

Commpete's response to 'Better delivery of universal services' discussion paper

1st March 2024

Commpete, an industry alliance advocating for greater competition in telecoms markets, expresses its appreciation for the opportunity to contribute to the ongoing discussion regarding the delivery of telecommunications universal voice services. We believe that embracing innovative approaches is essential to foster competition, ensure efficiency, and meet the evolving needs of consumers across metropolitan and regional Australia.

Commpete represents a diverse group of non-dominant providers, including specialised regional entities, mobile operators, datacentres, fibre owners, and wholesalers. Our members collectively serve over 500 small telco businesses, contributing to a vibrant and competitive digital communications landscape.

Our advocacy centres around fostering open access regimes, enabling new entrants to thrive, and promoting diversity in the industry. We firmly believe that a dynamic wholesale market on a national scale is crucial for fostering healthy competition, particularly in industries with significant infrastructure requirements and high entry barriers.

The current provision of fixed voice services via the Universal Service Obligation (USO) has become economically burdensome, given the availability of more cost-effective alternatives such as satellite, fixed wireless, and mobile broadband with Voice over Internet Protocol (VoIP) connections. Commpete recommends a shift towards baseline universal telecommunications services delivered through alternative technologies on a competitive basis, encompassing both broadband and voice services.

The Productivity Commission (PC) deemed the USO as "anachronistic and costly" in April 2017. With 99% of premises having access to mobile phone networks or broadband, the reliance on fixed-line copper connections and payphones is diminishing. The Australian National Audit Office also highlighted deficiencies in the USO contract, emphasising the lack of evidence supporting its net public benefit.

In addition, the funding of the USO via the Telecommunications Industry Levy in its current form results in any business holding a carrier licence with 'eligible revenue' exceeding \$25 million contributing to the cost of the USO. As 'eligible revenue' is not aligned with 'carrier' revenue, this results in service providers that earn very little from their carrier licence (or even new carriers yet to earn any revenue from their carrier licence) contributing to the cost of the USO, if they have other revenue sources caught by the 'eligible revenue' definition. This fundamentally affects the business case for acquiring and holding a carrier licence for the purpose of providing innovative telecommunications services. Commpete considers that this potentially has a negative impact on investment incentives in the broader telecommunications service provider ecosystem.

As the industry moves away from copper networks for voice and data services, we propose establishing a cut-off date for the copper network to allow a managed transition to newer and more advanced technologies.

Consumer safeguards and minimum service standards could be applied as a way to protect end users. Rebates and subsidies could be considered for qualifying regional and remote service users and providers, replacing USO funding.

Commpete notes that substantial Commonwealth and State grant schemes have been made available to develop regional mobile infrastructure. It is increasingly recognised that it is more equitable and beneficial for these to be predicated on neutral host arrangements open to multiple operators. Mobile services, particularly in regions covered by substantial grant schemes, can play a role, but they cannot fully replace the USO.

NBN could be used as a fallback broadband provider under an expanded USO/USG scheme, with the possibility of being able to access for eligible USO recipients on a case by case basis.

Commpete makes a call for the era of industry cross-subsidisation via Statutory Infrastructure Provider regime to end, fostering transparency, accountability, and competition in delivering the USO service.

Indigenous communities deserve special consideration within the USO, with pricing and accessibility tailored to their unique circumstances.

Commpete welcomes the opportunity to engage in further discussions with the Department to elaborate on our submission and contribute to the development of a modern and efficient universal telecommunications service framework for Australia.

Thank you for considering our perspective, and we look forward to the opportunity to discuss this matter in more detail.

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