

National Farmers' Federation

**Response to the Productivity Commission's
Draft Report of its Inquiry into the
Telecommunications Universal Service
Obligation**

27 January 2017

NFF Member Organisations





The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

Statistics on Australian Agriculture

Australian agriculture makes an important contribution to Australia's social, economic and environmental fabric.

Social >

There are approximately 132,000 farm businesses in Australia, 99 per cent of which are Australian family owned and operated.

Each Australian farmer produces enough food to feed 600 people, 150 at home and 450 overseas. Australian farms produce around 93 per cent of the total volume of food consumed in Australia.

Economic >

The agricultural sector, at farm-gate, contributes 2.4 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2016-17 is forecast at 58.5 billion – a 12 per cent increase from the previous financial year.

Together with vital value-adding processes for food and fibre after it leaves the farm, along with the value of farm input activities, agriculture's contribution to GDP averages out at around 12 per cent (over \$155 billion).

Workplace >

The agriculture, forestry and fishing sector employs approximately 323,000 employees, including owner managers (174,800) and non-managerial employees (148,300).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, but more than 40 per cent of the employed workforce is casual.

Approximately 60 per cent of farm businesses are small businesses. More than 50 per cent of farm businesses have no employees at all.

Environmental >

Australian farmers are environmental stewards, owning, managing and caring for 52 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 94 per cent of Australian farmers actively undertaking natural resource management.

The NFF was a founding partner of the Landcare movement, which recently celebrated its 20th anniversary.

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Executive Summary

Our vision for Australian agriculture is to become a \$100 billion industry by 2030. The sector is a source of strength in the Australian economy, positioned to capitalise on growing global demand for safe, high quality food and fibre over coming decades.

To achieve our vision, the sector needs regulatory and public policy settings that foster growth and productivity; innovation and ambition. This includes a Universal Service Obligation agreement that enables Australians, wherever they work and live, to have guaranteed minimum access to data and voice services, which includes upload speeds and other features specified for existing and future residential, agriculture, health and education applications.

The National Farmers Federation (NFF) believes that connectivity represents the next frontier for agricultural productivity in Australia. Telecommunication services have evolved to the extent that it is now reasonable for baseline broadband to be considered a right for all users.

Regional, rural and remote consumers and businesses need legislative rights to access broadband and voice services and we urge the PC to be conscientious and practical in considering a path forward.

We are pleased the PC has identified that the current arrangement for USO is in need of reform and should be amended to include a baseline broadband service.

However, the declining relevance of the current agreement does not negate the need for a new USO to act as a safeguard for telecommunications customers, particularly in regional, rural and remote Australia. There should be no degradation of the services that are currently received.

The challenge now will be ensuring that the correct transitional arrangements are identified and form part of the solution.

1. Introduction

The NFF thanks the Productivity Commission for the opportunity to comment on the draft report of its inquiry into the telecommunications USO. The NFF congratulates the PC for approaching the inquiry in a forward thinking manner and for identifying the need for change.

The NFF is one of the founding organisations of the Rural, Regional and Remote Communications Coalition RRRC Coalition. NFF has joined the coalition as there is a critical mass of organisations, ranging from relatively established lobby groups through to fledgling volunteer interest groups, which are advocating on similar access and service quality issues for rural and regional telecommunications users.

The breadth and number of organisations involved highlights that telecommunications in the rural, regional and remote areas is critical. For many NFF members and members of the RRRC Coalition, access to telecommunications is made possible by the USO. If the USO was not in place then there telecommunications would unlikely be commercially viable nor affordable.

However, this only presents part of the story of the relationship between Australian Agriculture and telecommunications. Just a telecommunications technology is evolving rapidly – so too is farming technology. Australia’s farmers are becoming more efficient and more advanced in order to remain competitive in a complex global market place. This is appropriate given agribusiness is flagged as one of Australia’s future growth industries – and one that will be underpinned by innovation.

The Rural Industries Research and Development Corporation (RIRDC) recently conducted a ‘cross-industry innovation scan.’ According to this report: “Digital disruption is said to be behind the next agricultural ‘revolution’, following the mechanical and scientific revolutions of the previous century. Agriculture can be characterised as having a ‘long-fuse’, but a ‘big bang’ when it comes to digital innovation, which could contribute to a 25-30% change in business metrics in the next few years.”

However, it is not just the on-farm application of technology that is evolving. So too is the manner in which rural businesses conduct their affairs. Access to reliable telecommunications services, including data is essential for anyone living and running a business in rural Australia.

Quality telecommunications underpin not only basic communications (including emergency calls), but other everyday activities such as online banking, weather information, trading crops and livestock, online learning, webinars and the maintenance of livestock traceability systems.

