Regional Telecommunications Independent Review Committee

Regional Telecommunications Review 2018 Issues Paper

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Dedicated to helping businesses of all sizes maximise their potential

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Introduction

The NSW Business Chamber (the Chamber) welcomes the opportunity to provide a response to the Regional Telecommunications Independent Review Committee (RTIRC) Regional Telecommunications Review 2018 Issues Paper (Review).

The Chamber is one of Australia's largest business support groups, with a direct membership of more than 20,000 businesses and providing services to over 30,000 businesses each year. The Chamber works with businesses spanning all industry sectors including small, medium and large enterprises. Operating throughout a network in metropolitan and regional NSW, the Chamber represents the needs of business at a local, state and federal level.

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Digital and broadband technologies as a source of innovation

Small businesses and the economy generally, can realise significant benefits by embracing mobile, digital and broadband technologies to transform their operations. Analysis undertaken by PWC shows that small businesses can unlock an additional $49.2 billion of private sector output over the next ten years by making better use of these technologies. PWC[1] modelling shows, 53% of the potential economic benefit can be made by small businesses located outside Australia's inner metropolitan centres.

Taken together, the longer-term impact of greater connectivity, reduced travel and greater innovation in rural businesses, not only have the potential to reduce pollution and improve productivity, but to help retain and attract young, talented people and families to regional Australia. This in turn will help reinvigorate both regional communities and, importantly, regional economies.

Businesses need require high speed broadband and digital technologies because:

- Communication (phone and internet) relies on it
- Modern customer experience needs to be seamless. Customers interacting with a business online expect to be able to search and transact quickly otherwise they will go elsewhere.

[1] http://www.digitalinnovation.pwc.com.au/small-business-digital-growth/

- Broadband supports multiple users on the one connection, so all staff rely on the one connection to perform their duties.
- Makes using cheaper cloud storage services easier – uploading documents, pictures and other data – as well for accounting software
- Enables media rich content to attract customers through innovative marketing
- It helps lower labour costs by making the cost of finding new employees and access to temporary or contingent workforce options cheaper.
- Rural businesses such as farms rely on data to track (in real time) moisture content, pump controls and vehicles.

Funding to support innovation in broadband, mobile and digital technologies

There are a range of potential investments at the federal, state and local level to help initiate and encourage innovation.

Local Level - City of Lake Macquarie

At a local government level, the City of Lake Macquarie has launched the roll-out of the carrier-grade Long Power Wide Area Network (LoRaWAN) for the Internet of Things (IoT)[2]. The LoRaWAN is a wireless network that helps connect multiple devices across an area and is being installed to support citywide initiatives to enable business and enterprise to drive their own IoT projects.

Funded through a public private partnership over a 20 year contract period, the network will help facilitate a range of business applications including:

- Manage appliances and energy use
- Monitor multiple sites from a single site
- Manage security systems
- Take care of inventory management systems

The investment in this infrastructure will create significant opportunities across Lake Macquarie City for start-ups, small and large businesses and open pathways for Lake Macquarie Council to build new technology and innovate. Start-ups will have free access to connect to the network and businesses and corporates can receive a 15 per cent discount if they establish operations in Lake Macquarie City.

Lake Macquarie could become a major digital and innovation hub that will attract new organisations and jobs to the area. IoT is estimated to have the potential to add up to $120 billion annually to the Australian economy by 2025.

The Chamber would like to see additional matched support from the federal and state Governments for these types of initiatives.

[2] http://newcastle.nsw.gov.au/Council/News/Latest-News/Council-begins-roll-out-of-smart-city-tech

State level - Sydney StartUp Hub

While not directly related to new investment in telecommunications technology, the NSW Government's recent establishment of the Sydney StartUp Hub[3] will help agglomerate Sydney's start up talent and help drive new innovations. With more than 17,000 sqm across 11 floors, the hub is the largest in the southern hemisphere and will be home to 2,500 residents. The Sydney Hub will support activity in regional NSW by enabling regional startups to more easily access networks, potential customers and investment. It will provide a gateway for regional entrepreneurs to tap into the broader metropolitan startup community and vice versa.

For example, its *Regional Landing Pad* provides a dedicated area with specialist support and facilities for regional entrepreneurs visiting Sydney, and provides a connection to startup hubs outside the Sydney metropolitan area.

Federal Level - Mobile blackspots program

The federal Government has committed $220 million to the Mobile Black Spot Program to invest in telecommunications infrastructure to improve mobile coverage along major regional transport routes, in small communities, and in a number of identified priority locations. The Government's commitment is supported by co-contributions from state and local governments, mobile network operators, businesses and local communities. Rounds 1 and 2 of the program have been completed and Round 3 commenced in 2017.

The Chamber understands that the Government will be proceeding with a fourth program round to target areas of regional Australia currently without mobile coverage.

