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‘Universal Service Obfuscation: Policy principles to deliver modern telecoms services in regional Australia’.

Good afternoon everybody, I’m Luke Coleman, the head of Government and corporate affairs at Vocus.

For those of you who share my personal passion for regional telecommunications policy, 2024 is something of a watershed year where we can indulge this fixation on multiple fronts.

We have the 2024 Regional Telecommunications Independent Review Committee or RTIRC, the sixth triennial Review since Telstra was fully privatised.

We have the second stage of the USO review, which will also include a review of the Regional Broadband Scheme.

And the Western Australian Government is so enthusiastic it’s even launched its own Inquiry into regional telecommunications, just in case WA decides to secede from the Commonwealth before the RTIRC and USO reviews are complete.

These three reviews follow:

the 2023 USO consultation,

the 2021 Hartsukyer Review,

the 2018 Edwards Review,

the 2017 Productivity Commission review,

the 2017 Universal Service Guarantee work program,

the 2015 Schiff Review,

the 2015 NBN non-commercial services consultation,

the 2013 Vertigan reviews,

the 2011 Sinclair Review,

and last, but not least, the 2008 Glasson Review.

I've always enjoyed the joke that USO actually stands for the "Usual Submission from Optus," but I am delighted that Vocus will also be cutting and pasting large chunks of this speech into at least three different submissions this year.

So, I'd like to open my remarks today with a quote that neatly captures why we're doing this all over again:

I quote: "The current Universal Service Obligation (USO) arrangements are not working well. Nearly all stakeholders are dissatisfied with them and they are neither practical nor functional for modern telecommunications."

That isn't a line from the 2024 RTIRC consultation paper.

It's from the very first Regional Telecoms Review report in 2008.

Fast forward 16 years to 2024, and what's changed?

Nothing. The USO arrangements that were "neither practical nor functional" in 2008 are exactly the same in 2024.

I provide that lengthy preamble to set the scene for the three key points I'd like to make today.

First, I want to talk about crossed-subsidies: the menagerie of duplicative funding programs delivering overlapping services in regional Australia.

Second, I will lay out the principles that I believe should be the bedrock of modern Universal Service framework.

And finally, I will make the case for a dedicated program to Close the Gap for First Nations Australians.

So let me begin with a review of our crossed-subsidies – the patchwork of duplicative funding programs delivering overlapping services in regional Australia.

If we want to genuinely address the wasteful spending on regional communications programs, we cannot look at the USO in isolation.

There's also the Regional Broadband Scheme, the Mobile Black Spot Program, the Regional Connectivity Program, and various State and Territory funding programs – all of which are broadly trying to solve the same problem.

These overlaps are found across three areas: overlapping coverage, overlapping funding, and overlapping taxes.

Let's start with overlapping coverage.

A premise in regional Australia today may have access to up to 5 services – all receiving some form of Government subsidy:

1. A standard telephone service provided by Telstra, thanks to the USO,
2. An NBN Fixed Wireless or Satellite service, thanks to the Regional Broadband Scheme,
3. An ADSL service, on the back of Telstra's USO copper continuity obligation,
4. A mobile voice and broadband service, thanks to the Mobile Black Spot Program,
5. And potentially even a non-NBN fixed wireless service, thanks to the Regional Connectivity Program.

This hypothetical home has a fixed voice service, a mobile voice service, and four separate fixed, mobile, wireless, and satellite broadband services – all of which are cross-subsidised by a mix of industry levies and taxpayer grants.

And while the home in this example is hypothetical, it is also an accurate representation of what the current policy patchwork creates.

Here's another way of looking at it – across the Australian landmass:

- 100% of premises have access to at least one broadband service via the NBN,
- 100% of premises now have access to at least two broadband services and one voice service, when you add Starlink,
- 99.5% of premises have access to at least three broadband services and two voice services, when you add Telstra's mobile coverage,
- 98.4% of premises have access to at least four providers when you add Optus' mobile coverage,

- and if Optus and TPG's network sharing arrangements are approved, it'll be five providers to 98.4% of the population.

So that's the overlapping coverage. Next let's look at the overlapping funding.

NBN's fixed wireless and satellite networks were initially paid for by the taxpayer in the form of equity injections into NBN Co.

But this funding has also been topped up over time to expand and enhance speeds and coverage.

Last year almost half a billion dollars was pledged towards further Fixed Wireless upgrades, making it more competitive against non-subsidised commercial alternatives.

This will also alleviate pressure on the NBN satellite network, again making it more competitive.

The NSW Government also provided $50 million top-up for Fixed Wireless upgrades.

The Connecting Victoria Program set aside more than $70 million for regional NBN upgrades.

NBN has also received more than $100 million for 46 projects under three rounds of the Regional Connectivity Program.

