



Appendix E - The Universal Service Obligation

The Universal Service Obligation (USO) is the obligation to ensure that a standard telephone service (ie. a voice grade telephone service or another form of communication that is equivalent to voice telephony), payphones, digital data services, and any other prescribed services are reasonably accessible to all people in Australia, on an equitable basis, wherever they reside or carry on business. The USO addresses the needs of people with a disability by requiring the supply of carriage services and customer equipment in order to comply with the *Disability Discrimination Act 1992*. The current universal service arrangements are set out in Part 2 of the *Telecommunications (Consumer Protection and Service Standards) Act 1999*.

The fundamental purpose of the USO is to safeguard access to a minimum level of essential telecommunications services for all persons in Australia. Other significant policy intentions with respect to the USO, as stated in section 138 of the Act, are summarised below:

- the USO should be provided as efficiently and economically as practicable; and
- losses incurred in satisfying the USO must be shared on an equitable basis amongst all carriers unless they are granted an exemption.

The costs of the USO are determined on the basis of the universal service provider providing services on the most efficient, cost-effective basis available, while still ensuring that appropriate services levels and standards are maintained. Telstra, the only national universal service provider at present, has responsibility for meeting the USO.

The USO has been a particularly successful policy in Australia, ensuring that where ever people reside or carry on business they have access to a telephone service. In 1998 approximately 97% of Australian households had a telephone, which is one of the highest levels of telephone penetration in the world. (For

example, in 1997 the comparative figures for the United Kingdom were 93%, the United States of America 93.9% and Canada 98.7%.) This level of telephone penetration in Australia is a significant achievement when the inherent difficulties of providing services to a rural and remote population dispersed over a large area are considered.

Incorporation of Digital Data Services into the USO

The technical problems that prevent rural and remote customers from accessing higher data rates over the network also prevent them accessing high data rate ISDN services.

To address the disparity of access to higher data rates, the Commonwealth enacted a new Digital Data Service Obligation (DDSO) on 5 July 1999, and regulation giving effect to this obligation commenced in October 1999. The obligation is to be delivered through the USO. It requires the USO service provider, as a licence condition:

- to provide a general digital data service consisting of access, on demand, to an ISDN service, to 96 per cent of the population; and
- to provide an equivalent service for the 4 per cent of the population not able to access ISDN, such as an asymmetric satellite service, delivering a satellite downlink service comparable to 64 kbps. This service is specifically targeted at providing Internet access and is based on the premise that most customers require access to data rather than the need to transmit data.

The 4 per cent of the population who cannot access ISDN are primarily rural and remote customers living more than 4km from a metropolitan exchange or 6kms from a country exchange. Carriers providing a data channel with a data transmission speed of 64 kbps to these users will be declared as Special Digital Data Service Providers (SDDSP).

In order to address the issue of affordability of satellite services, a reimbursement of up to 50 per cent of the price of purchasing the necessary satellite receiving equipment will be available. The subsidy, capped at \$765 and available to all SDDSO customers, is to be funded from an extension to the USO fund.

Telstra is the only declared SDDSP at present. However, other service providers are encouraged to apply for the digital data subsidy, once they are able to provide services. This would be the first example of contestable USO arrangements in Australia.