

This week's Opinion refers to ACCC comments on Telecommunications Competition from the Senate Estimates Hearing 15 February 2007. ATUG's summary of these comments is at

<http://www.atug.com.au/docs/ACCCHansarddoc200207.pdf>

It comes at a time when Telstra is in full swing in its attempt to have the government dismantle the competition rules which protect the long-term interests of end users against monopoly practices and prices.

In the swirl of rhetoric from Telstra about "rogue regulators" and "foreign owned 'leeches' " it is easy to forget that the framework we have in place today has delivered very significant benefits to end users and has seen good growth and profits for industry. It is flexible and provides opportunities for risk and investments to be taken into account while not losing sight of the important interests of end users.

Competition has delivered lower prices and better services for end users – but only because we have access and anti-competition rules for bottleneck services. Lower prices for mobile services are a result of competition from Hutchison/3, Optus, Vodafone and AAPT. Faster speed broadband is a result of access-based competition from many new industry players such as Internode, Pacific Internet and iiNet. Lower prices for fixed to mobile calls are a result of access pricing decisions under the competition rules.

One thing that never gets mentioned by Telstra is that end users have paid the price to enable competition. Regulation (Price Controls) has allowed Telstra to raise line rentals from around \$11 in 2000 to around \$27 in 2006 (excluding GST). As a result, call prices have come down and new entrants have come into the market with innovative services and pricing plans.

At the core of Telstra's current campaign is its belief that it should be getting an extra \$13.63 per month for access lines to cover its view of the costs of providing Universal Service. However the costs are recovered one thing is certain we cannot just accept Telstra's view of how much is involved without independent scrutiny.

The public debate at the moment is about recovering this cost from competitors who want access to the fibre network. If that fails, Telstra might start looking at directly raising line rentals for end users.

This is not a new debate – just one that was on hold while it suited Telstra. ATUG looked at the arguments last August when Telstra pulled the plug on discussions with the ACCC prior to providing an access undertaking for the proposed Fibre to the Node network

<http://www.atug.com.au/article.cfm?newsid=428&newstype=2>

Telstra said:

"It is a long-standing policy of the Australian Government to protect the interests of telecommunications users in regional and rural Australia. In its current form that policy involves imposing on Telstra a range of obligations to

supply services to those users to regulate quality standards at prices that are no higher than those we charge to consumers in the metropolitan area. We agree with that policy and we agree with the social compact that includes a national, uniform price. ...

The result of the shortfall between the low nationally average price and the cost, which exceeds the price in high cost areas, this shortfall has to be recovered from somewhere. As matters now stand, there are two sources for that recovery: One is the universal service obligation which most people know about and we can talk about more in detail. The other is through cost subsidies and both of those are part of the way that we maintain a national uniform price in this country.

The ACCC accepted the principle of a surcharge or a subsidy, but there was no meeting of the minds on the amount required. What the ACCC was willing to contemplate in terms of an amount would not have come close to covering the costs involved. In fact, in our discussions we centred in on costs that were as low as \$1.77 a month to costs that were as high as \$13.63 a month. Those are very difficult gaps to fill.....”

This is the real issue at the core of Telstra's current anti-regulation campaign. Telstra wants someone to pay an extra \$13.63 per month for access lines.

Arguments about the need for fibre broadband are really a Trojan horse for higher line rentals.

The one thing Australia doesn't need is a monopoly provider of fibre high speed broadband without any competition. Even if the Government accepted Telstra's argument, we MIGHT get network but not at prices users could afford to pay.

Australian broadband users already pay among some of the highest prices in the world according to the OECD and now Telstra wants another \$13.63 per month.

ATUG's view is that communications services and prices are too important to every sector of the economy and to all users - commercial and community - to be left to the mercy of one company.

This is the core reason we need competition policy and regulation in telecommunications. Until competition is effective in all parts of the industry and the country, government and regulators must stay focused on the long-term interests of end users and not on the interests of the shareholders of any one company. The Government should not roll back of the rules, however loudly Telstra shouts.

Infrastructure competition is the key to a sustainable environment which would reduce reliance on regulation to get reasonable outcomes for end users. Mobile services are the best example of this.

Where infrastructure competition doesn't make sense, services competition should be promoted. Access rules make this possible. Just as they are starting to work Telstra wants the rules wiped out.

Telstra's proposal is one way to plan Australia's fibre future. But there are other models to consider.

The G9 proposal should at least see the light of day before Telstra's views are accepted. The G9 carriers are discussing their proposed fibre to the node network investment with the ACCC, providing information on their infrastructure model, financing and proposed access arrangements. The goal is to lodge a special undertaking in the second quarter of 2007.

Another approach to delivering high speed broadband to Australia without having to wipe out competition would be for the Government to expand Telstra's licence conditions to make sure the fibre network was in fact rolled out as promised, that access was provided to competitors and at prices truly equivalent to the prices charged to Telstra's own retail divisions.

The last thing we should do is to roll back competition – this will put further benefits to end users at risk. This would truly make Australia a communications backwater by taking our policies back to pre 1990s days. That's where Telstra's BACk campaign will take us. What we need is a PACT campaign – Protect Australia's Competitive Telecommunications.

No doubt ATUG 2007, 7-8 March, in Sydney will see more lively discussion on these important issues <http://www.atug.com.au/atug2007.cfm>