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## Telecommunications & the Digital Economy

Published on *TelSoc* (<https://telsoc.org>)

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### USO reboot: pass it to NBN Co, bring in mobile



*Submitted by Reg Coutts on Wed, 12/11/2014 - 20:46*

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The end of TUSMA, and the ongoing NBN Co-Telstra negotiations, herald the ideal time for a drastic rework of the Universal Service Obligation ? shifting it to NBN Co rather than Telstra, and bringing mobile into the mix. That?s the view of industry veteran professor Reg Coutts, a member of the expert panel that advised on the previous version of the NBN. And with Coutts? ideas including the possible provision of more mobile backhaul in regional areas, his concept might just mesh with the recent arguments from some parts of the mobile industry.

Coutts has been working on a paper ? still under development ? to ?get the discussion started.? In it, he argues that ?the time has come to reboot the USO to reflect he need for broadband and mobile service by all citizens in Australia. and develop a framework that involves the minimum of regulatory intervention to find alignment of interests encouraging co-investment with the private sector using a 'smart subsidies' program.?

In the paper, Coutts notes that "curiously the mobile service, increasingly for many a substitute for the fixed phone service, has been ignored for any intervention in remote areas" which have clamoured for better coverage since 2002. Thus, he's calling for mobile to be considered as part of USO reform, perhaps as an extension to the well-received but relatively small-scale A\$10 million mobile black spots program currently being executed by the federal government. Coutts envisages his smart subsidy fund "recognising that access to a competitive mobile service should be a core objective of the long-term reform of the USO."

Coutts also suggests that rather than setting up the smart subsidy fund as a completely new and separate entity, it might be possible to "broaden the scope of NBN Co to include the smart subsidy fund [and in turn] to include infrastructure that would enable wholesaling the USO service and mobile service to competing regional retailers."

"This option would more likely open ways NBN Co could better develop opportunities to stimulate shared infrastructure for the mobile network operators" to more effectively increase the area of competitive supply of mobile services through providing more shared open access infrastructure."

That might well fit with what key industry figures like Vodafone CEO Inaki Berroeta are asking for more choice in competitive mobile backhaul in regional areas to ease the business case for ex-metro investment. And charging NBN Co with managing shared infrastructure would certainly align with some current policy direction here as well. "The government's going in the right direction of basically saying that NBN Co can be instrumental [in mobile] in a number of ways; in terms of backhaul, and shared sites, which helps to redress the competitive imbalance," noted Coutts.)

But it also highlights the second part of the proposal articulated in the paper: moving USO responsibility in general away from Telstra and onto NBN Co, already handily established as a national wholesale-only infrastructure provider. Under Coutts' proposal, NBN Co would become the USO wholesale infrastructure provider, funded by government and contributions from eligible industry players (based on revenue) including Telstra.

"My argument is that the funding shouldn't go through Telstra, per se. NBN Co [would] provide the infrastructure and then you'd potentially have competitive USO resellers. NBN Co is the logical infrastructure provider," Coutts told CommsDay. "Eligible revenue folk, mainly Optus and Vodafone, [currently] have to part with real money that they know goes to Telstra. the idea of it actually going to a fund, which then funds retailers" of which they could be one "is a far more equitable way forward."

Of course, one of the more difficult practical considerations in such a realignment would be the financial details. Current USO arrangements "under the purpose-built Telecommunications Universal Service Management Agency" were linked into the original Telstra deal with NBN Co. And the USO itself is currently funded by an intricate mix of government contribution and industry levy.

Coutts admitted that, for a reworked USO scheme, the question of who pays and how would be a challenge. But he said that, with TUSMA being dissolved back into the Department of Communications and the renegotiations between Telstra and NBN Co still ongoing, the time was right to address the USO issue.

"There are more questions than answers at the moment, but. having this tightly constrained concept of the USO around the standard telephone service, it being delivered by Telstra, and the rest of the industry paying a subsidy, is crazy," he said. "I'd like to get the various players getting their heads around it!"

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## Comments

### The USO, NBN Co and Mobiles <sup>[6]</sup>

Graham Shepherd

- 13/11/2014 at 15:06 (last edited 1 minute ago)

I agree that a USO of some sort is essential in a post Vertigan world of competing infrastructure providers. But what sort of USO? Who contributes and who gets to provide the infrastructure? Mobiles should be part of the consideration. But Telstra has the greatest motivation and the greatest capacity to deliver mobile coverage to regional and remote areas, not NBN Co. What would Telstra's competitors think of subsidising Telstra to expand its coverage?

A detailed analysis of the options needs to be done and argued through with the various players. The starting point would have to be to set criteria for such a study including minimum service quality, cost, equity for consumers and service providers and economic consequences. All of these factors are, of course, evolving so there must be capacity and incentive for continuing research and investment. As Graeme Samuel pointed out in his excellent CTO<sup>[7]</sup>, one would hope that such a study would be genuinely independent and not tainted by politics like most of the studies initiated by the current government. No disrespect to the Minister is intended but the piper knows the tune without being told.

Reg Coutts

- 13/11/2014 at 15:32

Graham I have been doing research into options for a new USO and looking at what the ITU, OECD and other countries have been debating in the last 10 years while the Australian USO stays time locked! Vodafone has funded me to look into the issue knowing that I have been saying (in press) the USO should include mobile for 10 years should include mobile service. The Government's 'mobile blackspot program' could be extended subject to objective analysis of the extent of the mobile coverage issue. My call 10 years ago precedes the NBN which in a sense has introduced a 'fixed broadband USO' without a policy as per Vertigan of how it is to be funded which goes to the hidden cross subsidy problem. However, if we are to bring in mobile broadband into the USO option there needs to be an assured minimum broadband service when the kids knock off school! Postgraduate at the Schools of Effective Policies and Regulation

### USO and NBN Co <sup>[8]</sup>

Mark Gregory

- 22/11/2014 at 11:48

Hi Reg, I agree with the identified principal that the USO should be shifted to NBN Co as the responsible infrastructure provider. One or more RSPs might win tenders to operate the services that are paid for by the USO permitting competition at the product level. At the infrastructure level, NBN Co would benefit from the additional revenue that the USO generates. Australia is caught in a time warp because we have the wrong fundamental platform for competition and forward looking provision of USO. Your thoughts are yet another indication that the USO should be reviewed now.

## USO and NBN Co <sup>[9]</sup>

Gary McLaren

- 25/11/2014 at 23:11

I may have missed something but NBN Co, as the provider of last resort will become the wholesale infrastructure USO provider for broadband in Australia. Sure there is fine tuning around the legacy telephony and payphone requirements as the copper network is replaced by fibre which will have to be reassessed with the MTM. But in principle NBN Co is already the infrastructure USO provider in a broadband context. Retail USO still sits with Telstra to the extent this is necessary for retail service requirements (today only telephony, payphones etc but these are becoming relics) but the obligation and ongoing cost to provide the infrastructure is transferring to NBN Co - hence all the angst and debate over funding the internal cross-subsidy in the light of possible cherry pickers such as TPG. A mobile USO is another thing altogether. Are we talking about blanket continental and remote island coverage? If not how does one define the geographic coverage to which this obligation would apply to? Or if blanket coverage is required then a large cost will be needed to subsidise satellite capability, coverage and handsets.

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