



Policy statements

Public information campaign

At the time the new fibre optic network is being rolled out by NBN Co, the company in conjunction with the industry and in consultation with the Commonwealth will fund and undertake a public information and education campaign. The purpose of the campaign will be to inform telecommunication end users about the imminent migration of services from the copper based infrastructure to the fibre optic infrastructure

The campaign will provide information concerning the timing for provision of new services, the nature of the services, the action that the consumer will need to take, the extent to which existing equipment will be able to be reused, together with the responsibilities of the respective parties i.e. NBN Co, the retail service provider and the consumer, in implementing migration to the new infrastructure. It will include the provision of access by consumers to call centres and web sites.

The campaign, which will be developed in consultation with Telstra as the existing infrastructure provider and the wider industry, will commence prior to commencement of rollout and continue until completion of migration in relevant areas.

Retraining

The Government recognises that the availability of an appropriately trained workforce will be important to the successful rollout of the NBN. The Commonwealth will provide funding of up to \$100 million to Telstra to undertake retraining of relevant employees to enable their transition to employment in deploying and supporting a fibre network. NBN Co will enter into arrangements with Telstra to access the services of the retrained workforce.

Fibre in Greenfields

During the National Broadband Network roll-out, an estimated 1.3 million additional premises will be constructed across Australia.

The Government is committed to ensuring that high speed fibre optic infrastructure is installed in such new developments. Now and increasingly into the future, high speed broadband should be seen as a critical utility service like water, electricity and gas. People that move into new estates should be getting access to affordable, high speed broadband as soon as possible. It makes sense for fibre technology to be installed when homes are first built.

Following extensive consultation and consideration of the Implementation Study recommendations, the Government has determined that from 1 January 2011 NBN Co will act as wholesale provider of last resort in new developments constructed within, or adjacent to, NBN Co's long term fibre footprint. Developers - and, on their own property, property owners - will be required to cover the costs of trenching and ducting. NBN Co will cover

the other costs of installing fibre infrastructure in the development, including backhaul.

During the period that the NBN is being deployed, NBN Co may sub-contract the roll-out and operation of fibre networks in new developments, providing that the networks are built to meet the technical specifications of the NBN and operated on an open access basis. Ownership of these networks would transfer to NBN Co and form part of NBN Co's open access wholesale only network.

Telstra will not be required to provide infrastructure in new developments, however to ensure that retail services are offered in new estates, Telstra will be required to provide standard telephone services to end users in new developments in which retail services are not offered by another service provider (retail provider of last resort).

These arrangements will not prevent developers from using other companies to roll-out fibre networks in new developments if they wish, but such networks will need to comply with the technical specifications of the NBN and be operated on an open access basis, and just like the NBN wholesale services would be offered on an equivalent basis.

Telstra will be able to extend its HFC network to provide pay-TV services only to homes in new developments adjacent to its existing HFC network, so long as a fibre network has been rolled out in the development.

NBN Co's role will apply regardless of whether the Fibre Deployment Bill currently before the Parliament is passed. The Government will, however, continue to seek the passage of this legislation, amended as necessary to deliver in full the arrangements described above, to ensure all stakeholders have certainty as to their obligations to have fibre installed in new developments.

USO policy framework

Preamble

As the vertically integrated owner of a national and near ubiquitous copper telecommunications network, Telstra currently has a regulated obligation to ensure that standard telephone services and payphones are reasonably accessible to all Australians. The Government has an ongoing commitment to the Universal Service Obligation (USO) for voice telephony and payphones and for the delivery of public interest telecommunications services, such as emergency call handling, and the National Relay Service (NRS).

The establishment of the National Broadband Network (NBN) and the provision of wholesale services nationally by NBN Co will result in significant changes to the structure of the telecommunications industry. In releasing its regulatory discussion paper in April 2009, the Government flagged the need to re-examine the current policy framework for telecommunications, including the framework for delivery of the Government's social policy objectives in the telecommunications sector. The need to review the current USO was also flagged in recommendations of the Glasson Report and in recommendations of the NBN Implementation Study Report, which was recently released by the Government.

The NBN Implementation Study Report highlighted that the roll out of the NBN network will be a dynamic process. The NBN fibre network will be progressively rolled out in different areas and there will be a transition period during which Telstra will still be expected to operate and maintain its existing copper network within fibre coverage areas. Outside the fibre coverage areas, where customers will have access to high speed wireless and satellite broadband services, the Government expects Telstra to maintain its copper network.

To address these issues, the Government has agreed, in principle, to the following institutional, regulatory and funding framework for the delivery of USO and other public interest services in an NBN environment. Details of these arrangements will be developed in consultation with key stakeholders, including industry and consumer groups.

USO Co

A wholly Government-owned entity - USO Co - will be established to take responsibility for the delivery of the Universal Service Obligation and other public interest obligations.

USO Co's functions will include the provision of funding for the delivery of:

- the USO for voice telephony services and payphones;
- public interest services such as emergency call handling functions ('000' and '112');
- special services such as the NRS; and
- the migration of voice only customers to a fibre-based service after the copper exchange is decommissioned.

USO Co is expected to operate from 1 July 2012. USO Co will deliver services by sub-contracting with third party providers on terms consistent with the Commonwealth's usual commercial practice (as noted below, initial contracts will be with Telstra).

