

5 January 2017

Mr Paul Lindwall

Commissioner

Productivity Commission

GPO Box 1428

Canberra City ACT 2601

Dear Mr Lindwall,

Thank you for the opportunity to comment on the Commission's Information Request '9.1 - *transition options for the standard telephone service USO module of the Telstra USO Performance (TUSOP) Agreement* .

We have been encouraged by Dr. Tony Warren¹, Group Executive Telstra Corporate Affairs, by his support for '*the idea that once the rollout of the NBN is completed, there's a real opportunity to examine what technology is used to deliver a universal service that may replace the current USO (for example by using NBN's fixed network, fixed wireless and satellite services)*' and overall by '*Telstra remaining open to reforming the USO if changes mean the experience it provides for customers can be improved*' .

The [Aerostats All Australia \(AAA\)](#) initiative supports the part of Option 1: '*Amend the Telecommunications (Consumer Protection and Service Standards) Act 1999 (Cth) to change the scope of the current standard telephone service USO*' but finds the '*thereby forcing the parties to negotiate a payment adjustment under the Agreement*' unwarranted.

The scope change should be mutually agreed upon by Government and Telstra without having to '*force the parties to negotiate*' as the parties to the overarching '*Telstra USO Performance (TUSOP) Agreement*.'

Any change to the USO scope needs to reflect mobile service as the primary telecommunications service for all Australians. In the Productivity Commission's words²:

¹ [Positive updates to Australia's Universal Service Obligation - Telstra Exchange 7 December 2016](#).

² Telecommunications Universal Service Obligation Productivity Commission Draft Report Overview.

- *'Today, it is nearly impossible for most people to imagine life without smartphones, tablets and messaging.*
- *With 99.3 per cent of the population covered by at least one mobile network, almost one third of Australian adults now rely solely on mobile phones for voice services.*
- *Of the 400 000 premises within the NBN satellite footprint, at least 310 000 premises are estimated to be able to use their mobile phones, thus providing a low-latency alternative to the NBN satellite service.'*
- *There are thus up to 90 000 premises in the NBN satellite footprint that do not have mobile phone coverage. In the absence of the TUSO, they would receive a higher latency voice service compared to other technology platforms (copper, fixed wireless, fibre and mobile).'*

The primacy of mobile services for both data and voice is rapidly increasing with the introduction of 4G LTE Advanced and the upcoming 5G. The current 33% of Australians relying exclusively on mobile services for voice calls is likely to exceed 50% in the 2020-2025 timeframe for NBN completion. In our opinion it is unlikely that more than half of Australians will use NBN for voice calls.

[AAA](#) recommends mobile services with take up covering 99.3% of the population forming the new revised Universal Service Obligation to ensure 'reasonable' access to a standard all-in-one telecommunications service encompassing the all-important mobility for both data and voice to all Australians on an 'equitable' basis, regardless of where people reside or work.

The USO funding should be used to extend the coverage of mobile services across the entire Australian land mass and surrounding sea to open-up the entire country to opportunity.

[AAA](#) is an ultra-low-cost technology optimised to increase mobile coverage from the current one third to the remaining two thirds of Australia currently only covered by satellite. The socio-economic benefit from implementing [AAA](#) would be enormous to regional and remote Australia.

[AAA](#) will address the mobile service inequality not only for the have-nots but also for the many in regional Australia that have only marginal mobile coverage perhaps only in one corner of their property or community centre or main highways but for much of time enjoy no or very limited service.

[AAA](#) will delay the satellite service running out of scarce capacity, thus saving NBN Co Limited the cost of sending additional satellites before their planned 2031 end of 15-year life replacement. These savings will greatly exceed the cost of setting up [AAA](#).

In summary, [AAA](#) recommends mobile services forming the new revised Universal Service Obligation to ensure 'reasonable access' to a standard all-in-one telecommunications service encompassing the all-important mobility for both data and voice to all Australians on an 'equitable' basis, regardless of where people reside or work across the Australian land mass and surrounding sea.

We recommend compensating Telstra for the revised Telstra USO Performance (TUSOP) Agreement by funding Telstra to implement and operate [AAA](#) with Telstra financially no worse off than continuing with the current TUSOP.

Government funded [AAA](#) will be open to wholesale by all carriers in the new coverage areas mainly in remote Australia, thus maximising cost recovery for [AAA](#), and over time significantly reducing carrier USO contributions. We believe [AAA](#) is a win-win to consumers, carriers, NBN and Government.

Yours sincerely

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www.bal.com.au/AAA.pdf