And there is nothing preventing Mobile Network Operators from getting Government grants to build mobile coverage in these same areas, under the Mobile Black Spot Program or Regional Connectivity Program.

But there's another side of overlapping funding – so finally, let's look at overlapping taxes.

Today, the USO sees Telstra paid $230 million a year to deliver the Standard Telephone Service, predominantly via the copper continuity obligation.

This is partially a direct Government subsidy of $100 million, and partially via the Telecoms Industry Levy (TIL) which collects just over $200 million.

Combined, this funding goes towards a range of public interest services, including the USO.

Telstra contributes the largest share of the TIL – around half.

But that share is declining – from $157 million in 2019, to $103 million last year.

Meanwhile, NBN's contribution to the TIL has increased from just $11 million in 2019 to almost $35 million last year.

Over the past five years Telstra's share of the TIL has decreased by more than a third, while NBN's has more than tripled.

NBN's regional networks are also subsidised via the Regional Broadband Scheme (RBS).

The RBS amounted around $760 million last financial year, expected to increase to $880 million in the next two years.

Telstra, of course, is one of the telcos paying the RBS levy.

So – NBN is paying Telstra tens of millions of dollars a year through the TIL to operate its copper network – at the same time Telstra is paying NBN tens of millions of dollars per year through

the RBS to operate its fixed wireless and satellite networks – all serving the same premises.

Combined, these two taxes result in $1 billion of cross-subsidies annually for networks serving the same users.

It's crazy. But this is the situation we find ourselves in today.

And this brings me to the second part of my speech: the principles that should form the foundation of modern Universal Service framework.

If we started with a blank piece of paper, the first question you would ask is: *what is the policy problem we are trying to solve?*

Well: we want every premise in Australia, no matter how remote, to have access to reliable voice and high-speed broadband.

OK – that is available today. On purely commercial basis. No subsidies required, no grants program required, no industry levies required.

Every single premise in Australia no matter how remote has access to voice and high-speed broadband via the LEO satellite provider Starlink.

Unlimited data costs $139 a month, and a dish costs $599.

Officeworks and Harvey Norman are actually selling them $397.

This will give you a voice service well within the ITU's recommended latency of 150 milliseconds.

It will give you broadband speeds well in excess of the Statutory Infrastructure Provider (SIP) regime in the Telecommunications Act.

OK, so if the policy problem we are trying to solve is we want every premise to have access to voice and broadband, that problem has been solved.

So, you then might turn to the next question: if every premise now has access to voice and broadband, what minimum service standards should be mandated?

Well, we already have the SIP regime in legislation that specifies speeds of at least 25/5 Mbps, and voice services.

And again, we now have a commercial service delivering speeds well in excess of that standard.

So next question: if every premise has access to voice and broadband, which meets or exceeds a minimum service standard, then what about service availability and redundancy?

In other words, if the service goes offline, should the framework ensure a backup is available?

Again, this is already available today.

NBN Sky Muster Plus services with unlimited data cost around $60 a month.

But now you might say, but Sky Muster isn't an acceptable voice service, which is why satellite isn't included in the SIP regime.

I would counterargue that if LEOs are a primary voice service and Sky Muster is used as a backup, then it's an acceptable short-term fallback.

And if that's still not acceptable, what other alternatives are there?

According to NBN, there are 12.3 million premises in Australia. Telstra says that its mobile network covers to 99.5% of them, that leaves just over 61,000 premises without mobile coverage.

And this is the magic number.

61,000 premises.

Out of 12.3 million, just 61,000 premises don't have access of mobile coverage.

But they do have access to LEOs, and they do have access to Sky Muster. So even without mobile coverage, these 61,000 premises *still* have access to two networks.

The availability and redundancy policy problem is solved.

So, onto the final part of the question: if every premise has access to voice and broadband, which meets a minimum standard, and has a redundancy, then what about affordability?

Remember, we don't actually have an affordability standard under the current USO.

And for 99.5% of premises, the market has delivered a range of services at a range of price points to cater to different consumer needs.

From affordable NBN Sky Muster, to 4G or 5G mobile, to a premium Starlink service – all but 61,000 premises have a choice of at least 3 networks.

When you include Optus' mobile network – soon to be Optus and TPG under their MOCN arrangement – then 98.4% of premises have a choice of at least 4 network providers, providing an even greater range of choices.

So we get back to the magic number of 61,000.

If affordability should be part of a universal service framework, we should ask – does it need to apply to anybody outside of that 61,000 premises, given they have at least 3 competitive network providers with a range of commercial options?

Having considered the policy problem, now let's set out the principles that should form the foundation of modern Universal Service framework.

Principle 1 – Accessibility: If a premise has voice and broadband available from at least two networks, it can be considered competitively served.

For all but 61,000 premises, why should any form of subsidised access be required?

Principle 2 – Availability: If a premise has voice and broadband available from at least two operators, it can be considered to have a redundant service available.

