

Submission to the

Regional Telecommunications Inquiry

Prepared by the NSW Department of  
Information Technology and Management

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## 1. INTRODUCTION

The NSW Department of Information Technology and Management welcomes the opportunity to contribute to the Regional Telecommunications Inquiry.

Access to adequate telecommunications services for the people of New South Wales is an ongoing issue for the NSW Government. Ministers and local members regularly receive complaints about access to services or performance from people in regional areas. These range across traditional telephone services, mobile telephone services and Internet access.

While the primary responsibility for telecommunications rests with the Federal Government, the NSW Government has an important role to play.

## 2. NSW Government initiatives to promote better telecommunication services to rural and regional Australia

- In September 2002, the NSW Government released the *New South Wales Telecommunications Strategy: Broadband for an Information Society*. The strategy will ensure that NSW can take full advantage of the opportunities communication technologies offer. A copy of the strategy is attached.

This strategy is based on the following premises:

- Telecommunications are critical to the economy and community of New South Wales (NSW) and the efficient and effective operations of the NSW Government.
- Equitable access to reasonably priced telecommunications services is required broadly across NSW.
- The introduction of competition in the telecommunications sector has reduced costs and improved services in NSW. However there are still places and communities where cost-effective services are not available.
- Broadband (high bandwidth and always-on data services) is becoming essential for many activities in the information age.
- Cost-effective bandwidth underpins the electronic delivery of government services.
- As a major purchaser of communications services and an owner of significant telecommunications assets, the NSW Government has the ability to leverage innovative solutions.

The strategy outlines the process for NSW Government actions as follows:

- Work with the telecommunications industry to ensure market driven solutions for the NSW Government's requirements for cost-effective bandwidth;
- Facilitate competitive infrastructure in NSW to ensure innovative and lower cost services are more widely available;
- Utilise its telecommunications assets in partnership with industry to provide cost-effective broadband connectivity throughout the State;
- Aggregate its telecommunications services and establish innovative purchasing agreements with industry; and
- Establish a framework where the demands for bandwidth by government agencies can be properly evaluated against social and business requirements and total cost to government.

The NSW Government wishes to work collaboratively with industry and all layers of government to improve the provision of cost-effective and reliable telecommunications services to regional areas. The provision of high quality and cost effective telecommunications services will improve the sustainability of regional populations through greater access to markets and higher quality education and health services.

In collaboration with the Commonwealth, community groups and business organisations, the NSW Government has initiated projects to aid community access to electronic services in regional and remote NSW. They include Government Access Centres (GACs), Community Technology Centres (CTCs), *NSW.net*, which links the public library services, *Country Online* which facilitates community access to school-based computers, and TeleHealth, which enables clinical records and other medical services and activities to be communicated online.

The NSW Government has included specific provisions in its Telecommunications Service Agreements (TSA) to encourage government agencies to purchase services from local communications service providers, and encouraged the development of independent infrastructure to support better, lower cost services.

The NSW Government has also announced plans to provide broadband connections to education and health throughout the State. In June 2002, the NSW Government issued a Request for Quotations (RFQ) to meet the immediate service needs of NSW Department of Education & Training (DET) and NSW Health (Health).

The RFQ consists of two modules:

- a) Department of Education and Training's (DET) upgrade of data services to schools, colleges and administrative centres. These changes are to enable broadband services to be rolled-out throughout the State. It will provide improved access services and connection services to schools, linking up to approximately 2,650 sites to the central St Leonards data centre.
- b) Establishment of an integrated "Supernet" service for NSW Health to support a range of health and medical applications. These services include voice, mobile, data communications and other services.

In September 2002, an Expression of Interest (EOI) was released for the Supply of Broadband Solutions to the NSW Government. The EOI seeks innovative and cost effective solutions from the market for the provision of Broadband telecommunications services to NSW Government agencies.

