate through this.

This said, there is an obvious anomaly between the proposed threshold of \$25 million for the Universal Service Obligation and the \$10 million in place for the National Relay Service Levy. So ACCAN would be interested to know where the \$10 million threshold sufficiently addresses the perceived issues.

In any case, ACCAN believes the overriding issue is that any raising of the threshold should not reduce the amount of funding raised through the levy — rather the contrary would be desirable.

**3.7(4) Should alternative arrangements be considered to determine how contributions to the Universal Service Obligation levy are calculated? For example, should the revenue base used to calculate contributions be expanded?**

Various alternative arrangements could be considered to determine how contributions might be calculated. A comprehensive enquiry would be the best forum for these to be discussed. For the purposes of the present Discussion Paper, ACCAN suggests that the revenue base to calculate contribution should be expanded. Currently it is 'telecommunications revenue' that is used. It is worth considering areas of mobile and VoIP service and how their revenue might be counted against the Universal Service Levy if it is not currently.<sup>7</sup>

**3.7(5) Is there justification for expanding, for example 'horizontally', the scope of contributors to the Universal Service Obligation levy scheme? Are there other options worth exploring?**

ACCAN would support the idea of expanding 'horizontally' the scope of contributors to other parts of the industry previously not recognized as telecommunications companies. Certainly in other jurisdictions, such as the US, there is a growing trend to recognize the growth and importance of VoIP, and the need to ensure that VoIP providers shoulder their part of the important funding arrangements for universal service and other obligations. ACCAN understands that all retail providers of NBN services will be considered carriage service providers (CSPs) and therefore subject to the USO levy scheme. ACCAN welcomes this, as it will mean that VOIP providers and ISPs will become subject to the levy.

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<sup>7</sup> See, for instance, discussion in Scott Jordan, '[A layered United States](#) Universal Service [Fund for an everything-over-IP world](#)', *Telecommunications Policy*, 33.3-4, April-May 2009, pp. 111-128.

**3.7(6) What are the appropriate mechanisms for ensuring USO Co has sufficient resourcing to undertake its activities?**

Sufficient, dedicated and ongoing funding for USO Co should be safeguarded in legislation. USO Co should be able to report to Parliament annually on the adequacy of its resourcing in order that there is public visibility and reckoning regarding this issue.

**3.7(7) What other funding issues should be considered?**

USO Co should be given a mandate and resources to fund adequate and accessible consumer consultation and participation in its activities. As a champion of universal service, USO Co should also be funded to conduct continuing research into universal service issues, including reducing the digital divide.

ACCAN also seeks the advice of the Department as to the continued funding of free directory assistance services, including those for people with disability.

## H. Institutional arrangements for USO Co

**3.8 (1) What are the appropriate governance and institutional arrangements that USO Co should have in place? How should USO Co interact with Government?**

As with NBN Co, USO Co should be prescribed as a Government Business Enterprise and be subject to the Commonwealth Authorities and Companies Act 1997, the Corporations Act 2001 and the Governance Arrangements for Commonwealth Government Business Enterprises (June 1997).

USO Co should report regularly to the Minister for Broadband, Communications and the Digital Economy. USO Co should be subject to Parliamentary scrutiny through Senate committees and audit by the Auditor General.

USO Co should remain in public ownership so that this level of accountability is guaranteed.

**3.8 (2) What mechanisms should be in place to ensure the accountability of USO Co for its operations? How should transparency of decision-making be best achieved?**

USO Co's Board should provide publicly available corporate plans and annual reports.

The Board should be comprised not only of members with industry experience but should include members with consumer experience – at least one of which should have experience in the communication concerns of people with disability. There should be equal numbers of members with consumer expertise as there are members with industry expertise. See also our responses to 3.8 (6) and 3.8 (7).

**3.8 (3) What complaints/review/appeals processes should be put in place? Is there a need for some form of independent decision-maker in the event of a dispute? If so, who?**

If and when USO Co is dealing directly with consumers:

- USO Co should implement an internal complaints resolution process, adhering to the principles of natural justice, procedural fairness and confidentiality. Complaints should be dealt with promptly and with the rights of the consumer uppermost in mind, particularly where the consumer is disadvantaged or vulnerable<sup>8</sup>.
- USO Co must be a member of the Telecommunications Industry Ombudsman (TIO) scheme
- Consumers of direct USO Co services must be made aware of USO Co's membership of the TIO scheme.

In its commercial dealings with entities which receive USO Co funds and/or are contracted by USO Co to provide goods or services to consumers:

- Any entity which receives USO Co funds and/or is contracted by USO Co to provide goods or services to consumers must be a member of the TIO scheme
- USO Co must adhere to the Australian Government's Commonwealth Procurement Guidelines<sup>9</sup> and Good Procurement Practice series<sup>10</sup>.