In its initial submission to this inquiry, the NFF recommended a number of changes to the USO and the services that it provides. A contemporary USO should adopt a technology neutral approach for the delivery of minimum standards for voice and data services.

The NFF believes that the recommendations of the PC's draft report are a positive step. However, the draft also raises a number of issues that should be addressed in its final report.

These issues include:

- Defining a baseline broadband service;
- The timing and practicality of transitioning voice to the NBN network;
- The timing and transition of effective government funding for USO services;
- The transparency and stewardship of a competitive tender for USO services;
- The interaction of this inquiry with other government processes, particularly the review of consumer safeguards; and
- Alignment between the proposed Framework and the Government's recently announced Telecommunications Reform Package.

2. Determining Baseline Services

The inclusion of baseline broadband is welcomed and represents a significant step forward. It has the potential to drive a shift in the day-to-day business dynamics of Australian agriculture. However, there must be consideration of what baseline represents.

In its original submission, the NFF recommended “that regular benchmarking and reporting of the baseline connectivity in regional Australia be undertaken in order to facilitate the integration of contemporary consumer safeguards into the USO and to monitor the effectiveness of any new USO in delivering access to affordable, reliable telecommunications to all Australians. Such information will inform future baseline service calibration, as well as provide broader data for policy makers.”

Download speed, upload speed, response (latency), committed information rate and data inclusions, are elements which are necessary for a useable service and clearly set out a measurable service standard. Reliability is also critical.

Any definition of the new baseline broadband service must put in place minimum standards for voice and data services, and be accompanied by a modernised Customer Service Guarantee (CSG) framework.

The Draft Report does not set out the included data allowance as an important element in the level of service. While the cost of data does not need to be the same across all geographical areas and technologies, the minimum amount deemed necessary should be available to all consumers.

The level of data included is important in the consideration of future affordability and also as the Sky Muster satellite service limits the amount of data that consumers can use in its fair usage policy.

This means that consumers in satellite areas may be unable to access the amount of data needed in the next few years given average data usage rates are growing exponentially each year.

Recommendation: That as part of its final proposed framework, the PC develops a system of review that introduces flexibility in the definition of ‘baseline broadband’ for the purposes of the USO.

3. Transitioning to NBN Infrastructure

The physical existence of a connection (landline, mobile or internet) is no guarantee that a service will meet the needs of a business or individual. Anecdotally, outages in both landline and satellite services are a constant frustration for agricultural users – a challenging scenario for running a business.

While we acknowledge the logic in transitioning USO services to a more modern infrastructure framework that will be the nbn, this does not escape the fact that geographically a majority of users will be serviced via satellite – including areas that are connected by landline for voice services over the existing copper network.

It is well documented that the rollout of the nbn Sky muster satellite service faced significant challenges in reliability - even following the introduction of a second satellite.

A transition to voice over nbn infrastructure means many users currently receiving voice service over copper line, will have their voice service replaced by satellite which is currently unreliable. The most significant concern about such a transition are matters of safety. In emergencies a voice connection can be the matter of life and death. A less urgent, but nonetheless critical issue this also raises is how remote businesses can meet their workplace health and safety obligations.

nbn itself has acknowledged that the Sky Muster satellite was not designed to provide a universal voice service.

The NFF is aware that the Copper Continuity Obligation (CCO) forms part of the current USO and its design was to maintain the existing copper network both during the nbn rollout and for areas outside the nbn fixed-line footprint. This must be maintained as long as possible until it can be guaranteed that voice over satellite or other technologies is reliable and is not a degradation of the voice services currently available.

Recommendation: That the PC examines the Copper Continuity Obligation being maintained as a transitional measure until such a point in time that reliability of voice can be guaranteed via another means – whether this be via satellite or other technologies.

4. Appropriate Consumer Protections

The potential risks associated with transitioning to a new USO framework and structure highlights that consumer protection mechanisms must be built into any new USO. This has the twofold effect of protecting consumers when transitional

issues arise, but also protecting those members of our community that are most vulnerable.

We welcome the draft report's recommendations that current consumer safeguards should be reviewed as a matter of priority. However, we urge that timing be considered – the NFF understands that the current consumer safeguards will be reviewed in the first half of 2017. It is clear that a comprehensive and contemporary USO is intrinsically linked with contemporary consumer safeguards so timing is likely to become an issue. The NFF would welcome the PC's views about how these processes can be aligned.

An added layer of complexity to this process is provision in the exposure draft of the Telecommunication Legislation Amendment (Competition and Consumer) Bill 2017 for the Minister to have a reserve power, delegated to the Australian Communications and Media Authority (ACMA), to set “standards, rules and benchmarks that the Statutory Infrastructure Providers (SIPs) must comply with.”