The NSW Government also aims to encourage the investment in and/or extension of cost-effective broadband telecommunications services to the wider New South Wales community. This consists of both the residential and business markets with a particular emphasis on regional and rural locations.

It is expected that the above NSW Government initiatives will assist in the provision of improved telecommunications services to regional areas. However there are important and ongoing issues raised in this inquiry that the Federal Government must address.

### 3. TERMS OF REFERENCE

*T1. The extent to which the Government's response to the Telecommunications Service Inquiry (TSI), other Government initiatives and further commercial developments have so far addressed the community concerns identified in the TSI Report, particularly with regard to:*

- *the timely installation, repair and reliability of basic telephone services;*
- *adequate mobile phone coverage at affordable prices; and*
- *reliable access to the Internet, and whether ongoing delivery of the Government's response will meet the TSI concerns within a reasonable timeframe.*

Adequate access to basic telephony, mobile phone and Internet services are ongoing issues for regional, rural and remote areas in NSW.

It is considered that these issues will remain difficult to properly address until agreed benchmarks on service levels are established and these benchmarks are independently monitored, reported and enforced.

The ACA regularly reports on performance, however it is understood that this information is taken from reports provided by the service providers. This does not present an objective assessment of performance.

There is a clear need for transparent processes for benchmarking and monitoring performance to ensure that standards improve and can be maintained over time. Independent reporting of service levels and performance should also be extended to cover landline telephone services, mobile telephone services and Internet access services.

The NSW Department of Information Technology and Management would be pleased to assist in the development of such a process.

Benchmarking of service levels needs to be coupled with effective enforcement mechanisms. The Besley report found that Telstra's performance, while meeting the old standards, continued to be a source of significant consumer frustration. This finding highlights the fact that only 30% of Telstra's total service requests are regulated under the Customer Service Guarantee (CSG). The CSG provides only a limited focus for efforts to improve the performance of service providers.

To improve the performance of Telstra and other carriers, the CSG should take into account a greater proportion of services and fault requests than currently apply. It is anticipated that this would increase the focus and the attention of the carriers even more. This approach could, in an explicit manner, include under the CSG regime, alternative delivery platforms for the delivery of "standard telephone services", for example Digital Subscriber Line (DSL) technology. This may not suit the carriers but may lead to a broadening of technology mechanisms to improve the connection rates and the quality of communications.

Mobile service levels in regional and rural NSW are an equally important service for business and the community.

Mobile services are still developing as a wholly reliable means of communication in times of significant emergencies, however they can and do provide an important adjunct to mobile radio communications during fires and floods. In a general sense, the use of mobile telephones can assist in general search and rescue activities and other relatively smaller scale operations.

What defines an acceptable level of mobile coverage and performance is currently subject to debate. Again, there needs to be an agreed level of benchmarking of the service, which takes into account community usage and expectations, and can be objectively monitored and assessed.

“Reliable access to the Internet” is also a variable concept since it is dependent on differing requirements of users. Benchmarking for access to the Internet is required so that it is clear what is being measured and whether it complies with an agreed standard.

In all cases, the benchmarking levels need to take into account changes in technology and changes in customer expectations, particularly as the need for higher bandwidth and ‘always on’ access to services grows.

These issues are discussed in Strategy 4 of the NSW Government Telecommunications Strategy.

*T2. The performance of Telstra, as the primary Universal Service Provider, in meeting Customer Service Guarantee (CSG) standards on the timely installation, repair and reliability of basic telephone services in regional, rural and remote Australia, compared with its performance in metropolitan markets and with overseas carriers in reasonably equivalent markets.*

The issues discussed above cover Telstra as the largest service provider in regional, rural and remote areas.

*T3 Additional Government action that may be taken to remove impediments to the delivery of Internet services at 64Kb/s or better and wireless-based technologies in regional, rural and remote Australia.*

A key-contributing factor to the gap in service levels in regional areas is the lack of a competitive access regime to telecommunications infrastructure in regional areas, which is mostly owned by Telstra.