The Chamber supports measures to improve cover in regional and rural areas. However, it will be important that the criteria used by the Government to assess the merits of each proposed base station targets funding toward the expansion of coverage where coverage had not previously existed. This is because the Auditor-General Report No. 10 of 2016–17, *Award of Funding under the Mobile Black Spot Program* found one in five of the mobile phone towers funded in the first round of the program provided little to no new coverage for consumers[4].

In response to the Audit report, we understand Round 3 adopted a different assessment and evaluation process to the previous rounds, and the Government has indicated that this new process may be used for future rounds of the program. The Audit Office has flagged a future audit of Round 3[5].

[3] https://sydneystartuphub.com/
[4] https://www.anao.gov.au/work/performance-audit/award-funding-under-mobile-black-spot-programme
[5] https://www.anao.gov.au/work/performance-audit/mobile-black-spot-program

Transitioning to the National Broadband Network (NBN) – experience of business

The Chamber's 2017 NBN and Telecommunications Survey ('Survey') found delays and disruptions with the NBN roll out are costing NSW businesses, on average, more than $9,000, specifically:

- 39% of businesses reported having to wait more than 4 weeks for their service to be fully operational, with some businesses reporting no internet or phone availability at all during this period.
- 45% were dissatisfied with the NBN service, and complained of it being inferior to its original supply such as ADSL2.
- 42% of businesses reported NBN as being unreliable.
- Inadequate information about necessary equipment (EFTPOS machines, modem/routers) upgrades to ensure compatibility with the NBN.
- Some businesses were disconnected inadvertently due to NBN work despite not being an NBN supplied customer.

As confirmed by the Survey, the transition to the NBN for some rural and regional businesses has been expensive and frustrating with additional capital outlays necessary to maintain phone and internet connections. In some instances, transitioning to the NBN has created significant inconvenience and lost revenue from service failures.

The Chamber has heard from rural and regional businesses across NSW who were left with no landline phone or EFTPOS functionality for weeks and, in some cases, months while transitioning to the NBN. Other businesses have cited reliability concerns with the NBN and have expressed a desire to return to previous ADSL connections. Additional feedback from our members has indicated that there is a need for greater support for businesses to update to fibre to the premises (FTTP) connectivity in view of its superior performance.

Need to consider the full broadband supply chain

Effective and reliable end use broadband services to customers (both residential and business) relies on cooperation between NBN Co, service providers who purchase wholesale services (wholesalers), subcontractors who install NBN hardware, and retail service providers (retailers) who supply end use broadband services (and other telecommunications services) and the end use customers themselves.

The Chamber made a submission to the ACCC's *Inquiry into NBN wholesale service standards* in February 2008 because we were concerned that the terms of reference of the ACCC NBN inquiry were limited to wholesale service standards. While wholesale service standards have flow on effects they are less relevant to end use business or residential customers as it is not possible for these customers to seek redress or remedy under a wholesale agreement as there is no direct contractual relationship with the wholesaler or NBN Co.

While there is a need to review the Service Access Undertaking (SAU) for NBN Co, we recommended the terms of the ACCC NBN inquiry be expanded to look at the full NBN supply chain as retailers are ultimately the entity which the end use customer engages with. We submitted that the entire supply chain should be considered if the ACCC is considering regulatory interventions as indicated in the ACCC NBN inquiry scope. With the potential of 5G and other new technologies it would be important that these are included in any service level agreements also, and that emerging and future technologies are allowed for

The transition issues detailed above are borne out of service failures caused by a lack of accountability and coordination between parties in the broadband supply chain. The Chamber believes the focus of the Review should be on rural and regional customer outcomes, and whether additional regulation is necessary to improve service delivery and protect rural and regional businesses and residential customers.

The Chamber acknowledges recent initiatives by both NBN Co and retailers to voluntarily and proactively manage some of these issues. For example, NBN Co announced initiatives to improve the connection, migration and service experience for businesses, including case management for complex migrations. Telstra has compensated its customers for selling plans with speeds not achieved[6].

However, more should be done to improve the experience and level of service provided to rural and regional businesses (and residential customers) connecting to the NBN. We see the issues relate primarily to a lack of accountability, responsibility and cooperation between the NBN Co, wholesaler and retailers. The failure to effectively assign responsibility and achieve timely rectification of service failures results in complaints to the Telecommunications Industry Ombudsman (TIO) at the end of a frustrating customer experience.

A National Broadband Service Guarantee

The Chamber notes a similarity with another essential service - energy. The Australian Government together with the States and Territories developed a National Energy Customer Framework (NECF) to bolster protections, include service obligations on networks and retailers and encourage competition for the provision of retail services. The NECF addressed concerns of business and residential energy customers regarding the shared responsibilities of network providers and energy retailers around connection/disconnection which previously made it difficult to know who to turn to for fault rectification.