The legislative provision for the creation of consumer safeguards in the form of standards, rules and benchmarks is welcome. These standards rules and benchmarks must be developed as soon as possible before systemic issues can develop. Failure to meet these standards should also be met with repercussions. The PC should also consider when nbn is not the SIP in its final report.

The NFF notes the PC's draft report discusses the interaction between Consumer safeguards and the SIP regime. For a truly congruous framework to be developed it is critical that the SIP regime and consumer safeguards are aligned as much as possible.

Recommendations:

- **That the review of Consumer Safeguards occurs urgently.**
- **That the standards, rules and benchmarks for Statutory Infrastructure Providers are developed as soon as possible.**
- **That a final proposed USO framework aligns with the Consumer Safeguards and the Statutory Infrastructure Regime.**

5. Future Funding Arrangements

In 2017 the NFF is urging the Australian Government to adopt a policy of budget repair and tax reform. There is a train of thought, justifiably, that the USO is an area of state intervention as it addresses areas of market failure. However, it is important to consider that a lack of short-term commercial viability leading to market failure does not necessarily preclude long-term return on investment and economic benefit.

Along similar lines we would temper any concerns that investment in the USO carries potentially distortionary repercussions. To simplify the rationale for investment to this extent is short-termism and fails to consider long term economic benefit to the country – even from agricultural productivity alone.

Already Australian agriculture contributes approximately 2 per cent of GDP to the Australian economy while standing on the other side of the digital divide. Increased connectivity through a baseline USO represents significant potential to the sector. Accordingly, the NFF is focused on the outcome of a reliable quality baseline service rather than the mechanics of fund raising and determining a quantum (noting that a quantum may be variable if flexibility is built into the definition of baseline broadband).

The NFF acknowledges that the PC has preference for the USO scheme to be funded out of Government Revenue given it carries parliamentary accountability. However, the NFF is of the view that a discussion of funding does not need to draw a distinction between an industry levy and government funding. Both can play a significant role provided the framework is holistic and encompasses the suite of processes that are presently occurring in the telecommunication field.

The NFF notes that the Government has already taken steps to develop a revenue source for funding non-commercial fixed-wireless and satellite networks through the Regional Broadband Scheme under the *Telecommunications Legislation Amendment (Competition and Consumer) Bill 2017*. In principle the NFF supports the Bill if it provides a long-term revenue stream for satellite and fixed wireless services, which NFF understands is its intent. However, there is no indication how the Regional Broadband Scheme will interact with a revised USO framework and again the issue of timing arises given the planned implementation of the bill on 1 July 2017.

An industry levy-funded revenue stream potentially opens the door for government to play a role in addressing gaps and areas of need in the telecommunications space. We urge the Government to undertake the PCs recommended stocktake of programs that share USO objectives as soon as possible. This will help to ensure the objectives are being met and the reformed USO is streamlined with other programs and is meeting the needs of consumers.

Presumably, streamlining the USO allows for the Government to sharpen its focus in the allocation of funding to other important programs such as the Mobile Blackspots Program which will address critical gaps in mobile coverage which is not an element of the USO.

Recommendations:

- **That the Australian Government undertakes the PCs recommended stocktake of programs that share USO objectives as soon as possible.**

6. Competitive Process for USO Delivery

The NFF acknowledges that the current contractual arrangements between the Australian Government and Telstra are a commercial matter between those parties. However, it is inescapable that reform and transition will necessitate a renegotiation of the existing agreement at some stage. Any increase in transparency around the agreement, and any potential competitive process for delivery would be welcomed by the NFF.

Conclusion

The NFF is broadly supportive of the PC's draft report. Critical issues that must be addressed in the final report are:

- Defining baseline broadband with capacity for review;
- Guaranteeing Reliability for voice if NBN infrastructure is leveraged;
- Aligning consumer safeguard frameworks
- Implementing a sustainable funding regime that leverages industry and government revenue.

One other critical factor that must be considered by the PC is aligning existing processes. Some of the processes that will have a practical influence on the final USO framework include:

- Consumer safeguards review
- Implementation of the Regional Broadband Scheme
- Joint Parliamentary Committee Inquiry into the National Broadband Network
- ACCC Telecommunication Market Study
- ACCC Wholesale Mobile Roaming

While these processes are beyond the PC's control, strategic alignment is an important policy consideration, particularly for the practical implication of policy recommendations. The above mentioned inquiries investigate key issues that shape the telecommunications market for farmers and must form part of the discussion for a true, holistic examination of the market place.

Indeed, the NFF is concerned that continuing to consider key issues through a range of inquiries and forums will not only lead to a patchwork approach to policy consideration, but will also result in a patchwork of outcomes that will continue to perpetuate the rural/urban divide in telecommunications.