

# Capturing the universal service agenda

*Gerard Goggin argues that the telecommunications industry and policymakers want the public to agree to carte blanche by declining to release meaningful information concerning the real value of the universal service obligation*

**W**e haven't even neared the launchpad for the global market in cultural content where our telecommunications network is concerned - with risible take-up of ISDN: an estimated 75,000 business and 200 residential service customers. Instead, it's Groundhog Day. You wake up in September 1998, the alarm clock rings, and it's the late 1980s all over again. Endless debates over the extraordinary costs of community service obligations (CSOs), those darned social policy add-ons to a well-oiled competitive regime. All the protestations that, "Yes, we're committed to social policy and equity, and we're prepared to pay our way - it's just that our competitors should have to pay their fair share too."

In previous debates over CSOs, Telstra was rightly concerned about the fact that it had borne the cost of establishing and operating a network, and that its contribution to the common weal should be properly valued. A decade later, Telstra is now partly privatised, and more and more acting like it is beholden to its private shareholders, rather than accountable to its customers or to the citizens of Australia. So, when Telstra puts in a claim for \$1.8 billion for delivering the universal service obligation (USO), and its outgoing CEO flies a rather colourful if gentlemanly kite on social policy in his valedictory National Press Club address, it's a bit hard not to pause and ponder.

Whatever happened to the faddish argument of two or three years back that universal service was actually an opportunity as much of an obligation? I don't want to align myself here with the false protestations of carriers who are in the business of minimising their already underwhelmingly modest contributions to social obligations in telecommunications. But I do think it is important to note that Telstra has captured the agenda on universal service by the spectacular nature of its recent \$1.8 billion claim.

If we return to the policy moment before the recent Federal election, our political overlords had been made to see the errors of their zeal for competition by the Hansonite critique of economic rationalism. Issues of access and equity in telecommunications were firmly on the agenda. The question was whether or not the level of universal service obligation be rightfully raised to an ISDN standard or quarantined as a voice-telephony relic.

Post-election, the main issue is whether or not all Australians will have access to a digital data capability. And whether you live in regional Australia, as I do, or communicate with regional Australia from other parts or overseas, this is a critical question. My view is that the standard telecommunications service should be a digital data capability, preferably at 64 kbs. But as the gov-

ernment does not look like addressing the affordability of ISDN, there is a most definite need for a Public Switched Telecommunications Network that is at least capable of 28.8 kbs across Australia - so as to provide all Australians with affordable data access.

Some people might ask: "Why should I subsidise the cost of providing a digital data service to remote and rural areas? Why shouldn't they pay for it themselves through higher telephony costs?" To this, I'm inclined to respond: "Why should I subsidise city-dwellers and better-off consumers for the hybrid fibre-coaxial cable that Optus and Telstra ran down the streets of metropolitan cities at a costs of billions of dollars, without taking heed of any public outcry?"

It's likely that the benefits of mandating a digital data capability outweigh the costs of doing so. Indeed, Appendix 6 to the Australian Communications Authority (ACA) Digital Data Inquiry report, written by the Allen Consulting Group, found that:

*Although the statistical data available at the time of writing are not comprehensive, in view of the likelihood of increased household expenditures on the Internet and other online services, and the downward trend in technology costs, it seems likely that the incremental benefits will reach the same levels of incremental costs. (Appendix 6, p. 11)*

It was Jock Given who pointed out in an earlier issue of Communications Update a curious thing about the ACA's treatment of this research. Not only is Allen Consulting's report

unceremoniously buried in the back of the ACA report, but its findings are at variance with the ACA's conclusion that mandating 64kbs digital data or 28.8 kbs data capability as part of the USO was not justified, as the costs outweighed the benefits.

Of course, there is nothing wrong with commissioning research and disagreeing with its findings. This happens all the time. What is unusual about the ACA's treatment of the Allen Consulting Group report is that it does not accurately report its findings, let alone attempt to rebut them.

The ACA states that: "The ACA's consultant's cost/benefit analysis of making a 28.8 kbit/s and 14.4 kbit/s data rate universally available concluded that the costs of universal availability currently outweigh the consumer welfare benefits" (p. 123). Only over the next page, under the rubric of "Other findings" is it noted that the consultant actually found that "if current trends continue, the benefits of a 28.8 kbit/s service being made universally available will exceed the costs" (p. 124). While noting the limits to their prediction, the central and repeated finding of Allen Consulting is that if the trend towards higher expenditure on the Internet and other digital data services continues, coupled with the improved quality of services from a network upgrade, then this "would lead to the cost-benefit test being passed". But the ACA goes on to quote from and endorse the Tasman Asia Pacific report commissioned by Telstra, which did - for all we know, as the report is not publicly available - argue that the expected costs of upgrade exceeded the benefits.

The fate of the ACA report was that its recommendations that the government need not intervene were sympathetically received by a grateful Minister, especially given Telstra's promise of a 56kbs-64kbs satellite service real soon now.

It might be said that the ACA and Minister Alston in adopting its spin, have done an Ergas on the Digital Data Review. In coining this figure of speech, I am alluding here to the Minority Report of the Standard Telephone Service Review Group in 1996, in which Henry Ergas departed from the otherwise consensus finding of the pressing need for enhanced levels of basic service to be made accessible to all Australians within a reasonable period. Ergas harped on the lack of analysis of costs within the group's central recommendations of a digital data capability. In releasing the Group's report, Minister Alston appeared to favour Ergas' view in preference to the shared judgements of the other expert members of the panel although the 1997 Act largely implemented the majority recommendations.

One suspects that the effect of Telstra's advocacy of a higher quantum of claim for its delivery of the USO might also be to "do an Ergas" on any possibility of a basic service upgrade. The tactic is to eclipse any consideration of the benefits of universal service, and its redefinition, by flying the big costs balloon. Who is going to press Telstra, Optus, Vodafone et al into agreeing to deliver a higher, more expensive level of universal service, when boards, private shareholders, stockbrokers, and future share-buyers are in a rictus of fiscal anxiety about the putative costs of the present 2.4 kbits obligation?

It's hard to evaluate Telstra's claim because little information is in the public domain. The ACCC has allegedly produced an estimate of \$1 billion, which may well be more realistic.

But this information should be made available to the public so that we can participate in an informed way in this debate - rather than just have the carriers, regulators, and government argue over our heads about something

that is, at the end of the day, to do with how much we pay for what level of service.

The ACA has tried to address this gap in its Media Release no.44 of 1998 which explains its assessment process of Telstra's Universal Service Cost Claim. But this release does not explain in any detail the principles of the new costing model developed by Bellcore International. What it does show is that the model is quite sensitive to changes in inputs (which makes the casual observer eager to know more about the soundness of the model used). It also makes reference to the carriers being given the opportunity to participate in the Net Universal Service Cost Data Values Project - but not the public or representatives of consumer or public interest groups.

Universal service defined as a digital data capability is deserving of government intervention if it is not otherwise going to be delivered by the market. This means that the industry should equitably share the costs, whether \$251.56 million or \$1.8 billion, or even an extra \$728-978 million dollars for upgrading to a 28.8 kbs network. But we shouldn't sign a blank cheque given the considerable amounts involved. The problem is that *carte blanche* is in effect what the industry and policymakers want the public to agree to, by declining to release meaningful information into the public domain.

**Gerard Goggin recently completed a PhD in the English Department, University of Sydney. From 1999, he will teach Media Studies in the School of Humanities, Media and Cultural Studies, Southern Cross University, Lismore. This article is an edited version of a paper delivered to the Consumer Telecommunications Network conference in Sydney in November**