



**Funding of Universal Telecommunications
Services Discussion Paper – April 2024
Response**

May 2024

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Funding of Universal Telecommunications Services Discussion paper – April 2024

Field Solutions Group (FSG) is pleased to offer a response to this discussion paper.

Having previously responded to the initial inquiry about the USO/USG Review, this response will be a reflection of such.

It would be preferable to streamline the funding mechanisms (into one) designed to obtain levies from telecommunication operators but above all else, the mechanism needs to be fair and transparent i.e. costs associated to provide service in non-commercial areas need to be accurately predicted and monitored to ensure they remain relevant and up to date with the changing technologies and change in landscape of the towns and areas to be served.

In order to provide telecommunication services to people and businesses in non-commercial areas, the Government should recognise its obligation to meet the majority of costs for those services. Any industry levies charged and collected will obviously offset the contribution needed by the Government but given telecommunications is recognised as an essential service, the Commonwealth should bare the majority of that responsibility.

FSG continues to build networks across rural, regional and remote parts of Australia, some which are not commercially viable, and looks forward to the continued support of government at all levels to ensure people and businesses are supported and have the digital connectivity they require.

FIELD SOLUTIONS GROUP PTY LTD

QUESTIONS

- 1. What characteristics would ensure adequate certainty to providers delivering funded services?**
 - a. A funding mechanism/allowance that is commensurate with the cost to deliver and maintain the services, with review of new technologies and associated costs undertaken on a regular basis.
- 2. What characteristics would provide adequate certainty to those parties from whom funds would be collected?**
 - a. Base the “levy” on a regional cost basis i.e. cost to deliver the services vs the revenue generated.
 - b. In non-commercial areas, this question becomes null and void
- 3. How can the funding arrangements best support provision of non-commercial services but also support flexibility in adapting to market changes and the types of services supported?**
 - a. An independent body needs to review (on a regular basis) the cost to deliver services to these areas whilst also recognising a “reasonable” cost allocation to provide the required technical support (assuming it requires someone to physically visit the premise/s).
- 4. How should arrangements ensure affordable services will be available across Australia but not crowd out investment by commercial operations?**
 - a. Consider each region throughout Australia and develop a set of criteria that determines the viability of providing services in these areas.
 - b. If a commercial enterprise e.g. nickel mine, creates a presence in an area, explore the possibility of a public private partnership to provide telecommunication services not only to the mine but the surrounding towns and or properties.
 - c. Consider new ventures and their impact on the communities on a case-by-case basis.
- 5. What are the characteristics of services that should be receiving subsidies? How should these be determined on an ongoing basis?**
 - a. The Government should complete an assessment of service provision options in these areas and determine if (based on current trends and examples) the viability of providing services e.g. a MBSP on highway location with little to no population in that area requires 100% support from the Commonwealth and the relevant state/territory government.
 - b. Companies should clearly define the costs associated with providing the required services to demonstrate the non-commercial aspects of the project.
- 6. Is it appropriate to still consider entire networks when determining funding support or should the evaluation of commerciality occur at a more granular level?**
 - a. At a more granular level depending on the complexity and geographic spread of the project i.e. a network that covers a small geographic area is “easier” to service than one spread out over a large area e.g. the Wheatbelt vs Pilbara in WA.

7. **There is ongoing interest in network resilience particularly in relation to service availability after natural disasters. Is this something that should be supported through funding for non-commercial services or should all network providers be equally required to provide a specified level of resilience in their own networks?**
 - a. Absolutely but base it on a minimum standard and set of principles e.g. all sites must have a back-up system (could be a generator or a “Dual Battery System”¹), whether it has a grid or non-grid connection.
 - b. In areas that are bushfire prone, consider the option of putting a sprinkler system on the perimeter fencing and the tower itself.
 - c. Access to the tower compounds by designated personnel is also a must and those people/organisations need to be local in order to avoid any extended outages of telecommunication services.

8. **Which elements of the telecommunications industry should be contributing to non-commercial services? This can include commentary on those entities that should be considered part of the telecommunications industry.**
 - a. MNOs
 - b. MVNOs
 - c. TowerCos
 - d. Land developers
 - e. Large scale corporations that control large amounts of land e.g. mining companies.

9. **Should funding for non-commercial services provided to individuals be collected from different contributors than should provide funding for other types of public interest services such as Emergency Calls?**
 - a. Yes - all parties should contribute to the cost of providing an emergency call service.

10. **Are there any particular competition issues that need to be considered? How can the design of funding arrangements promote competition and contestability?**
 - a. Ensure that with all developments e.g. MBSP tower, that there is a minimum of two providers to ensure there is competition and greater capacity and therefore resiliency.
 - b. Where it's not viable to have more than one operator, develop a formula designed to determine the costs to provide and operate the services with an annual review to determine any changes to the ongoing support services.
 - c. Ensure ongoing reviews on service performance are met – leaving a monopolist to determine service provision has been a failure in regional Australia.

11. **Should there be any threshold on the requirement to make contributions and if so what kind of methodology would be suitable for determining the threshold?**
 - a. Yes - no change required to the current thresholds and their criteria.

