

**SUBMISSION TO THE STANDING COMMITTEE ON PRIMARY
INDUSTRIES AND REGIONAL SERVICES**

**INQUIRY INTO INFRASTRUCTURE AND THE DEVELOPMENT OF
AUSTRALIA'S REGIONAL AREAS**

TELECOMMUNICATIONS INFRASTRUCTURE

**PREPARED BY THE SOUTH AUSTRALIAN DEPARTMENT OF
ADMINISTRATIVE AND INFORMATION SERVICES**

OVERVIEW

Regional Australia is not seeing the benefits of the deregulation of the telecommunications industry in Australia. Telstra continues to be the “carrier of last resort” and holds a virtual monopoly as the service to much of regional Australia. Commercial priorities limit new development and charges are set on the traditional “distance multiplied by time” basis which makes telecommunications services expensive for regional users and places them out of reach of many. While new technologies based on wireless access such as satellite now provide a realistic technological solution, the current pricing of such services will continue to restrict take-up.

Due to lack of availability, costs and lack of awareness much of regional Australia is lagging the metropolitan areas in the take up and use of telecommunications services for both social and economic development.

Telecommunications services are becoming an increasingly important mode of delivery for State Government services to the community. It is apparent from this State's experience with the Regional Telecommunications Infrastructure Fund (RTIF) that regional awareness and expectations of telecommunications services and technology is at an all-time high and that regional users are equally if not more demanding than their city counterparts.

In terms of the Universal Service Obligation (USO), the current definition of a voice-only standard and the lack of a data-capable USO will only serve to exacerbate the widening gulf between the information rich (major cities) and the information poor (regional) communities.

CURRENT ACTIVITIES

The Commonwealth Government's RTIF provided \$250M nationally and \$26.5M for South Australia to allow regional communities to identify and address inequities in the provision of telecommunications infrastructure and services.

The fund has been successful to some extent in raising regional awareness of telecommunications and in bridging some of the gaps in the provision of service.

However, while the RTIF program is delivering some local and small scale benefits it cannot address the fundamental issues for regional areas.

REGIONAL TELECOMMUNICATIONS ISSUES

Competition

Distance and low population densities discourage new commercial investment in regional telecommunications and leave Telstra as the monopoly service provider in most areas with no incentive to innovate or reduce costs.

The right conditions or incentives are required to attract new service providers into regional areas as a means of reducing prices and encouraging innovation and the provision of new regional telecommunications infrastructure.

While some areas of regional Australia, notably the larger regional centres, are seeing some penetration of new service providers and with them new products and technologies, it is also clear that meaningful competition is yet to be felt by the vast majority of regional South Australians in two key areas:

- Backbone basic carriage services – the high bandwidth connections between the exchanges and the bulk bandwidth users such as Internet Service Providers (ISPs), and
- The Customer Access Network or the local loop which is the connection from the exchange to the end user

There is very little competition in these areas in regional Australia except for some recent promised developments along the Eastern seaboard. The Optus network does not extend beyond the major city trunk routes (and is not likely to in the foreseeable future) and ISPs and other high bandwidth users have access to only one provider, Telstra, for the regional component of terrestrial basic carriage.

It is our strong view, supported by others¹ that the extension of competition into regional Australia is required by including a greater number of regionally based carriers in order to break Telstra's dominance, to increase service choice for industry and to exert downward pressure on prices.

A number of funding applications have been made through the RTIF to assist with the establishment of alternative, competitive telecommunications services and infrastructure. The objective is to provide more affordable service in the short term and to encourage new service providers or, at least, price reductions by Telstra in the longer term.

¹ *Rural®ional/for all*: Report of the Working Party investigating the development of online infrastructure and services development in regional and rural Australia – IPAC March 1997 Recommendation 9

Unfortunately, the RTIF Board (which oversees the approval of funding) has not seen fit to fund proposal which provide for competition to Telstra. The official RTIF Board's stated position is:

".....the Board will provide funding directly for the provision of infrastructure and services only in areas where that infrastructure and services are not being provided commercially, and where there is no reasonable likelihood of commercial provision in the near future."

Also, the RTIF Board has stated that:

"We do not want to create unfair competition with existing commercial services (ie Telstra)"

While funding for regional communities to develop strategies is a step forward, without some sort of catalyst funding, most will never be implemented.

