

## Opening Address at ATUG 2006

Telecommunications is one of the most dynamic and important industries in our economy. Many studies provide clear evidence of the link between advanced communications services, productivity, growth and prosperity, and the day to day experience of ATUG members that this is so ...drives our work on their behalf with the industry and its key stakeholders

ATUG has been at the coalface of competition in telecommunications for 25 years this year – always focused on better outcomes for end users....

We've been supported in this work over that period by our members – giving us a share of wallet ....and a share of mind and for 22 years we've been supported by the industry - at events like this one - ATUG 2006.

ATUG would like to say thank you to all our supporters and to let you know that we are as focused as ever on the changes in the industry and what they mean for end users.

So let's take a moment to see how far we have come ....before we get back to the issue of how far we still have to go.

There is no doubt that competition in telecommunications services has delivered very significant benefits to the economy, the industry and end users since 1997 –

- Estimated at \$12.4 billion by ACIL Tasman for the Australian Communications and Media Authority annual report for 2004-2005.

No wonder users get tetchy when it looks like competition is about to be diluted or snuffed out

But back to the future...

By comparison with developed countries in the OECD .....Australian business and residential users are still paying top dollar for communications services.

And after 25 years, we don't seem to getting any nearer to an end point for the technology developments which continue to drive the industry forward.

In 2006 we will be reconsidering yet again the balance between innovation and investment, between competition and certainty, between metro and regional services driven by the significant changes in technology and the number of suppliers we have seen emerging - over the last couple of years in particular

An interesting launch point for this year's debates are the facts reported by ACMA in its Annual Telecommunications Performance Report :

As at June 2005, Australia had:

- 18.4 million mobile services - up from 16.5 million in 2004
- 11.4 million fixed lines – down from 11.6 million in 2004
- 5.9 million internet customers – up from 5.2 million in 2004
- 2.2 million broadband customers – up from 1 million in 2004
- 1.6 million Pay TV customers – up from 1.5 million in 2004

In terms of usage and prices:

For fixed line services, access revenues increased but revenues fell for local calls, long distance and fixed to mobile calls,

The latter much less than ATUG expected given the regulatory outcome of 2004 which reduced mobile termination rates.

For mobile services, total call minutes increased by 12%.

And the price per mobile minute:

- Decreased by 1.4% for pre-paid residential services
- Increased by 7.2% for post-paid residential services
- Decreased by 8.8% for business services

For internet services, data volumes increased by more than 158%, for narrowband by 22% and broadband by 230%. At the same time, prices declined and yet broadband competition had to be protected using a competition notice – a story we heard at ATUG 2005.

These developments have been made possible because of technology **and** competition.

And that is the balance we need to keep in mind in 2006 –

**yes** we need what the new technologies can deliver – IP, 3G, fibre, wireless and broadband but

**NO** - not at the expense of competition.

2006 will see more developments on the **technology front** including 3G mobile services, wireless broadband services, IP communications in the corporate sector, and Voice over IP in the small business and consumer sectors.

The question for ATUG is can we look forward to similar progress with on the **competition front**,

**We should** – given the changes to the regulatory framework put in place in 2005 as part of the legislation to support the further sale of Telstra.

The key development was Operational Separation – a regulatory tool designed to provide transparency and equivalence to ensure there is effective competition **in practice** around bottleneck copper network services. Competition in practice is the only competition that matters to ATUG!

From ATUG's perspective the problem that operational separation is designed to address is the issue of a fair deal for competitors using these access services – an issue that's squarely in the interests of customers who want choice

It's easy to lose the practical import of this in the policy fog that necessarily surrounds the development of such a framework – especially in the hot house atmosphere of a major share holder wanting to sell down amid claims and counter claims about the effect of regulatory decisions on share price.

For ATUG it's all still supposed to be about the long term interests of end users...and the independence of the regulator

A practical example will bring harsh reality to the hypotheticals that operational separation is pointed at:

Take this example of what might happen:

A competitor approaches a wholesale business unit and is told that the access product he wants to buy doesn't exist in a particular area,

Only to be then told by their **customer** it does exist ....and shown a written quote to that effect.

You could be forgiven as a customer for thinking that the competitor doesn't know which way is up.

Things compound quickly and suddenly our competitor finds he's talking about different **definitions** of products, or learns that legal action is being contemplated **against the customer** for showing the competitor the written quote that proved the product did exist.

After legal intervention, carrier to carrier, it turns out the product does exist and can be supplied – but at twice the price of original quote which includes a significant discount for the customer for a whole of business deal.

This doesn't sound like transparent, equivalent dealing to ATUG.

And what it means is that over time the choices for customers will become more and more constrained at which point prices will start to go up – first by rebates and discounts (such as the one for whole of business) being withdrawn.

Implementing an effective Operational Separation system is the task before industry – centrally Telstra – during 2006.

The industry has the structures (ACIF) and a track record of making self regulation work (customer contracts is the best, most recent example) – the question this year is does it have the commitment?

ATUG's view is that Operational Separation will be difficult to implement and administer.

However, it is absolutely essential - given the bottleneck nature of the infrastructure and services at which it is targeted and the implications for choice for end users over time.

The undoubted benefits for end users of more effective competition is why issues such as this one matter to ATUG.

It is important to understand that the developments we're seeing in Australia in the regulatory rules are mirrored globally, policy makers everywhere are taking on board the experience of the last decade, and more, in attempts to get competitive local access infrastructure in place and facing up to the reality of inefficient duplication of last mile infrastructure.

Like us, they are re-thinking the regulatory model – focusing on the bottleneck services, identifying areas of market power, seeking clearer and simpler consumer protections.

The oft cited US model is very different in that the cable networks there have succeeded in creating effective local access competition – protected by a geographic franchise that has never been part of the Australian model.

Ahead of us in 2006 are important questions:

- How effective will wireless networks be in delivering competition in high speed broadband to support voice and video applications? Will the industry facilitate interconnection of these services?
- Can mobile networks now be seen as an effective substitute for fixed networks – offering voice, video and data at affordable prices with capped plans?
- Will the emergence of triple play broadband providers – voice, video, and internet - deliver effective competition across the range of services?
- How will next generation networks be able to deliver anytime, anywhere, any content to any devices – with good quality of service?
- Will the new infrastructure and information networks promote the “integrity” of the online environment and create confidence in the user community? How do we address spam, malware, spy ware, identity theft?
- How will we support the development of a fibre network rollout? What are the implications of a fibre to the node strategy for competition?
- What are the practical effects for end users of Telstra's IP core network migration? The CDMA/3G migration in regional Australia? the new billing system developments?

The issue before us all is to find the right balance point for Australia – between innovation and investment, competition and end user benefits as the next generation networks are built out.

The importance of quality communications is well understood. The increasing availability of broadband at ever higher speeds, wireless access, and expanded mobile services are creating more effective competition than ever before.

But not yet so effective that we can junk our regulatory framework – or stand by and see it rendered ineffective in practice, indeed after an exhaustive and exhausting debate last year, the Government moved to strengthen the regulatory framework by introducing Operational Separation – they are to be congratulated for this.

The question in 2006 is do they have the determination and imagination to work with industry to implement it.

As always in the long-term interests of end users.