



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

ENVIRONMENT, COMMUNICATIONS, INFORMATION
TECHNOLOGY AND THE ARTS REFERENCES COMMITTEE

Reference: Performance of the Australian telecommunications regulatory regime

THURSDAY, 14 APRIL 2005

DUBBO

BY AUTHORITY OF THE SENATE

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SENATE
ENVIRONMENT, COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS
REFERENCES COMMITTEE

Thursday, 14 April 2005

Members: Senator Cherry (*Chair*), Senators Mark Bishop, Conroy, Lund, Tchen and Troeth

Participating members: Senators Abetz, Allison, Bartlett, Bolkus, Boswell, Brown, Buckland, George Campbell, Carr, Chapman, Colbeck, Coonan, Crossin, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Harradine, Humphries, Knowles, Ludwig, Mason, McGauran, Nettle, O'Brien, Payne, Robert Ray, Stephens and Watson

Senators in attendance: Senators Conroy and Tchen

Terms of reference for the inquiry:

To inquire into and report on:

- (1) Whether the current telecommunications regulatory regime promotes competition, encourages investment in the sector and protects consumers to the fullest extent practicable, with particular reference to:
 - (a) whether Part XIB of the Trade Practices Act 1974 deals effectively with instances of the abuse of market power by participants in the Australian Telecommunications sector, and, if not, the implications of any inadequacy for participants, consumers and the competitive process;
 - (b) whether Part XIC of the Trade Practices Act 1974 allows access providers to receive a sufficient return on investment and access seekers to obtain commercially viable access to declared services in practice, and whether there are any flaws in the operation of this regime;
 - (c) whether there are any structural issues in the Australian telecommunications sector inhibiting the effectiveness of the current regulatory regime;
 - (d) whether consumer protection safeguards in the current regime provide effective and comprehensive protection for users of services;
 - (e) whether regulators of the Australian telecommunications sector are currently provided with the powers and resources required in order to perform their role in the regulatory regime;
 - (f) the impact that the potential privatisation of Telstra would have on the effectiveness of the current regulatory regime;
 - (g) whether the Universal Service Obligation (USO) is effectively ensuring that all Australians have access to reasonable telecommunications services and, in particular, whether the USO needs to be amended in order to ensure that all Australians receive access to adequate telecommunications services reflective of changes in technology requirements;
 - (h) whether the current regulatory environment provides participants with adequate certainty to promote investment, most particularly in infrastructure such as optical fibre cable networks;
 - (i) whether the current regulatory regime promotes the emergence of innovative technologies;
 - (j) whether it is possible to achieve the objectives of the current regulatory regime in a way that does not require the scale and scope of regulation currently present in the sector; and
 - (k) whether there are any other changes that could be made to the current regulatory regime in order to better promote competition, encourage investment or protect consumers.
- (2) That the committee make recommendations for legislative amendments to rectify any weaknesses in the current regulatory regime identified by the committee's inquiry.

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Committee met at 9.49 a.m.**CALDBECK, Mr Jeffrey John, General Manager, Dubbo City Development Corporation Ltd**

ACTING CHAIR (Senator Tchen)—I open today's inquiry into the telecommunications regulatory regime and welcome everyone here today. The committee is a little bit light today because other members have other engagements, but Senator Conroy and I can assure you that the quality is not diminished in any way. This is the third day of hearings. The committee met to hear evidence on Monday in Canberra and yesterday in Sydney, and it will be hearing further evidence later in Townsville, Melbourne and Perth. The reporting date for this inquiry is 23 June 2005. Copies of today's program and terms of reference for this inquiry are available from the secretariat staff, and published submissions are on the committee's web site. In accordance with our usual practice, the transcript of today's proceedings will also be available on the committee's web site.

For the benefit of all our witnesses today, I point out that the committee prefers all evidence to be given in public. But should you, at any stage, wish to give your evidence, part of your evidence or answers to specific questions in private, you may ask to do so and we will consider your request. I note also that, after the last witnesses on today's program have finished giving evidence, we have allowed half an hour to hear from anyone who would like to make a short statement about matters that are relevant to the inquiry. If you wish to do so, please register your name with the secretariat staff so that Hansard has your details and we can call people in an orderly manner. I now welcome our first witness, Mr Caldbeck. Thank you for giving us your time today; it is much appreciated. You are reminded that evidence given to the committee is protected by parliamentary privilege and that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. I now invite you to make an opening statement. I know you do not have a written submission, but we look forward to hearing your comments. We will then move to questions.

Mr Caldbeck—Thank you for the opportunity to address the Senate committee. I represent Dubbo City Development Corporation, which represents the business and economic development unit for the city. Dubbo is a city of 40,000 people. We have a strong business community and a strong small business community, in particular, that grows. Telecommunication is obviously of paramount importance when one lives regionally and remotely from the major capital cities because it adds a burden, obviously, of extra cost to any sort of service delivery from the high cost of telecommunications, particularly in phone services and especially for STD charges.