Universal Service Obligation (USO)

The USO defines the basic service standard for all Australians. The USO needs to be defined and managed to ensure that all regional Australians have affordable access to the minimum standards of voice and data services. In more remote areas where competition may not be viable the USO can ensure that regional communities are not 'left behind'.

An acceptable USO standard cannot be provided without the provision of the required telecommunications infrastructure.

In any discussion on regional and rural telecommunications, one is always drawn into the debate about the adequacy or otherwise of the 'safety net' provision of the USO. Historically, the technical definition of the USO was only intended to cater for the provision of a basic voice grade service and data capability set at a very modest level, often barely sufficient for even fax machines to operate satisfactorily (anecdotal evidence showing that an average 2 to 3 page fax takes 3 hours to transmit from Yorke Peninsula to Perth). With the advent of the internet and the World Wide Web, the adequacy of the USO to meet the new transmission speed requirements has been debated at length in the last few years. Most recently, the Australian Communications Authority conducted a Public Inquiry² into the digital data capability of the USO. The report concluded, in part, that

- Regional users are at a disadvantage, compared with urban customers, in terms of the data rate capability available of the public telephone network

² Digital Data Inquiry, Public Inquiry under section 486(1) of the Telecommunications Act 1997, August 1998.

- Digital data services broadly comparable to ISDN will be accessible to all people in Australia by the end of 1998 through Telstra meeting its license condition and its proposed satellite delivery system
- extending the USO to include digital data capability equivalent to ISDN was not economically justifiable and that new technology and new service providers will provide market based solutions progressively over the next 5 years

Many in the industry have criticised the report saying that its findings were naive and did not show sufficient foresight. In addition, satellite based delivery of high speed data is still in its infancy in Australia, not yet commercially available from Telstra and likely to be quite expensive.

Therefore, many regional communities, particularly the smaller and more remote communities will always depend to some extent on the standards of service provided by the USO. The RTIF might encourage competition and diminish reliance on the USO but many regional residents, particularly those experiencing financial hardship and/or remote and, thus in most need, will still rely on the minimum standards defined in the USO.

It is important that, in the current debate on the actual cost and technical definition of the USO, the needs of regional communities for both voice and data services are recognised. The standard set, particularly for data services, should not leave some rural residents with a 'walking track' connection to the information highway.

While there are obvious commercial pressures to limit the capability of the USO, in a time of rapid technological improvements and growth, the definition of the USO should not stand as a limiting factor to providing innovative solutions to regional and rural communities. Regional communities should also have some say in the services that are provided to them and this could be accommodated by tendering-out the provision of the USO.

It is recommended, accordingly, that a minimum standard be set for the USO definition, particularly for data services, that will provide reasonable equity for all regional residents. Further, action should be taken by the Commonwealth to reduce the cost of the USO. We note and welcome the progress made towards the effective tendering-out of the USO with the release of the discussion paper on the issue.

Regional Community-of-Interest Telecommunications Zones

Regional communities of interest, socially and economically, can cover very large areas. Under current charging regimes regional communities often have to pay STD rates for voice calls and distance based charges for data services within their 'community of interest' or to their nearest regional or capital city.

Therefore a typical 'basket' of social and business calls can cost a regional resident significantly more than a metropolitan resident, placing on them yet another financial penalty.

The paradigm of regional community of interest telecommunications zones needs to be adopted so the existing and new infrastructure can be set up to provide more equitable telecommunications charges for all regional residents and businesses.

This would be one incentive to live in and develop regional areas.

Mobile Telephone Infrastructure

Mobile telephone service is , for obvious commercial reasons, limited to where it is economically viable. While total coverage is both impractical and unwarranted, extended coverage in many regional areas, beyond the areas defined as 'commercially economic' can have significant benefits to regional communities and indirect benefits to the service provider.

An investigation into the regional community benefits of extended mobile coverage needs to be conducted to balance the commercial view taken by service providers. Making some form of mobile telephony part of the USO should also be considered.

PREPARED BY:	Trevor May, Peter Triantafilou
POSITION:	Information & Communication Strategy Industry Policy & Infrastructure Division
TELEPHONE:	8303 2512, 0419 032 388 (mobile)
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DOCUMENT:	sub275-e.doc