NSW Government submission

Funding of universal telecommunications services

May 2024

The NSW Government thanks the Department of Infrastructure, Transport, Regional Development, Communications and the Arts for the opportunity to provide input to this consultation regarding the funding of universal telecommunications services.

The NSW Telco Authority has led this NSW Government submission with input from Transport for NSW. In general, we support the review of the funding arrangements to incorporate consideration of rapidly evolving telecommunications technology.

Other key points raised are:

- Funding should be pooled to support all non-commercial connectivity services
- The Telstra Universal Service Obligation Performance Agreement (TUSOPA) be reviewed
- Resilience measures should be mandated
- Competition should be incentivised

We understand that some newer technological solutions that will provide data as well as voice services are not adequately tested to meet universal service requirements and that testing is currently underway. However, we assert that the funding arrangements must evolve with technology to represent the real application of modern telecommunications solutions.

This submission does not respond directly to the questions posed in the consultation paper; however, we offer the below points for your consideration.

Technology is naturally merging fixed-line broadband and USO services

Concurrently, services required of Statutory Infrastructure Providers (SIPs) and those under the Universal Service Obligations (USO) will be increasingly met by the expanding footprint of NBN and the advancement of satellite and other new technologies.

Maintaining two separate funding sources might provide transparency and security for SIPs insofar as the Regional Broadband Scheme (RBS) funding goes directly to broadband services outside of the fixed-line footprint. However, the delineation between the USO and the RBS will increasingly deteriorate as new technologies become available.

Already SIPs can provide voice services to support the USO and Mobile Network Operators (MNOs) can provide mobile broadband and fixed internet services to homes and businesses. As new satellite technologies become more available and are proven for reliability, they too will be increasingly used for voice and internet services, which further emphasises the growing correlation of USO and SIP services.

As raised on page 9 of the consultation paper:

> Issues raised regarding the operation of the RBS include whether the charge based needs to be broadened from its current focus on charging fixed-line services given changes in the telecommunications market in recent years. (p5)

Where it is available, some people prefer to use 5G broadband in their homes rather than a fixed-line broadband service. This suggests that the RBS should acquire charges from all broadband services supplied to a premise within the NBN footprint, rather than just those using the fixed-line broadband services.

Rather than specify which provider type supports a funded service type, a preferred option would be to pool all collected funds from all eligible public telecommunications service providers and to allocate from the pool according to set prioritisation criteria. In simple terms, all commercially viable telecommunications and broadband services should contribute to one funding pool to support <u>connectivity outcomes</u>. Outcomes should be determined dependent on the need and directed to areas where services are not commercially viable.

Review of the TUSPOA

The NSW Government supports review of the Telstra Universal Service Obligation Performance Agreement (TUSOPA). The review should include calculation of the value of services currently provided under the agreement and offer funding to Telstra commensurate to that value. This would ensure that Telstra is appropriately compensated for services provided, rather than a rough estimate provided each year.

Such a review would allow the flexibility to adjust in consideration of new services via mobile or new technologies that meet USO standards following their trials, and to fund other service providers if they are willing to provide the required services. As mentioned above, this funding should be part of one pool supporting a range of connectivity services in areas where services are not commercially viable.

Key principles and characteristics of a sustainable long-term funding model

The NSW Government understands that longer-term security of funding supports deployment of the necessary infrastructure for sustainable, scalable services in areas where services are currently not commercially viable. We also agree that transparency of funding sources and of the allocation of funding provides the confidence that service providers need to provide ongoing services and offers the visibility that the public demands.

However, a flexible and adaptable approach is required to ensure that the funding collected and allocated remains relevant. As funding arrangements are adjusted to meet the changing environment, the Commonwealth will need to provide security to both service providers and to the communities they serve by accommodating any shortfalls in budget projections. This could be offset in the long term via engagement of new technologies that require less investment in infrastructure to provide the required services. Notably, large financial support to Telstra via the TUSOPA and to NBN over recent years will likely become less necessary and could be reallocated to such shortfalls, as well as supporting new initiatives.

As mentioned previously, the growing NBN footprint and the rise of new technologies such as Low Earth Orbit (LEO) satellite services will likely see currently non-commercial areas become commercially viable and will require funding arrangements to adapt accordingly. These services should be subject to the wholesale and retail service standards required of NBN Co and Telstra when providing universal voice or

broadband services. If this is not broadly possible, separate agreements via the Mobile Black Spot Program (MBSP), Regional Connectivity Program (RCP) or other funding program to service areas with LEO or other suitable technologies could enforce such standards.

The NSW Government has identified a service gap between some pre-existing communities that border new developments. NBN's net loss-making fixed wireless and satellite networks often serve these areas that join greenfield developments built with fibre to the premise. Including adjoining properties in infrastructure upgrades would prevent properties being stranded without adequate services and increase the contributing base for non-commercial services.

Resilience

Largely in response to question 7 and more broadly in terms of resilience measures, the NSW Government proposes that network resilience should be both supported through funding for non-commercial services and that network providers should be required to meet specified levels of resilience for commercial services.

Mitigating risks to essential telecommunications services is paramount to the safety of Australian citizens. The Optus outage in 2023 demonstrated a risk to Australian citizens who were unable to make contact with first responders in emergency situations and during critical incidents.

Funding to vital services such as Emergency Calls should continue to be guaranteed and the reliability of networks to provide these calls should be supported via increased requirements for resilience.

In addition, the NSW Government asserts that greater consideration should be given to allocation of funded services along transport corridors, which can help to achieve the Towards Zero (road safety) target with advanced driver assistance /warning systems.

While the consideration of entire networks can assist in the planning of infrastructure and ensure adequate coverage, funding should maximise benefits for all citizens and commerciality should therefore be considered at a granular level to address the varying and specific needs of communities.

Furthermore, funding robust wi-fi in public spaces, particularly community and neighbourhood safe places, shelter locations and road stops, could be a resilience building approach that would benefit communities during and beyond natural disaster events.

Competition should be incentivised

Usually, services funded through programs such as the MBSP and the RCP are contracted to a provider that meets specified funding criteria, proving that they can deliver reliable services in the relevant area. Competition could be incentivised via conditions in the contract, such as the existing co-location requirements under the MBSP. Consideration should be also given to building flexibility into the program guidelines to encourage innovative solutions that may be less reliant on infrastructure. In addition, funded providers could be required to share underused

spectrum to other providers willing to service the area. This mechanism would encourage competition and increase options for consumers.