ACCAN believes that, although the TIO is well placed to receive individual complaints from consumers, there needs to be consideration given to the issue of systemic complaints. For example:

- To whom would a consumer complain about a systemic issue (such as a particular disability being excluded from USO Co services)?
- To whom would a commercial entity complain about a tendering process they believe to be faulty?
- Would third parties (such as consumer organisations) have standing to complain about systemic issues, and if so, to whom?

**3.8 (4) What processes should be in place to ensure USO Co is sufficiently resourced to deliver on its functions?**

See responses to Chapter 3.7.

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<sup>8</sup>Don't Take Advantage of Disadvantage, <http://www.accc.gov.au/content/item.php?itemId=704340&nodeId=3c00abcfa62c24e9c23f325888387287&fn=Don%27t%20take%20advantage%20of%20disadvantage%20brochure.pdf>

<sup>9</sup><http://www.finance.gov.au/publications/fmg-series/procurement-guidelines/index.html>

<sup>10</sup><http://www.finance.gov.au/procurement/procurement-policy-and-guidance/index.html#gpp>

**3.8 (5) What are the appropriate powers that USO Co should be able to exercise in the delivery of its responsibilities?**

As a wholly government-owned company, powers should be in line with Australian Government procurement procedures and guidelines.

**3.8 (6) What is the most appropriate role for stakeholders to be engaged in USO Co's decision-making and operations? For example, would an advisory board of stakeholders to advise USO Co be a useful step? If so, how would it work? If not, what other alternatives are there?**

ACCAN strongly recommends that 50% of the Board be members with expertise in consumer issues, including at least one member with expertise in the communication concerns of people with disability.

ACCAN recommends two further committees, which would advise USO Co staff:

- A committee focused on disability issues
- A committee focused on issues for people with low incomes

These committees would consist of consumer representatives and would function in a way similar to Telstra's current LIMAC (Low Income Measures Assessment Committee), the existence of which is a condition of Telstra's licence.

For the committee on disability issues, representatives could include:

- ACCAN
- Deaf Australia
- AGOSCI
- Deafness Forum of Australia
- Australian DeafBlind Council
- Australian Federation of Disability Organisations
- Better Hearing Australia
- Blind Citizens Australia
- Brain Injury Australia
- Communications Rights Australia
- National Council on Intellectual Disability
- National Ethnic Disability Alliance
- First Peoples Disability Network
- Physical Disability Australia
- Women with Disabilities (Australia)
- People with Disability Australia

For the committee on low incomes, representatives could include:

- ACCAN
- Anglicare Australia
- Australian Council of Social Service
- Australian Financial Counselling and Credit Reform Association
- Council on the Ageing



- Department of FAHCSIA
- Homelessness Australia
- Jobs Australia
- St Vincent de Paul
- The Salvation Army
- The Smith Family

The committees would meet at least quarterly. Meetings could be observed by USO Co staff and by representatives of the ACMA and the Department of Broadband, Communication and the Digital Economy.

The need for USO Co to establish, support and consult regularly with both committees must be enshrined in legislation.

### **3.8 (7) Are there any other institutional issues that should be considered?**

1. USO Co's procurement policies must adhere to the Australian Government's National Disability Strategy, currently in draft form, which states that universal design must be included in any government procurement<sup>11</sup>.

2. USO Co's procurement policies must adhere to the Australian and New Zealand Government Framework for Sustainable Procurement<sup>12</sup>. ACCAN also encourages the Department to benchmark environmental impact in the telecommunications industry and to charge USO Co with responsibility for monitoring these benchmarks.