12. **Are there any characteristics that would provide additional efficiency or ease of administration for the contributors and the administrators of universal service funding?**

¹ A method being explored in conjunction with an engineering consultant in South Australia – FSG is willing to elaborate on this system if so required.

- a. For the contributors, develop a system that makes it easy for the proponent to input the data that determines the levies they should pay vs the funding they receive from non-commercial areas and whatever the difference is (positive or negative), either party makes the payment.
- b. Being clear about the costs associated with the commercial vs non-commercial service delivery, should make it easier for both parties to complete the necessary transactions.

13. Do you agree with the positions set out above with respect to key principles and characteristics of future funding arrangements?

- a. The streamlining of any process/es is important for all parties but the Government should take responsibility for funding a large percentage of the non-commercial areas throughout Australia in order to provide the base level of telecommunication services. If a person or business decides to take up a LEO option, that's their choice although they should not expect any form of SLA given the lack of sovereignty (and associate) issues with providers like Starlink.
- b. The TowerCos and major telcos should be required to contribute to the levies required to offset the costs to the Commonwealth.

14. Are there any principles or characteristics that should be added to the above list?

- a. Telstra, on the basis of the infrastructure it inherited and has now sold off, should continue to be the major contributor to the levies.
- b. Its levies (against the infrastructure it inherited) should be calculated against the revenue it received for such over a period of time to be determined by the Commonwealth. This levy should be used to provide terrestrial services to non-commercial areas.

15. Are there are other issues or considerations the Government should take account of in considering the effectiveness of funding arrangements for universal telecommunications services?

- a. Yes – continue to fund terrestrial infrastructure (in non-commercial areas) to ensure resilience in the telecommunication systems and services made available to the population.
- b. Set up technical teams (employed by the Government e.g. NBN Co) in every region of Australia to ensure the telecommunications services and equipment is maintained and/or upgraded as and when the technology improves.
- c. Over reliance on one type of technology e.g. LEO satellites, is fraught with danger and given the lack of sovereignty with such offerings, is of great concern.
- d. The Government either needs to invest in its own LEO satellite service or continue to use and support the Skymuster services offered by NBN Co.

16. Are there any particular funding models you think the Government should consider?

- a. Ones which do not just align to electoral cycles, are longer term in their planning and bi-partisan in their development.

17. Based on current market conditions, which participants in the telecommunications industry should be contributing towards the net losses of NBN Co's non-commercial fixed wireless and satellite services?

- a. Telstra given its inheritance of infrastructure and market dominance throughout Australia i.e. the inherited infrastructure gave Telstra a unique advantage over other telecommunication service providers in this country.
- b. LEO satellite providers should be paying a levy designed to support the back-up services in non-commercial areas in order to provide resilience should the LEOs “fail” and/or withdraw their services in the future.
- c. The Commonwealth should provide the remaining funding.

18. What is the most appropriate charge base unit for the RBS?

- a. The current system should be appropriate as long as the definition of a “chargeable premise” is clear to the providers.

19. Are the 2,000 chargeable premises per month concession appropriate for small networks? Is there a case for variation of this exemption, for example by aligning it with the current 12,000 premises exemption from the structural separation requirements in Part 8 of the Tel Act?

- a. FSG favours a higher number of premises given the rising costs to build and maintain networks, especially in rural, regional and remote Australia.
- b. Levies would further reduce the viability of providing networks and services to many parts of Australia.
- c. Consideration needs to be given to place based networks which have lower number of premises per serving asset.

20. The transitional concessions were put in place to support carriers as the RBS began operation. Are there any lessons or observations related to the transitional concessions that the Government should consider?

- a. Having a better understanding of the true cost to build and operate networks (in today’s environment) will guide the Government in the levies it sets.
- b. Continually comparing Australia’s situation to other countries and the levies applied to the telco industry will provide guidance for any future changes (if and when required).

21. Are there any lessons or observations related to the transparency or administration arrangements for the RBS that the Government should consider?

- a. Not having been subject to the RBS, it is not appropriate for FSG to make comment.

22. Stakeholders are invited to provide views on the following matters:

- a. The operation of Part 3 of the TCPSS Act
- b. The operation of the remaining provisions of the TCPSS Act to the extent to which they relate to Part 3 of the TCPSS Act
- c. The operation of the Tel Act to the extent to which that Act relates to Part 3 of the TCPSS Act
- d. The operation of the Charge Act
- e. Whether Part 3 of the TCPSS Act should be amended
- f. Whether the remaining provisions of the TCPSS Act, to the extent to which they relate to Part 3 of the TCPSS Act, should be amended
- g. Whether the Tel Act, to the extent to which that Act relates to Part 3 of the TCPSS Act, should be amended

- h. Whether the Charge Act should be amended.

FSG supports the intent and operation of Part 3 of the TCPSS Act.

23. Are there any lessons or observations from the operation and administration of the TIL that would be useful for the Government to understand in considering long-term funding arrangements?

- a. The current funding policy should apply to all carriers and organisations that deliver telecommunication services in Australia.