



Australian Government

**Telecommunications Universal
Service Management Agency**

The Telecommunications Universal Service Management Agency (TUSMA)

www.tusma.gov.au

Background

For many years, legislation required Telstra to provide the universal service obligation (USO), a requirement to provide reasonable access to telephone services and payphones to the Australian community. The USO arrangements were based on Telstra being the dominant operator of a national fixed line network and were funded through a USO levy collected from industry and paid to Telstra. Industry carriers contribute to the USO levy based on their proportion of industry revenue.

Australians expect access to basic services such as voice services and payphones. However, the USO arrangements have not been without criticism because:

- there has been limited accountability and reporting of Telstra's USO performance and the requirements have been difficult to enforce;
- there has been little scope for competition, removing incentives to innovate or reduce the costs of delivering the USO, and
- there have been on-going disputes over the net cost to Telstra of fulfilling the USO.

The development of the National Broadband Network (NBN) in 2010 has resulted in a fundamental change to the structure of the Australian telecommunications market as Telstra's copper customer access network is gradually decommissioned to make way for the NBN's next-generation fibre infrastructure.

Decommissioning Telstra's copper network created the opportunity for Government to put in place arrangements that allow the USO to transition from a regulatory arrangement to an

open and competitive contractual model managed by an independent agency. The agency will see that regional Australia and important social obligations (eg public telephones) are properly managed in an NBN world.

The Government passed legislation in 2010 which included clarifying and making USO requirements easier to enforce, and in 2012, finalised further USO reforms including setting up the new government body, the Telecommunications Universal Service Management Agency or TUSMA.

TUSMA commenced operations on 1 July 2012 and has taken on the responsibility for the USO.

Recognising this transition to a more competitive market structure, after a period, the Government can consider removing the direct legislated requirement for the supply of the USO from Telstra, and have the USO solely managed by TUSMA through contracts and grants.

Initially the majority of TUSMA's agreements are with Telstra, given the importance of maintaining continuity of services.

TUSMA's Purpose

By taking responsibility for the administration of the USO, TUSMA is:

- ensuring certainty and continuation of all USO services during the transition to the NBN;
- increasing performance monitoring and reporting of key safeguards; and
- understanding the cost of delivering services so that there can be increased contestability and scope to deliver cost savings.

Key services delivered by TUSMA

TUSMA has new contracts in place to ensure:

- all Australians have reasonable access to a standard telephone service;
- that payphones are reasonably accessible to all Australians;
- the ongoing delivery of the Emergency Call Service by Telstra (calls to '000' and '112');

- the ongoing delivery of the National Relay Service which enables people with a hearing or speech impairment to use an equivalent to a standard telephone service; and
- access to untimed local calls in rural and remote areas.

TUSMA is also working to implement important safety net or consumer safeguards to support migration to the NBN, including providing funding to service providers, so that:

- people who do not want a broadband service and just want to keep a fixed line voice service are assisted to connect to a fibre network as Telstra's copper customer access network is decommissioned; and
- reasonable costs of in-home rewiring are met if required, so that voice only services can be continued on the NBN; and
- technological solutions can be developed as necessary to support continuity of public interest services (i.e. public alarm systems and traffic lights).

Through its agreement with Telstra, TUSMA will also ensure on-going access to basic telephone services in the seven percent of premises that are not going to be on the fibre broadband network, including continued maintenance of Telstra's copper fixed line voice service for up to 20 years in those areas.

TUSMA maintains a public register of all contracts and agreements. Details are at Attachment A and on its web site at www.tusma.gov.au

Government continues to set overall policy for key safeguards and can establish contractual service standards, rule and benchmarks. Within this framework, TUSMA will examine whether there are efficiencies and cost savings that can be achieved while ensuring quality of service and appropriate services standards are met for all Australians.

Establishment of the TUSMA

TUSMA has been established as a government statutory agency under the *Financial Management and Administration Act 1997* and will fulfil its statutory functions by contracting with third parties on behalf of the Government.

TUSMA has a part-time board of Members appointed by the Minister for Broadband, Communications and the Digital Economy to set overall strategy. The Chair and Members have substantial experience in telecommunications, business, law, public administration

and consumer affairs. The Chair and Board are paid remuneration set by the Remuneration Tribunal.

Members met for the first time on Monday 2 July 2012. Minutes of all Member meetings are published on the TUSMA web site.

The Chief Executive Officer of the TUSMA is responsible for the day to day management of the agency. The CEO is a statutory office holder and also is paid remuneration as set by the Remuneration Tribunal.

TUSMA is a small agency of 17 expert procurement, contract management and corporate administration staff, engaged under the *Public Service Act 1999*.

TUSMA will prepare a 3 year Corporate Plan by June 2013 and will table an Annual Report to Parliament commencing after the 2012-13 financial year.

TUSMA is located in Melbourne VIC.

TUSMA funding arrangements

The costs of the TUSMA are met through a combination of dedicated Budget funding and a consolidated industry levy scheme to replace the current USO and National Relay Service (NRS) levies.

The government will provide dedicated base funding to the TUSMA of \$50 million per annum for the financial years 2012–13 and 2013–14 and \$100 million per annum thereafter.

To facilitate the smooth transition to the new arrangements the Government has agreed to interim funding arrangements for the first two financial years to provide certainty to industry. This interim arrangement will mean the aggregate levy contribution that is made by telecommunications firms other than Telstra will for the first two years, remain at the amount non-Telstra contributors are assessed as being required to contribute under the USO and NRS schemes for the 2011–12 period.

The Department of Broadband, Communications and the Digital Economy Portfolio Budget Statements 2012-13 contain the TUSMA Budget Statements.

