

ATUG Opinion - ULL and Fibre to the Node discussions

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ATUG has been watching developments on discussions about Telstra's proposed Fibre to the Node plans and undertakings on ULL pricing. Both of these decisions have important ramifications for competition and innovation. And because of that, for end users and choice.

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.

The message from ATUG members is that the importance of competitive and innovative communications services is going to grow, and that's why end users are as keen as ever to ensure their voice and their perspective on the issues of the moment are heard.

ATUG has been at the coalface of competition in telecommunications for 25 years this year - always focused on better outcomes for end users, driven by a more effective, more competitive industry if possible and by regulation only if needed.

In heat the current debate, it's useful to take a moment to check whether competition has been good for industry and end users. To question whether we should continue to support competition as the centre piece of our policy framework or, as some suggest, forget competition and focus on promoting new investment.

The facts are that competition in telecommunications services has delivered very significant benefits to the economy, the industry and end users since 1997. The most recent estimate is \$12.4 billion worth of benefits according to the Australian Communications and Media Authority's annual report for 2004-2005.

BUT it is also true that by comparison with developed countries in the OECDAustralian business and residential users are still paying top dollar for communications services. And certainly receiving less value if broadband speeds are put under the microscope. So, any suggestion that we can replace competition as our policy centrepiece for telecommunications is wrong!

In terms of industry development, ACMA's Annual Telecommunications Performance Report shows that 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.

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

And that is the balance we need to keep in mind in 2006. ATUG agrees we need what the new technologies can deliver – IP, 3G, fibre, wireless and broadband - but not at the expense of competition.

In fact, 2006 should see an even more effectively competitive market delivering more innovation - 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 2005 regulatory package strikes a balance between industry and end users, between innovation, investment and competition, with good consumer protections and flexibility to deal with future developments. No-one got everything they wanted but no-one felt that their core concerns had been overlooked.

It is easy to forget that a workable balance between very diverse interests was achieved in 2005 – particularly easy when current discussion is not open to proper public scrutiny.

The other point for ATUG is that the framework has been committed to until 2009, for the very important purpose of providing regulatory certainty – which is not the same as industry players being guaranteed the outcomes they want.

Competition, investment and consumers are protected by the current package and ATUG is pleased to see Minister Senator Coonan's determination that the package should stand as is until the agreed review time of 2009.

For ATUG, the regulatory framework is still supposed to be about the long term interests of end users...and the independence of the regulator, not just the investment aspirations of some players. There is plenty of scope within the framework for such claims to be assessed and addressed in open consultative processes.

Suggestions that regulatory decisions are best taken out of public gaze and by Cabinet, rather than the regulator, have the potential to undermine the effectiveness of the regulatory regime. If it's ULL today – will it be mobile termination tomorrow and wireless interconnect the day after?

Ahead of us in 2006 are important questions and it is essential that the regulatory framework that is in place is allowed to work as intended.

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.

After an exhaustive (and exhausting!) debate in 2005, the Government moved to strengthen the regulatory framework and introduce Operational Separation – they are to be congratulated for this. The question at the moment is do they have the determination and imagination to insist that industry focus on implementing the package, not changing it.