

20 May 2024

Department of Infrastructure, Transport, Regional Development, Communications and the Arts
Universal Services Branch

By email: usb@infrastructure.gov.au

Dear Universal Services Branch,

Consultation on Funding of Universal Telecommunications Services (RBS Review)

Thank you for the opportunity to comment on the funding arrangements for non-commercial telecommunications services, including funding to support the operation of the Universal Service Obligation (USO) and the emergency calling service.

The time is right to develop a future-proof universal services framework that can keep up with the pace of change in the telco sector and deliver reliable essential services to consumers. Funding arrangements for universal services should reflect consumer expectations and the way that consumers use and rely on their telco services both now and into the future. This includes reliable access to voice services as well as internet.

It is not the role of our office to comment on the individual funding mechanisms that may achieve this, such as the Regional Broadband Scheme (RBS) and the Telecommunications Industry Levy (TIL). Instead, our submission suggests some focus points that future funding arrangements for universal services could address. We also highlight the importance of ensuring that funding arrangements support resilience in telco networks and future obligations in relation to Triple Zero.

1. **Future-proof funding would take account of evolving consumer needs and address inefficiencies in the existing model**

Our recent submission on the future of universal services argued that a modern USO should align with other parts of the existing universal services framework, including the Customer Service Guarantee (CSG) and Statutory Infrastructure Provider (SIP) schemes.¹ We supported consolidation of regulation to provide a consistent level of consumer protection across the different technologies and reduce complexity in the sector.

The introduction of the NBN and the SIP regime were important steps in recognising the essential nature of internet services. However, they also fundamentally changed the framework under which most Australian homes and businesses are connected to telecommunications services.

On the other hand, the core of the funding model supporting universal telecommunications services was developed in the 1990s. It was based on a different service delivery framework where most of the infrastructure was owned by a single carrier, and that carrier was also Australia's largest Retail Service Provider (RSP). With the contemporary framework for the delivery of services increasingly diverging from the assumptions that were the basis of the current funding model, that funding model needs to evolve to keep pace with this change.

¹ See our recent [submission on the future of the USO](#).

To future-proof the framework for the delivery of universal services, government should consider how to approach service delivery and funding in a holistic and cohesive way. In doing so, it must account for the changing needs of consumers, and address inefficiencies that may exist in the current model.

We suggest the Department take the following into account when reviewing funding arrangements.

The minimum bandwidth SIP connections must support may increase in future

The SIP regime obliges SIPs to ensure premises can connect to an internet service that is capable of achieving bandwidth of 25Mbps on downloads and 5Mbps on uploads, via fixed line, fixed wireless or satellite technologies (a 'qualifying service').

Under current funding arrangements, the RBS supports NBN Co in meeting its obligation (as a SIP) to connect premises to compliant infrastructure over its fixed wireless and satellite networks. Therefore, future changes to minimum requirements for SIP infrastructure should be considered as part of any future funding framework.

The [2024 Regional Telecommunications Independent Review](#) (RTIR) is investigating what the minimum guaranteed bandwidth for a SIP internet connection should be to meet modern needs. It is important that minimum requirements for universally available internet services keep pace with the evolving needs of Australian consumers.

Should the minimum bandwidth requirements for SIPs' qualifying services be increased following the RTIR, appropriate allocation of resources will need to be built into future funding arrangements to support the increased standards. This will help ensure SIP infrastructure is reliable and fit for purpose, even in locations where it may not be commercially viable to install such infrastructure.

Using funding efficiently means considering the most effective way to supply services

Funding arrangements must ensure funds are directed where they can be most effective in making internet and voice services universally available. It is important that those services operate to meet the standards set by an updated USO (including standards for internet services, should these ultimately be included in the USO scheme as we recommend).²

Using funding effectively means supplying universal services in an efficient and cost-effective way. Allocating funding efficiently will require consideration of how to apportion funds to cater for area or technology-based challenges. Different technology types may require different levels of investment to achieve reliable performance. The SIP regime accounts for this by making fixed line connections the default, but contemplating the use of fixed wireless and satellite technologies as alternatives.

Updated funding arrangements should also seek to address possible inefficiencies in the current framework. Examples of possible inefficiencies the Department may wish to consider include the following:

- a. *The RSP supplying universal services may not always have a wholesale arrangement with a consumer's SIP*

Most Australian homes and businesses are connected to telecommunications services using infrastructure supplied by a SIP. In most cases, the SIP supplying a premises' infrastructure is NBN Co, and most premises are connected using some kind of fixed line technology.³ Some premises are connected by a different SIP, many of which use fibre-optic connections to the premises.

² See page 3 of our [submission on the future of the USO](#) (point 2.2).

³ NBN Co uses fibre-optic ('Fibre to the Premises' – FTTP), Hybrid Fibre-Coaxial (HFC), and different varieties of VDSL ('Fibre to the Node' – FTTN, 'Fibre to the Curb' – FTTC, and 'Fibre to the Building' – FTTB) fixed line connections.

Generally, the most efficient and effective way of supplying internet and landline services to a premises (including USO landline services) is likely to be by using the infrastructure supplied by that premises' SIP. However, RSPs may not always have wholesale arrangements with all SIPs. If the RSP supplying landline services under the USO does not have a wholesale arrangement with a premises' SIP, it needs to connect those services using different (usually non-fixed line) technologies, such as satellite phone technology. This is likely to be more expensive and provide a less reliable service than could be supplied if the service were connected using the SIP infrastructure.

b. Wholesale arrangements may not align with SIP requirements in all cases

The SIP regime recognises the importance of voice services to Australian consumers by requiring SIP infrastructure to be capable of supporting voice services where that infrastructure uses fixed line or fixed wireless technology. However, the wholesale arrangements SIPs have in place with RSPs may not always reflect this requirement.

For example, the Department's discussion paper indicates the RSP currently supplying USO landline services does not use NBN fixed wireless connections for those services. This is because the relevant wholesale arrangements do not require fixed wireless service levels that meet USO standards. This means that where a consumer's premises is connected using NBN fixed wireless technology, their USO landline service must be connected using a different technology type. In our experience, consumers in this category often receive USO voice services via aging copper landline connections, many of which are affected by frequent service quality problems.

Efficient use of funding to support universally available services would avoid duplication of investment in connection technologies.

2. Universal services funding should support resilience in telecommunications networks

Resilience in telecommunications networks is paramount, particularly in the wake of natural disasters. In our recent submission on the USO, we argued there should be clear obligations for telcos that supply services under the USO scheme to keep those services connected during power outages.

We encourage the Department to consider any costs that may be associated with such an obligation when shaping future funding arrangements.

3. Increased obligations relating to the Emergency Call Service and Triple Zero calls may require additional investment

We are aware the federal government has recently agreed to implement recommendations from the [Final Report of the Review into the Optus Outage of 8 November 2023](#). We understand some of the recommendations require telcos to put in place enhanced testing and monitoring of the performance of Triple Zero calls. This may result in increased costs for some industry participants, and it may be useful to consider how future funding arrangements could cater for this.

We look forward to learning the outcome of this consultation.

Yours sincerely,



Cynthia Gebert
Telecommunications Industry Ombudsman