Whilst there are now a relatively large number of carriers, it is economically not viable for most to construct infrastructure in regional areas. Prices and access terms for accessing Telstra’s infrastructure to ‘on sell’ services are still considered unattractive and limits competition particularly in rural and remote regions of Australia.

This issue needs to be addressed by making the commercial environment more competitive and sustainable in the long term. Where Telstra is both a dominant infrastructure supplier and service competitor, there is clear potential for it to use its position to reduce competition in the market or to limit access by competitors to its infrastructure.

Further options to make Telstra more competitive need to be examined. This may include re-structuring Telstra to separate infrastructure services from retail services or some other approach.

Australia generally represents a small telecommunications market and in rural and regional NSW, the limited size of the market is most apparent. There are limitations to where competitive telecommunications infrastructure can be deployed in regional locations and the ability to share common infrastructure in an open, timely and cost-effective manner is important.

The Federal Government could consider providing incentives to carriers to provide last mile services and technology to remote areas, particularly in rural and regional areas.

For example, in relation to Internet services, the general Digital Data Service Obligation (DDSO) is set at 64Kb/s, a benchmark established by Telstra's On-ramp ISDN service. This service is accessible by 96% of the population. The Besley Inquiry found that the special Digital Data Service Obligation (DDSO), which applies to the remaining 4% of the population that do not have ISDN access, was "broadly comparable to 64Kbs supplied as part of the basic rate ISDN service." The Federal Government could raise the benchmark to at least the next level and make that benchmark not conditional on technology type, which would encourage new services and new technology.

It is considered that where possible, distance based tariffs and data volume based tariffs should be discouraged. Specifically, in relation to wireless networks, a major impediment appears to be the commercialisation of the spectrum, which has seen significant blocks of frequencies 'locked up' by individual companies.

*T4. The current provision of legislated consumer safeguards including the Universal Service Obligation, the Customer Service Guarantee, untimed local calls and the Telecommunications Industry Ombudsman and whether further action is required to ensure these safeguards are enforced into the future.*

Telstra's current Universal Service Obligation (USO) is limited to basic telephone and basic low speed data. These factors alone however, may no longer be seen as presenting minimum standards and the USO should be reviewed.

The current Customer Service Guarantee (CSG) applies primarily to residential and small business customers and consideration should be given to extending it to cover all customers.

The Besley Inquiry argued that the penalties for non-compliance with USOs and CSGs needed to be adequate, to avoid situations where it is easier to pay the fine

than meet the service targets. The extent to which this issue has been addressed is not clear, but where penalties are issued, the cases should continue to be examined to see whether the fine is operating as an adequate protection against poor service targets.

*T5. The ongoing commitment of Telstra to a local presence (such as Telstra Country Wide) in regional, rural and remote Australia.*

The Besley Inquiry highlighted the importance of Telstra Country Wide, which services 3 million consumers in rural and regional Australia. If Telstra did not continue to provide a local presence, a significant proportion of Australia's population could not be assured of equitable access to basic telecommunications services.

*T6. The most effective means by which the Government can ensure that people in regional, rural and remote Australia can share reasonably equitably - in terms of availability and cost - with residents in metropolitan Australia in the benefits of future advances in telecommunications services resulting from competition and new technologies.*

As discussed previously, the Federal Government needs to agree on a standard of service delivery, incorporate it into the Universal Service Obligation (USO), rigorously monitor, and enforce compliance with the USO standards.

In addition, there are a range of established programs that will allow regional populations to share in the benefits of future advances in telecommunications services resulting from competition and new technologies.

These include:

- *The Community Technology Centres (CTC@NSW)*

CTC@NSW is a \$15 million State/Commonwealth initiative and is part of the NSW Government's commitment to assist regional communities develop sustainable information technology facilities and services.

CTC@NSW is a community capacity building program for small towns in rural NSW. It enables communities to gain access to seed funding that builds the foundation, through the operation of a Community Technology Centre, for a community to skill its members and to implement the infrastructure that will deliver services and programs, attract new services and grow new businesses, needed but not available in a community.