The NECF is based on a '*tripartite*' view of the energy industry as there are *arrangements* between customers, retailers and networks.

[6] For example, for those on fibre to the node (FTTN) the maximum theoretical speed capable is 75 mbps and this is before you take into account distance to the node, congestion, condition of the copper wire. Advertised plans of 100mbps are unattainable on FTTN technology.

For example, an application for the provision of connection services is made to a network by a retailer (retailer-network) on behalf of the customer (retailer-customer), however the customer has a relationship with the network for information on faults and blackouts (network-customer) and the customer has an obligation to provide certain information to both the retailer and network (customer-network-retailer).

A National Broadband Service Guarantee (NBSG), ensuring efficient investment in, and efficient operation and use of, broadband with specific focus on price, quality, safety, reliability, fault rectification and continuance of supply would result in improved collaboration in the delivery of broadband services and help reduce the frustration and confusion currently faced by consumers in resolving faults and service failures.

The NBSG would be enforced by a single regulator, ideally the ACCC, with specific responsibilities including:

- Monitoring and enforcing compliance with obligations and service standards.
- Reporting on the performance of the broadband market and individual retailers, including information on broadband speeds, trends in connections and disconnection of customers for non-payment of bills and priority assistance requests.
- Approving policies retailers must implement to assist residential and business customers who are facing financial hardship and looking for help to manage their bills.
- Providing guidance on, or streamline any authorisation requirements, to set up joint broadband buyers groups[7]. This may include a group of businesses that pool their collective demand and place one or more tenders into the market calling for proposals to meet their broadband needs, for example moving from Fibre to the Node/Street to Fibre to the Premises.
- Working with businesses to develop appropriate compensatory measures where service standards are not met. This should involve leveraging off the findings of the Chamber's Survey.

Importantly, the Guarantee is broadband technology neutral and covers for the provision of service by alternative providers of satellite, fixed wireless and fixed line services.
This recognises that access to fast, reliable broadband is an essential service now and into the future.

[7] The ACCC under subsections 88(1A) and (1) of the Competition and Consumer Act 2010 (CCA) may require buyers groups to be authorised to engage in conduct that may contain a cartel provision or may have the purpose or effect of substantially lessening competition within the meaning of section 45 of the CCA.

Review of Service Access Undertaking (SAU) for NBN Co

The SAU relates to the terms of access, including the economic regulation of price. Consumer behaviour and demand for data have changed significantly since the SAU was contemplated including how the components of NBN pricing were developed. The end use price flows through to customers in terms willingness to pay for higher speed plans. We understand the economic viability of the NBN would be improved if more customers adopted higher plans.

Some businesses have indicated a willingness to pay for 100MB/s symmetrical upload/download speed services if they were guaranteed a timely connection and reliable supply (no drop outs or throttled speeds in peak times). We also understand NBN Co will consider entering into direct contractual arrangements with buyer's groups in certain circumstances for bespoke FTP connections (as an example). NBN Co would invoice the business customer directly. These sorts of contractual arrangements exist between energy networks and large customers and do not involve a retailer.

The aforementioned broadband buyers groups may be a solution for some businesses to both accelerate the rollout of 100 MB/s broadband and at a fair price. However, strong business protections will need to be in place for these groups to confidently negotiate such arrangements.

New rules - Australian Communications and Media Authority

The Australian Communications and Media Authority ACMA) has introduced some new consumer protection rules. Unfortunately, the Chamber understands most of these rules including those which require to maintain service continuity when customers migrate to the NBN (including in the event the connection fails) and post-connection line testing to proactivity identify faults do not apply to fixed wireless or satellite services.

Federal Government – Telecommunications Consumer Safeguards Review

Following the release of the Chamber's NBSG, the Government announced the Telecommunications Consumer Safeguards Review[8]. The Review appears to foreshadow a NBSG arrangement, however it is still very early days and the Review will be structured through a staged approach.

The federal leader of the Opposition, the Hon. Bill Shorten MP has announced a guarantee based on that proposed by the Chamber. In launching this policy Mr Shorten referenced the cost of delays and disruptions on business as estimated and quoted by the NSW Business Chamber.

[8]http://www.minister.communications.gov.au/mitch_fifield/news/government_announces_telecommunications_consumer_safeguards_review#.WvOcdUqWaUk

With customers being significantly impacted, action needs to be taken now. Accordingly, this Review is an opportunity to influence improved operational outcomes for business customers in line with those expected of other essential services. To this end, a NBSG, if implemented correctly, would significantly reduce the considerable expense and frustration faced by businesses in transitioning to national broadband services.

A National Broadband Service Guarantee (NBSG) be developed and mandated. The focus of the NBSG would be to ensure sufficient investment in, and efficient operation and use of, broadband services with specific focus on price, quality, safety reliability, fault rectification and continuance of supply.