I will talk briefly about that and also the issues with ADSL and the proliferation of broadband throughout regional Australia, in particular in regional Orana, and the impact that has on opportunities for potential business exporters. The corporation holds a contract with the federal government for TradeStart services, so we are well aware of the issues with exporters or potential exporters needing access to not only the Australian market but also to the world market as such. They find that idiosyncrasies or unequal levels of service delivery can jeopardise any sort of sustainable exporting.

One example is the mining community in Lightning Ridge. We service that area through our TradeStart adviser. Without the broadband widths and service delivery there, a lot of the miners would not have the opportunity to promote and market their products on the web. Obviously there is a need to provide written statements or statements that indicate the value of the gems that they are selling et cetera, and that all takes bandwidth. It tends to muzzle their operations as such. Whilst Lightning Ridge does have ADSL, there is a limit to that, as you are aware.

The new generations of technology are obviously of paramount importance to people who wish to market and promote their product on the web. I suppose from the corporation's point of view, we would like to see an openness within the register providing access to cable, for example. Fibre exists at the moment. You may or may not be aware of the issues around black cable and where it has been laid and then not been identified except for the organisation that laid that cable.

But when we talk about other forms of technology such as cable against wireless, a wireless operator could come in to provide a service in a particular area only to be outgunned by the fact that cable was already installed and is now operational—switched on. So those are some issues that we would like to see resolved that are more to do with more transparency in the availability of access to where this infrastructure is actually laid. For example, we believe that in some areas of Dubbo cable has already been laid into some housing estates, but access to that information is not readily available.

Obviously, the cost of providing telecommunications infrastructure is quite high. We do choose to live in this regional area although in places like Dubbo, for example, there are idiosyncrasies when we are talking about broadband or ADSL whereby certain parts of the city cannot actually have ADSL services. I have had experience with people from regional towns who have moved into a particular part of Dubbo and do not have access to ADSL yet have come from what one would call a small town of, say, 4,000 people and had ADSL there. So it seems quite ludicrous that you could move from Coonabarabran to Dubbo and have ADSL in Coonabarabran but not in Dubbo because you moved into a particular suburb within the city. I live in one of those suburbs—I cannot get access to ADSL yet in my office downtown I can. So I suppose all the bush is asking for in real terms is a fair go and equality of service delivery. I know it takes time to roll these services out. Country people are eternal optimists; we are going to wait and we are used to waiting. If we are talking about T3 we would probably like to see things brought up to scale before there were any thoughts of that happening.

The other issue, I suppose, has to do with the poor quality of the infrastructure at times. We have anecdotal evidence in the corporation whereby people have had multiple dropouts in their internet service delivery, which then obviously adds to their bill, which could increase by at least \$2 or \$3 a day because of local call charges equating to at least 10 or 12 dropouts per session. Also, when you go outside of the local call rate and you go into things like ISDN you have issues where people are not logging on. They have the service but they do not log on because of the high cost of the service delivery. So that seems a bit ludicrous as well.

In closing, I would like to raise the issue of HiBIS. As you are aware, the Department of Communications, Information Technology and the Arts has a HiBIS scheme for infrastructure development. I suppose the corporation would look at areas remote from Dubbo—the regional country towns where the opportunity might come up for an upgrade to the local exchange under

the HiBIS scheme or the payment of a wireless operator to set up a tower to service an area within a 30-kilometre radius as compared to 4.5 kilometre distance from the exchange. I suppose there needs to be some transparency on service delivery there. Who would get it if both applications were lodged at the same time?

Thank you so much for the opportunity to make a presentation. I am not here to bash the service delivery. All I am saying is that we would like to see equality of service delivery across not only Dubbo but the region. It is important: business does have to operate and you will hear from witnesses how business battles with that.

ACTING CHAIR—Before I call on Senator Conroy, I note in your statement that you said you are not here to ‘bash’ anybody, but can you tell the committee how you feel about the level of service that Dubbo is now receiving and whether you find it satisfactory. Can you enlarge on that a little?

Mr Caldbeck—Obviously, there are multiple service deliveries, but we do not have the range here. In fact, especially with regard to internet services, we tried to make contact with industry—we tried to make contact with as many service delivery organisations as we could—and we found that there were only two or three located here in Dubbo, which means that there is a remoteness issue. There is a Sydney sign-up type thing. I would suggest that, if some of the city has ADSL and some of the city does not—and I know there is a cost to upgrade exchanges—it is unacceptable because home based businesses in those particular areas, such as where I live, cannot operate effectively. I am aware of one business that had to relocate because it could not get the service delivery.

ACTING CHAIR—Is Telstra the only service provider in Dubbo or are there other operators as well?

Mr Caldbeck—There are multiple service deliveries but probably not the plethora that Sydney or Melbourne experience.

ACTING CHAIR—Do you know of any instances where Telstra or any of those operators may have behaved in an anticompetitive manner?

Mr Caldbeck—I could cite a case that I personally took on board for a client of the corporation, who asked for assistance. The gentleman was relocating from Coonabarabran to Dubbo. He was with Telstra for his ADSL. He had identified a house in Dubbo to move into and had an address, and Telstra provided a telephone number for that residence. He had indicated that if he did not transfer the service with Telstra from Coonabarabran across to the new residence in Dubbo then he would be obliged to pay out the full contract. That was fine.

