Regional telecommunications inquiry report

The inquiry into regional telecommunications services, chaired by Dick Estens, has released its findings and recommendations. Special Counsel Graham Phillips and Lawyer Chad de Souza report.

The Regional Telecommunications Inquiry (the Inquiry) released its final report (the Report) into the provision of telecommunications services in regional, rural and remote Australia on 8 November 2002. The Minister for Communications, Information Technology and the Arts, Senator Richard Alston, established the inquiry on 16 August this year to assess the adequacy of telecommunication services in these areas.

More than 600 submissions were received from the public and telecommunications industry participants. The 35 findings and 37 recommendations of the Inquiry related mainly to the adequacy of:

- fixed telephone services and payphones;
- mobile telephone services;
- Internet services;
- high band Internet services; and
- legislated consumer safeguards.

Other issues such as the rural presence of Telstra and assuring future benefits were considered.

In general, the Report does not make any major policy recommendations. For the most part, the recommendations involve putting contentious issues to the Government for further review.
Fixed telephones and payphones

The Inquiry’s main findings in relation to fixed telephones services were:

- Basic telephone services are readily available to Australians and have a high rate of connection.
- The universal service obligation (USO) contestability pilots have not yet delivered competitive outcomes. While, as a matter of principle, USO contestability is supported, further work is needed to validate its ‘practical utility’.
- Telstra’s performance level under the customer service guarantee (CSG) in providing connections and rectifying faults in regional, rural and remote areas is high and has been steadily improving. However, the length of the guaranteed connection timeframes for minor rural and remote areas remains long.
- Faults in operation in Telstra’s customer access network have increased but remain consistent with historical levels.
- Priority assistance service is now available to consumers with pre-diagnosed life-threatening medical conditions.
- New Telstra pricing packages have improved consumer options but were not well promoted.

The Inquiry’s recommendations regarding fixed telephone services included:

- The Government should review arrangements for the costing and funding of the USO and should include assessing whether current arrangements are impeding the development of competition in regional, rural and remote Australia.
- The Government should examine the issue of network extension and trenching costs, to consider whether such costs should be removed from subscribers, and either borne by Telstra as part of its USO provision, or supported by the Government through subsidies.
- Extreme cases of CSG non-compliance should receive direct priority attention by the service provider and should also be notified to the Australian Communications Authority (ACA) and/or the Telecommunications Industry Ombudsman (TIO) as technical breaches of the CSG.

- Telstra should report publicly on the outcome of its trial with the National Farmers Federation to reduce connection times in minor rural and remote areas and identify what follow-up commitments it will make. If this trial is not successful in providing continuing improvement in service outcomes in these areas, the Government should consider tightening the CSG connection timeframes.
- The worst performing exchange service areas (ESA) in regional, rural and remote Australia should be identified as soon as possible after the network reliability framework (NRF) begins in January 2003. Telstra should then be required to provide a formal undertaking to the Government on its strategy for raising the performance of these ESAs. The Government should also adjust and refine the NRF as necessary over time to improve its operation.

In relation to payphones, the Report sets out that, while Telstra has maintained a number of payphones in regional areas in recent years, improvements could be made. For example, Telstra should make the sites of payphones publicly and readily available and report as soon as possible to the Government on causes of low levels of performance in meeting payphone repair timeframes, while the Government should review the provision of payphone services to people with disabilities.

Mobile phone services

The Inquiry made the following findings in relation to mobile phone services:

- By the time all current Government-supported contracts are fully implemented in 2004, more than 98% of Australians will have access to mobile phone coverage. It would be difficult to extend mobile coverage, even with Government support for capital costs.
- Prices for mobile services are standard across Australia. Strong competition results in Australia ranking well in international terms in relation to pricing. For the 2% of Australians without mobile coverage the Government has put in place subsidies for satellite telephone coverage.
- Call drop-out and congestion rates for Australian mobile networks were ‘satisfactory’.
The Inquiry also recommended that the Government should identify areas where extending mobile phone services are still feasible through Government support for capital costs, and consider extending the scope of its satellite telephone subsidy.

**Internet services**

In its review of the provision of Internet services, the Inquiry reported that:

- All Australians can now access an Internet service provider (ISP) for the cost of an untimed local call and that a large number of ISPs now offer national dial-up access at the rate of an untimed local call.
- The prices for dial-up Internet services are equitable between metropolitan and regional, rural and remote subscribers.
- The ISP Guidelines are a good start in better informing consumers of ISP performance.
- There is a need for Telstra and other service providers to more effectively promote and facilitate access to fast and more effective services such as integrated services digital network (ISDN) and asymmetrical digital subscriber line (ADSL).

The Inquiry’s prime recommendation in relation to Internet services was that a licence condition should be placed on Telstra to guarantee a dial-up Internet speed over the Telstra network of at least 19.2 Kbps for all consumers. The Australian Telecommunications Users Group has noted that such a relatively low speed must be seen as a starting point for any guaranteed Internet service levels.