For all but 61,000 premises, why should any form of subsidised backup be required?

Principle 3 – Affordability: If a premise has voice and broadband services available from at least two operators, it has access to a range of price options.

For all but 61,000 premises, why should any subsidised pricing be required?

So – what do we actually require from a Universal Service framework?

Well, I think we're misdiagnosing the problem to even call it a 'universal' service at all.

Because for 99.5% of premises, no framework is required.

The market has delivered two commercial networks that provide better voice and broadband than the existing USO standard – and the taxpayer has delivered a third in the form of NBN.

The policy problem we are actually trying to solve is for just 61,000 premises that only have one commercially-available voice and broadband service, in the form of Starlink.

We don't need a 'universal' service framework.

We need a solution for those 61,000 premises that the market has failed.

61,000 Starlink dishes will cost just under $37 million. Or if we buy them from Officeworks or Harvey Norman, just $24 million.

61,000 Starlink contracts will cost $100 million a year.

Funnily enough, that's exactly how much the Commonwealth pays Telstra each year to keep its old copper network alive – and that's before the Telecoms Industry Levy.

So the Commonwealth can simply buy 61,000 Starlinks for premises without competitive options, and the market has solved the problem for everybody else.

Why does it need to be any more complicated than that?

With those premises taken care of, what's stopping us from switching off Telstra's copper network?

Everybody else has mobile coverage, Starlink coverage, and Sky Muster coverage – the vast majority also have fixed wireless coverage AND many will also have Optus coverage.

And the best part? Everybody would have a far better service than under the USO, for a fraction of the cost.

But then you might argue – there's no other LEO option but Starlink! (God forbid any operator should have a regional monopoly).

Well, only until Amazon Kuiper comes along. And OneWeb. And TeleSat.

Because as soon as there are 2 or more LEO operators, then even those 61,000 premises won't need a USO service, because they'll also be competitively served.

So in summary: what does a modern Universal Service framework look like?

It looks like a competitive market solving the problem better than any regulation, levy, or subsidy ever has.

And for the tiny fraction of premises where the market has not solved the problem, a targeted program to ensure nobody gets left behind.

So now that we've solved the USO, I want to turn to the third section of speech today – Closing the Gap: making the case for a specific program for First Nations communities.

If we've solved the USO problem, why haven't First Nations Australians been addressed? It's hardly a Universal Service if it doesn't serve everyone.

The reality is that for most people in this room, myself included, we wouldn't recognise how most First Nations communities live.

The very concept of a "premise" is incompatible with the communal living arrangements typically seen on Country.

So we need a different solution for a different problem.

The National Agreement on Closing the Gap sets out target areas to improve the lives of Aboriginal and Torres Strait Islander people.

Last, but not least of these, is Target 17: "By 2026, Aboriginal and Torres Strait Islander people have equal levels of digital inclusion."

2026 is 18 months away.

But despite the timeframe, I believe this is the most achievable goal in the Closing The Gap agreement.

Props to NBN, which has already established 111 free communal Wi-Fi networks in First Nations communities.

It's a good start.

And it should be taken to the next level by the Government accepting the recommendation of the First Nations Digital Inclusion Advisory Group, and trialling LEO services in these communities.

How can we target the three aspects of digital inclusion, being Access, Affordability, and Ability?

Access: Establishing community mesh Wi-Fi networks with Starlink backhaul.

These networks should have a minimum throughput based on the number of people in the community, and central management portal controlled by community leaders.

Voice services will be available using Wi-Fi calling, a standard feature of all three mobile networks and standard smartphones.

Part 2: Affordability. Unlike the USO, we should not look at this problem as one the market can solve. Community Wi-Fi networks should be free and entirely Government-subsidised.

To use features like Wi-Fi calling, community members would still need a mobile SIM card, but alternative app-based call options are also available.

Over time, the community management portal could be used to offer 'premium' services for community members willing to pay for faster speeds or higher downloads.

But everybody should have access to a basic minimum standard.

And Part 3: Ability.

This is where telcos can't do it alone. We'll need to work in partnership with community organisations with a local presence to uplift the digital literacy of First Nations people.

For the first time in history, technology is no longer the roadblock to delivering modern connectivity to Aboriginal and Torres Strait Islander communities.

The opportunity to meet Target 17 and Close The Gap is within reach.

It's no longer a question of how we do it. It's only a question of will we.

Conclusion

And with that, I'll conclude by briefly re-capping my three key points today.

First, we have a mess of crossed-subsidies funding overlapping services in regional Australia.

Second, we need to start with a clean sheet of paper and ask, what are the principles that should underpin a modern Universal Service framework?

And finally, we need to a dedicated program to Close the Gap for First Nations Australians, by providing access to modern

communications services in Australia's most remote and underprivileged communities.

Thank you.