USO Co will work closely with NBN Co, particularly during the transition period while the NBN Co network is rolled out. NBN Co will progressively provide the infrastructure that will enable delivery of high speed broadband services to all Australians. USO Co will provide a safety net for the continued delivery of standard voice telephone services, payphones and other public interest services both during and after the period of the NBN roll out.

Funding Arrangements

The Government has agreed to provide dedicated funding for USO service delivery of \$50 million p.a. for the years 2012/13 and 2013/14, and then \$100 million p.a. thereafter. The existing USO funding arrangements will apply in the meantime.

The Government's agreement to provide this additional funding recognises that the migration of traffic over time to the new fibre network has economic implications for the continuation of Telstra's existing copper network and other infrastructure Telstra currently uses to supply USO services. The Government has therefore agreed to provide this additional funding to help support the maintenance and operation of the existing copper network and other USO infrastructure outside fibre coverage areas.

The residual costs incurred by USO Co will be met through an industry levy scheme which will replace the current USO and NRS levy schemes. The funding contributions of industry members (including wholesale providers such as NBN Co) will be based on eligible revenue principles similar to those currently used to determine industry contributions to the USO and the NRS. The payment mechanisms and detailed arrangements will be developed in consultation with key stakeholders.

Funding will be allocated to USO Co, which will in turn enter into contracts for the supply of services to fulfil its functions.

USO Services

USO Co will have responsibility under regulation for the delivery of USO voice telephony and payphone services:

- within NBN fibre coverage areas 24 months after relevant areas are progressively disconnected from the Telstra copper exchange; and
- outside NBN fibre coverage areas 24 months after USO Co commences operations.

USO Co will have the capacity to 'unbundle' delivery of the USO into infrastructure and retail components and to undertake competitive tendering processes for the delivery of those obligations. Once operational, USO Co will operate a 'consumer referral service' to advise consumers of the USO provider in their area.

Delivery of Universal Service Obligations within NBN Fibre Coverage Areas

Telstra will have a regulated obligation to continue to operate and maintain its existing copper lines while the fibre network is rolled out, until the copper exchange associated with that fibre area is decommissioned.

For these purposes, the responsibility to deliver services under the USO will transfer from Telstra to USO Co from the date that premises in an NBN fibre coverage area are no longer actively connected to the copper exchange.

USO Co will meet the agreed cost of migrating voice-only customers to a fibre service after the Telstra copper exchange is decommissioned. The protocols for determining when individual copper exchanges within the NBN fibre coverage areas are to be decommissioned will be agreed between the Government, NBN Co and Telstra. (Telstra will be separately required to provide the ACCC with a migration plan that sets out the mechanisms and time frames for migrating customers from its copper network to the NBN).

Delivery of USO Obligations outside NBN Fibre Coverage Areas

As noted below, Telstra will also have a contractual obligation with the USO Co to operate and maintain its existing copper network and other relevant infrastructure in non fibre areas for a 10 year period starting from the commencement of USO Co in July 2012. The contract will be on terms consistent with the Commonwealth's usual commercial practice.

Telstra will continue to have a regulated obligation as the USO provider in areas outside of the NBN fibre coverage for 24 months after USO Co commences operations. After that time, the responsibility for delivery of the USO will transfer to USO Co.

Under the terms of the 10 year contract with USO Co for non-fibre areas, Telstra will need to continue to provide a copper service for any consumer who wishes to continue such a service, and to ensure that the copper network is sufficiently maintained over time for that purpose.

The ACMA will continue to have responsibility for monitoring compliance with the current USO regulated obligations and the obligations contained in the Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Bill 2009 which is currently before the Parliament.

Other Public Interest Services

USO Co will assume responsibility for the following public interest services:

- emergency call handling functions (there will be consultation with Telstra and other key stakeholders on when this obligation will be transferred to USO Co); and
- the NRS (USO Co will accept responsibility for the Commonwealth's existing contract management function).

The Government will retain policy control in relation to the performance of

the emergency call function and the NRS. The ACMA will continue to have responsibility for monitoring compliance with regulated obligations.

USO Co will fund development by Telstra of an appropriate technological solution to transition 'public interest systems' such as public alarms and traffic lights from the copper network onto the NBN fibre network.

Contracts for Delivery of USO and Public Interest Services

USO Co will have the capacity to contract with other parties for the delivery of its USO and public interest functions.

As noted above, the initial contract for the supply of USO services will be with Telstra for a 10 year period, starting from the date of commencement of USO Co. The period of the initial contract with Telstra for the provision of emergency call handling services will be determined following consultation with Telstra and other key stakeholders. The period of the funding agreement with Telstra to develop technological solutions for transitioning 'public interest services' such as public alarms and traffic lights onto the NBN fibre network will be determined following further discussion with Telstra.

Funding arrangements for these contracts will be informed by advice from an independent consultancy based on a costing methodology developed in consultation with Telstra.

Future review

A review will be conducted of the USO voice arrangements in 2018. The review will consider future policy and funding arrangements, including the possible 'unbundling' of the USO voice telephony obligation into infrastructure and retail components and whether to initiate competitive processes in relation to the USO voice telephony obligation.

The policy review, and any resulting competitive process, will be completed by 2020. If an alternative provider is selected, there would be a provision for a transition period of up to 2 years, in which instance arrangements would be rolled over for that period. Telstra's responsibilities, as outlined above, would remain in place until the transitional arrangements are complete.