

Universal Service Obligation (USO) and the NBN

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A long standing feature of Australian telecommunications is the “Universal Service Obligation” or USO. Simply put, it means all Australians should have “reasonable access” to a standard telephone service, payphone, emergency call service and the National Relay Service (telephone call assistance for people with disabilities), regardless of where they live or conduct business. Previously Telstra was responsible for the USO implementation, however with the NBN roll out this has changed.

This report outlines the previous USO and the new NBN era USO arrangements.

Background

Left to market forces, subscribers in remote areas would have very limited access telecommunications services. The cost to service remote subscribers far outweighs the revenue they generate. To address this issue, the Telecommunications (Consumer Protection and Service Standards) Act 1999 outlines the Universal Service Obligation, which ensures equitable access to basic telephone services.

Of course there is a cost for this. Telstra has been the Primary USO provider, the yearly cost to Telstra for USO provision is determined by the Australian Communications and Media Authority (ACMA). Telstra has borne some of this cost, the rest by the other carriers in proportion to their respective market shares. The ACMA administers the collection of USO levies.

The USO levy adds to carrier operating costs, which hence adds to retail service prices. The net effect is that all subscribers share the cost of providing basic telephone services to remote users, rather than just the remote users themselves.

Telstra published a “Standard Marketing Plan” or SMP, which detailed their USO undertakings. These included timeframes for service connection and repairs, and specifications for standard telephone and payphone services.

The standard telephone service features include

- untimed local calls
- access to emergency call services
- itemized billing
- calling line identification

The Telstra SMP also detailed handset enhancements for people with disabilities and priority telephone services for people with life threatening medical conditions.

USO and the NBN

Telstra has been the default USO provider because they own most of the voice network infrastructure, particularly the copper access network (the local loop). The NBN changes this, as the Telstra copper network will be replaced progressively with the NBN infrastructure. However the NBN will not assume the Telstra USO provider role.

A key reason for this is the NBN mandate, that is, a provider of layer 2 services only. While the NBN is designed to support voice services, they will not be provided by NBN Co, but instead by third parties. The NBN provides basic voice capabilities in the customer premises device (the Network Terminal Unit or NTU), reserves the voice call data capacity but no more.

NBN Co is therefore not able to provide the voice, payphone and other USO components; hence USO is not part of their mandate.

Telecommunications Universal Service Management Agency (TUSMA) – the new USO regime

The Australian Government has formed a new entity called Telecommunications Universal Service Management Agency (TUSMA), which assumed USO responsibilities, from June 2012 (www.tusma.gov.au). For 2012-13 and 2013-14, government funding for USO Co has been \$50 million per annum, following that \$100 million per annum. The increased funding from 2014 onwards reflects the wider rollout of the NBN, and hence the increased scope of USO Co operations as the Telstra copper network is gradually subsumed by the NBN.

Any additional USO Co costs will be met by industry levies, similar to the current USO arrangement. While TUSMA will administer the new USO regime, it will sub contract third parties to deliver the USO services. Telstra will deliver the USO, under contract to TUSMA. Details of the Telstra contract with TUSMA are at <http://www.tusma.gov.au/registers>.

TUSMA is "responsible for entering into contracts, and making grants, to support the provision of public interest telecommunications services." (Telecommunications Universal Service Management Agency Act 2012) In addition to USO provision, TUSMA will also assist migration of customers with voice only services from the Telstra Copper network to the NBN.

Summary

The Universal Services Obligation (USO) ensures basic telecommunications services for all Australians, particularly those in remote areas. While Telstra previously had responsibility for USO provision, this is longer so. Instead a new government entity called Telecommunications Universal Service Management Agency (TUSMA) assumed USO responsibilities from mid 2012.