**High band Internet services**

In addition to the provision of basic Internet services to regional Australia, the Inquiry also focused on high bandwidth Internet services. The Inquiry found that access to broadband services is becoming vital for the economic and social development of regional, rural and remote Australia, and that the major impediment to these areas having equitable access to these services is the higher prices that users in some areas must pay.

The recommendations in relation to broadband included:

- The Government should investigate whether the timeframes for connection and repair of ISDN services that are required to be provided under the Digital Data Services Obligation should be more closely aligned with regulated timeframes applying to telephone services.
- The Government should establish an incentive scheme for the provision of high bandwidth Internet services to regional, rural and remote areas.
- The Government should further support communities to undertake demand aggregation strategies and other activities that support the take-up of high bandwidth Internet services.

**Consumer safeguards**

In relation to consumer safeguards, the Report’s findings included that:

- The existing framework of legislative consumer safeguards is effective and provides a strong level of protection for telecommunication consumers, although there remains scope for continuous improvement.
- Compliance with legislative safeguards by carriers and service providers is generally high.
- The USO is not an effective mechanism for providing broad consumer access to an increased range of services in the future. Alternative mechanisms need to be integrated and publicly articulated.
- The ability to seek compensation for loss of business from carriage service providers is not sufficiently well known and could be given more prominence in industry and Government publicity material.

The Inquiry’s recommendations mainly related to ensuring better communication of the existing legislative consumer rights.

**Sharing future benefits**

The Inquiry considered how regional Australia can share in the benefits of future technological advances and competition. This element of the Inquiry was intended to consider what ‘future-proofing’ mechanisms could be put in place, a key political issue in the further privatisation of Telstra.

The Inquiry’s recommendations included:

- The Government establish a process to regularly review telecommunication services in regional, rural and remote Australia and to assess whether important new service advancements are being delivered equitably in those areas.
- The structure for future reviews should:
  (a) provide certainty for regional, rural and remote communities, including a ‘high degree of certainty that Government funds will be made available to service support improvements’;
(b) ensure that reviews are independent from executive governments;
(c) allow flexible and appropriate policy responses to meet the range of needs in regional, rural and remote Australia; and
(d) promote competition and commercial service delivery as the most effective and sustainable service outcome.

Other issues
The Inquiry also addressed the provision of a local presence in regional Australia by Telstra, and recommended that it should maintain a continuing local presence in the region, though this should be broadly compatible with Telstra’s commercial interests. Telstra should also be required to develop and publish a local presence plan to set out the range of activities and strategies it would deploy in regional Australia.

The Report also considered issues relevant to remote indigenous communities, education and health services, training awareness and support for consumers and online public access.

Implications for the sale of Telstra
The establishment of the Inquiry had been seen as a precursor to a further privatisation of Telstra. Following Prime Minister John Howard’s recent comments that there are three limbs to the sale proceeding – satisfaction about services to the bush, obtaining the authority of Parliament and obtaining a price that would maximise the return to the Australian public – the Government’s timetable for a sale appears to have been delayed. However, the first of the Prime Minister’s triggers is assisted by the Report’s general conclusion that arrangements are currently in place to address community concerns about the adequacy of telecommunications services in regional, rural and remote Australia.

Implementing the recommendations
No doubt the Government will aim to act on the recommendations with some urgency, in order to support its policy of privatising Telstra.

Many of the recommendations advocate action by Telstra, by way of one-off or continuing actions, reports or reviews. Telstra, keen to move to full privatisation, is likely to actively address these issues. Its announcement on 13 November this year that it has implemented the Estens recommendation to cut connection times in minor rural and remote areas flags its intention to act promptly. To the extent that Telstra opposes the implementation of particular recommendations, new licence conditions may be imposed on it.

Most of the recommendations directed at the Government are expected to be referred to the ACA for further action. The most difficult and contentious issues are likely to be:
• the review of arrangements for USO contestability, costing and funding; and
• the establishment of a structure for future reviews and responses.

While both of these recommendations support direct Government funding, the Government would be expected to favour continuing to pass on much of the cost in providing consumer safeguards to the industry. Industry participants, on the other hand, will see the recommendations and the Government’s push to sell Telstra as an opportunity for change.

For further information, please contact:

Graham Phillips
Special Counsel, Melbourne
Ph: +61 3 9613 8104
Graham.Phillips@aar.com.au

Fiona Crosbie
Partner, Sydney
Ph: +61 2 9230 4383
Fiona.Crosbie@aar.com.au

Peter James
Partner, Brisbane
Ph: +61 7 3334 3360
Peter.James@aar.com.au

Steven Cole
Partner, Perth
Ph: +61 8 9488 3743
Steven.Cole@aar.com.au

Donald Hess
Partner, Hong Kong
Ph: +852 2840 1202
Donald.Hess@aar.com.au

Have your details changed?
If your details have changed or you would like to subscribe or unsubscribe to this publication or others, please go to www.aar.com.au/general/subscribe.htm or contact Barbara Leis on +61 7 3334 3371 or email Barbara.Leis@aar.com.au

www.aar.com.au