Attachment A - TUSMA agreements

1. TUSMA Agreement: Telstra

Contract Duration: 01/07/2012–01/07/2032

Under the agreement, Telstra has contractual obligations to:

- supply standard telephone services (STS) nationwide in fulfilment of the STS Universal Service Obligation (USO), including on behalf of TUSMA in areas where the regulatory obligation has transferred to TUSMA;
- supply, install and maintain payphones in fulfilment of the Payphone USO; and
- supply the emergency call service in accordance with applicable regulatory requirements.

DESCRIPTION

Universal Service Obligation—standard telephone service

Current contract value: \$230 million p.a.

Telstra has a contractual obligation to supply the STS so that voice services are reasonably accessible to all people in Australia on an equitable basis. This includes Telstra being the retail provider of last resort for customers who wish to take only a voice STS over the NBN. Telstra receives funding to operate and maintain its existing copper network to provide STS in areas where the NBN fibre network will not be deployed.

Universal Service Obligation—payphones

Current contract value: \$40 million p.a.

Telstra has a contractual obligation to supply, install and maintain public payphones and supply payphone carriage services so that payphones are reasonably accessible to all people in Australia on an equitable basis. TUSMA will meet costs if payphones need to be migrated to fibre. TUSMA can elect to either fund the migration of a payphone in the fibre footprint to an alternative technology (other than NBN fibre), or can provide an alternative payphone.

Emergency Call Service

Current contract value: Up to \$20 million p.a.

Telstra has a contractual obligation to supply the emergency call service in accordance with applicable regulatory requirements for up to 20 years, subject to a tender to be run by 23 June 2016. Telstra or any future emergency call provider will remain regulated.

In addition to annual payment for ongoing supply of the emergency call service, TUSMA will also meet the reasonable costs of any major upgrades to Telstra's emergency call service platforms and systems.

Voice-only customer migration

During the fibre rollout, TUSMA will make available assistance to Telstra to migrate voice-only customers that want to retain a fixed-line voice-only service over the NBN fibre network. This will include assistance so that Telstra can advise voice-only customers of the need to migrate to the NBN, and to meet the costs of any in-house wiring that is required to connect voice-only customers to the NBN fibre network. Similar arrangements may be offered to other service providers.

Migration of public interest services

Telstra may notify TUSMA that a technological solution does not exist for the carriage of public interest services (defined as 'traffic light' and 'public alarm' services) over fibre. If TUSMA is reasonably satisfied that a solution does not exist, TUSMA will either request Telstra or a third party for proposals to develop the solution. Any solution that is funded by TUSMA will be owned by TUSMA (unless agreed otherwise) and made available to all service providers on an equivalent basis.

2. National Relay Service: Australian Communication Exchange (ACE)

Contract Duration: 01/07/2012 to 30/06/2013

Estimate of total amount: \$12.6 million

DESCRIPTION

The relay service provider must provide comparable access for users to a STS, as defined in the *Telecommunications Consumer Protection and Service Standards Act 1999*. Comparable access must be provided through any of the following services, for which the provider is required to do everything within its reasonable control and capability to ensure it is operated 24 hours a day, every day of the year.

- Text-to-voice relay—to enable a user to communicate via text while a relay officer uses text to communicate to the user and voice to communicate with the other party.
- Voice-to-text relay—to enable a user to communicate via voice while a relay officer uses text to communicate with the other party.
- Voice carryover—to enable a user with a hearing impairment to communicate directly with another party using natural speech and receive communication from the other party via text through a relay officer.

- Voice carryover to voice carryover—to enable two users with hearing impairments to converse with each other through a relay officer by reading the conversation on a telecommunications device for the deaf (TDD) and using natural speech to respond.
- Hearing carryover—to enable a user with a speech impairment to receive communication directly from the other party and to type their side of the conversation on a TDD, while a relay officer uses voice to communicate to the other party.
- Speech-to-speech relay service—to enable two people with speech impairment to converse over the telephone with the assistance of a relay officer. The relay officer clarifies those parts of the conversation that may not be understood by either party.
- Internet relay service—to enable a user to communicate in text via the internet while a relay officer uses voice or text to communicate with the other party.
- Emergency call service.

3. Outreach for National Relay Service: CFW Spice Pty Ltd

Contract Duration: 01/07/2012 to 30/06/2013

Estimate of total amount: \$3.15 million

DESCRIPTION

The outreach service includes:

- a. promotion and awareness raising of the relay service to its users and potential users, through cost-effective communication covering all targeted audiences;
- b. provision of training to relay service users, mainly in the use of equipment;
- c. handling of enquiries (including about technical matters) from relay service users, potential relay service users and organisations establishing or providing relay service access to employees or customers; and
- d. handling of complaints, feedback and enquiries from relay service users and potential users in consultation with the provider.

4. Extended Zones Agreement: Telstra

Contract Duration: 01/07/2012 to 30/06/2013

Estimate of total amount: \$1.545 million

DESCRIPTION

Untimed local calls are a longstanding safeguard for customers living in rural and remote areas of Australia.

Extended zones are geographical areas outside of Telstra's standard local call charging zones, predominantly located in rural and remote Australia. Under the *Telecommunications (Consumer Protection and Service Standards) Act 1999* regulations or other arrangements must be in place to provide for access to untimed local calls in the extended zones.

The agreement provides for untimed local calls both within an extended zone and from within an extended zone to an adjoining extended zone. It also provides for untimed local calls from within an extended zone to that extended zone's designated community service towns. The agreement includes calls made from a standard telephone service as well as payphone and dial-up internet calls.