CTC@NSW aims to establish more than 60 new Community Technology Centres (CTCs) in regional NSW over the period March 2001 to June 2004.

CTCs are technology resource sites for local businesses, students, community organisations, individuals and groups. They help communities get online as they move into the 21st century. CTCs give people in rural communities:

- access to the latest information technologies like the Internet, email, and videoconferencing;
- access to online government and non-government services;
- access to online education and training courses; and
- IT enabled facilities that provide the capacity to support development of new businesses, provide IT services to businesses and individuals, develop programs that contribute to the social and cultural development of rural communities, as well as other innovative programs that would not otherwise be able to be implemented without IT support.

The Centres target areas that need them most, small rural communities with less than 3000 people. There is also scope for larger regional communities to get involved, depending on their goals.

The momentum for starting a Community Technology Centre comes from communities. CTCs are owned and managed by a not for profit group, such as an incorporated association, co-operative, or local government Committee.

The NSW Government believes that ongoing funding support for the CTC program from the Federal Government is essential for their future development.

- *Strategic purchasing for regional communities*

The Federal Government could support programs to encourage strategic purchasing of telecommunications services from regional centres, which will assist infrastructure development and employment in regional communities. This would support current initiatives by local governments, small business and residential users to aggregate demand and set up local markets.

There may also be a range of regulatory or legislative impediments to communities and businesses acting in concert in acquiring services. Currently individuals and communities face general difficulties in joining forces unless they incorporate themselves into legal body/ies, as they need to ensure that they and their suppliers are protected in terms of exposure to commercial, liability and insurance matters. The Department is aware of a number of examples of regional communities that have encountered problems with plans to aggregate demand for telecommunications services. This is not unique to the telecommunications industry, but it does inhibit the ability of consortia of local councils, businesses and community groups to

address local services shortfalls. A general review of procedures and regulatory frameworks would benefit such groups.

The aggregation of demand is an important mechanism to encourage further infrastructure development in regional locations, especially by competitive telecommunication service providers.

- *Local access Infrastructure support*

The Federal Government could continue to provide important support for local access infrastructure development in regional areas. This is also known as the Consumer Access Network [CAN] or 'last mile' – the connection (traditionally copper wire) between the consumer's premises and the nearest telephone exchange and main network.

Funding support for local access infrastructure coupled with the aggregation of demand would encourage further infrastructure development in regional locations, especially by competitive telecommunication service providers.

- *National Communications Fund (NCF)*

In response to the previous Telecommunications Services Inquiry, the Federal Government announced it would establish a competitive grants program, with program funds available in 2002-03 for three years - to fund significant regional telecommunications projects in the education and health sectors. The aim of the NCF is to improve service delivery in those sectors, with priority given to projects that also improve telecommunications services generally in regional communities. Contributions were sought from applicants including equal funding from State and Territory agencies.

The NSW Government is participating in several NCF initiatives that will assist in the provision of improved telecommunications to support regional educational and health services.

Given the ongoing high demand for improved telecommunications to support regional educational and health the Federal Government could also consider an extension of funding for this program (currently capped at \$50 million).

#### **4. CONCLUSION**

The provision of an adequate level of telecommunication services to rural, regional and remote areas in Australia needs to be addressed by the development of agreed benchmarks that are accurately and independently developed, assessed and reported.

The Federal Government needs to consider a regulatory framework that will more effectively promote competitive provision of services, taking into account Telstra's dominant ownership of infrastructure in non-metropolitan areas, and potential conflicts of interest as infrastructure provider and service competitor.

While telecommunications are primarily a Federal responsibility, State and Territory Governments have a role to play and there should be a cooperative working relationship between the two levels of government to meet the challenges of providing people in regional, rural and remote locations with equitable access to cost-effective and innovative telecommunications services, including broadband.