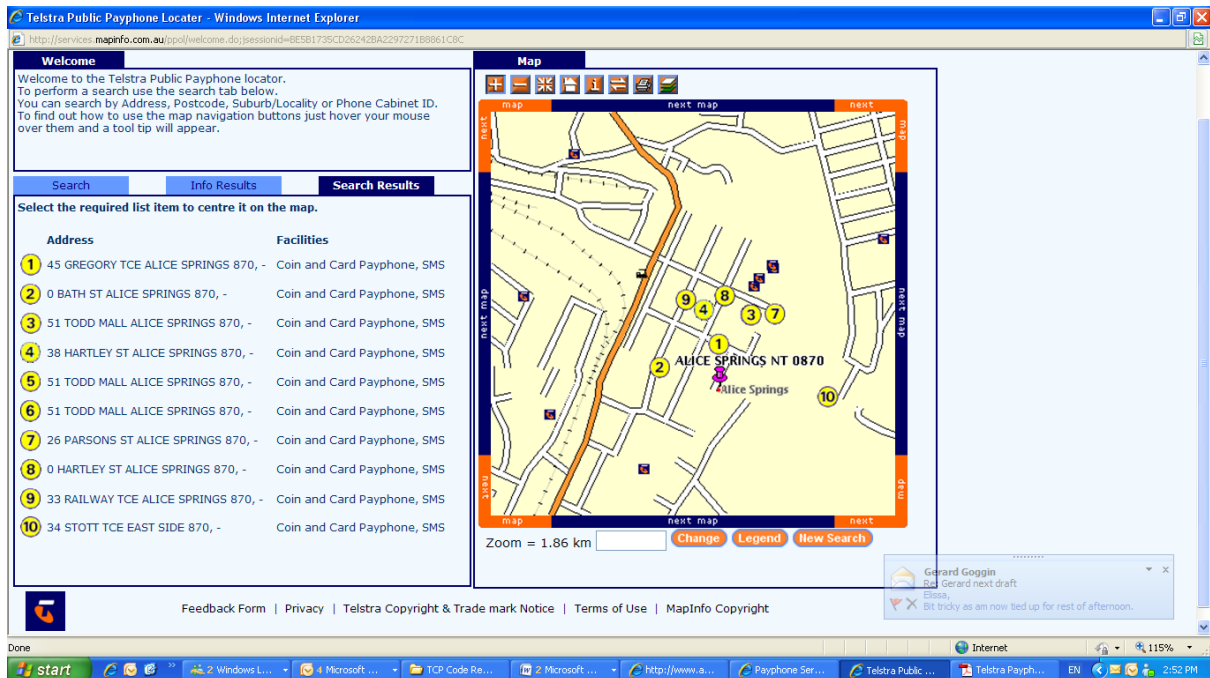
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<sup>11</sup> <http://www.alp.org.au/agenda/more---policies/draft-national-disability-strategy/>

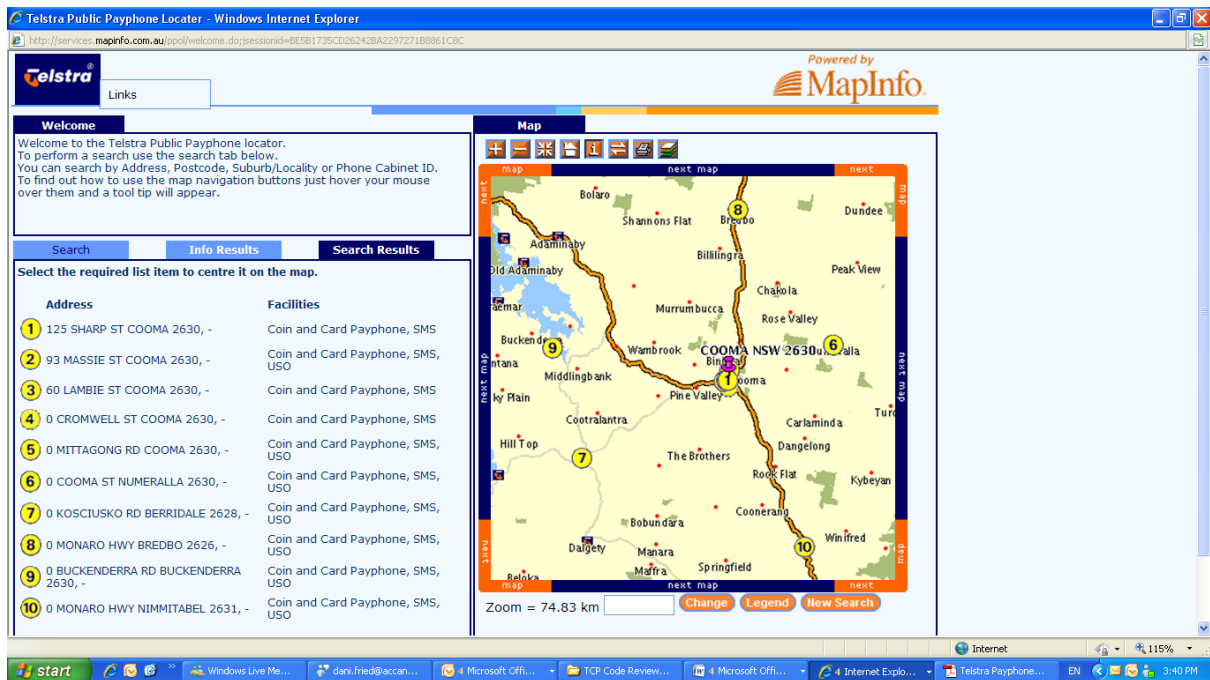
<sup>12</sup> <http://www.apcc.gov.au/LinkClick.aspx?fileticket=%2fIacfFgL8eQ%3d&tabid=151&mid=497>



# Appendix 1



Payphones located in Alice Springs



Payphones located in Cooma region, Telstra's Payphone locator