

Uniti Group's submission to the 2024 Regional Telecommunications Independent Review

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Non-confidential

1 Executive Summary

Australia has an extraordinary opportunity to introduce an enhanced universal telecommunications service (UTS) commitment that:

- covers voice, broadband and data connectivity;
- clearly defines service standards, levels and quality of service:
 - recognising all the current substitutes that exist for NBN fixed broadband and voice services; and
 - retains flexibility for technology advances;
- can be delivered at a lower cost to the taxpayer; and
- utilises a streamlined funding mechanism which is simpler for industry and government.

By being technology neutral, Australia can have a more comprehensive UTS, at lower cost and can take advantage of existing and future technologies.

The current Universal Service Obligation (USO) for voice should continue to be funded, albeit in a more flexible way to embrace all technologies.

Where broadband supply is non-commercial or the existing service is inadequate, funding should continue, acknowledging that broadband is an essential utility for consumers, business, government & enterprise, but again it should be done in a more flexible way to embrace all technologies.

Competition to NBN fixed line services has arrived from actual substitutes not just close substitutes including 4G/5G cellular, fixed wireless across many variants and LEO satellites. In addition, there are also many fixed line network carriers competing with NBN in supply of broadband and data connectivity to consumers, businesses and enterprises. All of these technologies are providing comparable speeds, unlimited data and even (in some cases) adopting the same CPE.

By defining service standards, levels and quality of service, rather than specifying a technology, the UTS regime be able to leverage the best technologies in each locality and ensure it remains fit for purpose into the future.

Service standards should be defined recognising all the current substitutes that exist for NBN fixed broadband and voice services and retain flexibility for the technology advances in the future.

By leveraging existing commercial competition, a technology neutral UTS could be provided in a cost efficient manner, and therefore funding would only be needed to cover those areas where it is not commercial to supply the UTS.

These non-commercial areas would be relatively limited and would be a footprint smaller than the current NBN fixed wireless and satellite networks coverage. The NBN fixed wireless and satellite network coverage areas are not representative of non-commercial regions. These areas have direct competition today from NBN equivalents across numerous technologies including fixed line, cellular, wireless and satellite. In fact, 99.5% of Australian premises have access to three broadband services and two voice services today.

By streamlining the funding mechanism for regional telecommunication services, as the UTS would allow, the government can lower the burden on industry. Rather than operating several funding regimes as is done today, including the telecommunications industry levy (TIL) and the regional broadband scheme (RBS), the UTS should be funded by a broad based tax, modelled on the TIL, and applied consistently across industry participants in a technology neutral manner.

2 Overview of Uniti Group

Uniti Group is a core digital infrastructure and solution provider, aiming to create the infrastructure and technology that connects people, business, buildings, cities and things to each other and a world of possibilities. We do this through three arms – building and operating wholesale access networks predominately fibre to the premise, operating a CPaaS (Communications Platform as a Service) business and a retail business providing telecommunications services to consumers and businesses. We are proudly owned by a consortium of highly regarded core digital infrastructure investors, led by Morrison & Co, Brookfield Asset Management and Commonwealth Superannuation Corporation.

Opticomm wholesale access network

Uniti Group includes a number of licensed carriers whom, in aggregate, operate under the Opticomm brand, and build, own and operate wholesale access networks over multiple technologies (including FTTP, HFC, FTTN) providing superfast broadband services. Opticomm is the No. 1 independent provider of fibre network infrastructure for greenfield housing. Opticomm provides wholesale access to its network on open access non-discriminatory commercial terms to over 60 retail service providers (in an equivalent but not identical manner to NBN Co), who use the network to supply consumers and businesses with telecommunications services.

CPaaS Enterprise Services

Uniti Group also operates a CPaaS (Communications Platform as a Service) business under several enterprise brands which deliver intelligent voice, SMS and communication solutions. We design, develop and deliver state-of-the-art network services and communications and analytics solutions to small business, enterprise and government organisations.

Retail

The Uniti Group also includes Uniti Retail, a retail service provider of telecommunications services to consumers and small businesses across Australia using the OptiComm network, under several brands including Uniti Internet and Harbour ISP.

Opticomm and Uniti Retail are party to an ACCC approved Functional Separation Undertaking (FSU) for the supply of local access lines (LAL) to residential premises.

3 Expand the USO to create a Universal Telecommunications Service

Uniti Group recognises the public policy position that all Australians should have access to a universal telecommunications service (UTS), which covers voice, broadband and data connectivity, and that funding is required where supply of a UTS to a particular region or community is non-commercial. Uniti Group considers that any further delay in implementing a UTS will only further disadvantage those people living in the most regional and remote areas of Australia.

4 UTS should be technology neutral

The UTS should be implemented on a technology neutral basis, and define service standards, levels and quality of service that must be met by any supplier of a UTS, regardless of the technology chosen for that supply. This approach would ensure longevity and sustainability of the regime and address the rapid pace of technological change.

The concept of the UTS will need to be clearly defined to give certainty to consumers and the telecommunications industry. We note the numerous responses to the Department's 'Better Delivery of universal services' discussion paper¹ evidencing significant industry interest in rationalisation of USO/TIL structure to recognise new technologies and the convergence of voice and broadband on data networks delivered by an increasing number of technologies and carriers.

5 Funding for the UTS should be streamlined

Uniti Group considers that the UTS funding regime should leverage the TIL funding model (with necessary amendments) given that it has successfully worked for some time and is based on sound methodologies. The UTS funding regime should replace the existing USO and TIL regime and the RBS Levy (RBSL) – these can all be consolidated into one UTS funding regime adopting the current USO/TIL/SIP structure but incorporating broadband and data connectivity into an expanded UTS.

The passage of time, technological advancements and changes in markets mean that the TIL is now funding a service which is only part of the essential telecommunications services that end users have come to expect. However, Uniti Group maintains that the mechanism and methodology for the TIL and USO is sound, it is just the services that it supports and the recipient of that funding that are no longer fit for purpose in 2024.

Industry contributions to funding a UTS should:

1. be provided via one mechanism (and not a combination as we have today) and the existing TIL can achieve this;
2. be a broad based tax, that does not discriminate against particular technologies or providers but applies to the telecommunications industry as a whole;
3. have a transparent, objective simple calculation methodology, adopting a transparent easily measured charge base, which will give certainty to the industry and Government. The current percentage of revenue methodology behind the TIL is an example of a charge base and methodology which is not complex, well understood, equitable and meets these requirements; and
4. be reported transparently back to industry, and measured annually (and not monthly as the RBS Levy is today).

Uniti Group does not consider that the Regional Broadband Scheme (and RBS Levy) are fit for purpose to fund a broadband and data connectivity UTS. This is because the RBSL:

- was created for a purpose which has not arisen.
- is complex to measure and administer, and in addition is systemically flawed in its methodology. The complexity of measurement of RBSL results in inaccuracies in calculation of the actual RBSL paid by all carriers and the amount of concessions (if any) and interpretations of the application of the RBSL by regulators and carriers.
- as a tax on non-NBN fixed line networks, it is no longer relevant or equitable due to NBN equivalent services being available on alternative technologies.

¹ <https://www.infrastructure.gov.au/have-your-say/better-delivery-universal-services>

In addition:

- The quantum of the RBSL is excessive at >14% of Uniti revenue from the premise taxed compared to a TIL at 0.9%. The method of calculating the quantum is flawed. Adopting 30 year forecasts of future costs and losses of NBN networks (particularly where many of these losses have now been written off by NBN Co) is not reflective of the changes in technology and markets diminishing the need to fund non-commercial UTS over time.
- Adopting forecasts produced by NBN to determine the costs and losses, which have not been approved by NBN management and board, when NBN is the beneficiary of the RBSL raised from non-NBN fixed line operators who compete with NBN is highly questionable.
- The amount of the RBSL raised in the last tax year for the RBS is ~ twice the ACCC assessed costs and losses of NBN operating the fixed wireless and satellite networks for that tax year (adopting NBN forecasts not ratified by NBN) which are not representative of non-commercial regions justifying funding, resulting in a tax on each service provided by Opticomm comparable to company income tax.

Please also see Uniti Group's submission to the Department of Infrastructure, Transport, Regional Development, Communication and the Arts (**DITRDCA**) in response to the "Funding of universal telecommunications services (incorporating public consultation for s102ZFA Review of RBS legislation)" Discussion Paper dated April 2024², for further detail on the reasons the RBS Levy is no longer fit for purpose (particularly section 2).

² <https://unitigrouplimited.com/assets/docs/Uniti%20Funding%20of%20UTS%20submission%20-%2014%20May%202024.pdf>