The problem was that he could not find out from Telstra whether there was a service delivery to his new house. So we took the matter on board for him. I personally rang Telstra and they asked for the street number and the telephone number, which I gave them. I asked whether a service delivery was available. I was told, ‘We believe it is.’ I said, ‘Does that mean a yes or a no?’ They replied, ‘If you are willing to continue with this call and sign up, we will tell you whether it is available.’ I have a witness to that conversation. It gives you an indication that it was somewhat of a game and that if I wanted to go further then I would have been told whether

the service was available, but by then I had already signed. I know there is probably a cooling-off period or something like that. But the attitude was a bit deceptive.

ACTING CHAIR—Was that Telstra Country Wide?

Mr Caldbeck—It was whoever we rang on behalf of this gentleman in connection with the service delivery for his broadband service.

Senator CONROY—I am interested in the client you mentioned earlier who had to relocate because they could not get a level of service. Are you in a position to tell us the name of the company?

Mr Caldbeck—I would prefer not to, but off record I could. I would rather check with the client.

Senator CONROY—That is fair enough.

Mr Caldbeck—The corporation is under a confidentiality agreement.

Senator CONROY—That is quite all right. Will you take us through in detail what happened? Did they decide to establish a new business, or were they moving and suddenly realised that they could not move there? What was the detail?

Mr Caldbeck—It was a home based business that really needed fairly substantial bandwidth to operate. Because of the inability for ADSL services to be provided, this family—both husband and wife worked in the business—relocated to Wollongong. It was not only because of the inability to access broadband services—but it was a contributing factor—that the two of them made the decision to actually relocate to Wollongong and set up there in a suburb where they received broadband. They could have gone to a different suburb in Dubbo and been able to receive it.

Senator CONROY—Is there any explanation as to why some suburbs cannot receive broadband?

Mr Caldbeck—It is because of the RIM upgrade that needs to happen. Basically as you progress out from an exchange the RIM has to be upgraded.

Senator CONROY—Have they given any indication when they are going to finish the upgrade?

Mr Caldbeck—I had another gentleman ring me about that. We had just undertaken a telecommunications survey throughout the region and this gentleman rang me regarding service delivery. He rang a service delivery company—not Telstra but another company—and was told that he was in line to get broadband in 2008.

Senator CONROY—You talked a little about the quality of the internet and indicated that many of your clients have suffered multiple drop-outs.

Mr Caldbeck—Yes, they suffer multiple drop-outs using dial-up. I go through it in my own home. One of the last things I ever want to do is get onto the computer when I go home, but I do do it at times. You are not aware of those drop-outs. The machine will basically drop out, redial and reconnect—it is seamless in a way until you get your account. I know with the corporation itself that we moved from that dial-up style of internet service delivery to ADSL when it became available and reduced our telephone bill down to zero because we did not need it anymore. That is the other good thing: the issue of having to have two telephone lines for a consumer in a residential house is now extinct because ADSL sits on top.

Senator CONROY—You said that many of your clients have experienced this problem.

Mr Caldbeck—I can tell you that one particular client, a family, would wait until Saturday and then the whole family would do half an hour of internet. Basically it is a case of ‘do not touch the internet’ for the rest of the week because of the high charges because they are on ISDN. As such, they sort of splurge on Saturday and that is it. Business complains bitterly about this.

Senator CONROY—It is hard to run a business if you are dropping out all the time.

Mr Caldbeck—Correct. So the issue is there. I suppose one of the understated quantifiables is the amount of small home based businesses that we have. Sometimes they are a bit slow to come out and put their hand up to say that they are actually working from home because (1) they could be in contravention of a building code or (2) they might be doing it on the side as such.

Senator CONROY—A couple of weeks ago you might have seen the CEO of Telstra, Ziggy Switkowski, indicating that he believed Telstra’s services were world-class. Would you like to send a message to Mr Switkowski?

Mr Caldbeck—All I would suggest is that my readings and the research that I have undertaken—and the company that we are in partnership with on a project that we are doing in this region—indicate that Australia is obviously at a higher level than some of the nations of the world but a lot lower than some of the highly economically developed countries in the world, such as the US and the EU. Take, for example, the use of power lines for internet service delivery and the issues of VOIP telephone calls. Around 30 per cent of the telephone calls in the world now are VOIP. Yet, of our clients and the members who we interact with, very few use it in regional New South Wales.

Senator CONROY—I want to come to the question of the variety of services; you mentioned this in your introduction. In the submission of the Small Enterprise Telecommunications Centre Limited, SETEL—you may have heard of them—they noted that commercial activities to date have seen too many new service offerings limited to metropolitan areas. Would you agree with that statement?

Mr Caldbeck—As a general rule I would. Telstra, in their defence, have initiated new services—Xband et cetera—across other mediums. But, obviously, the biggest issue for remote and regional Australians is the choice between satellite—which, again, is inherently faced with issues of cloud and things like that—and wireless technology. I strongly support wireless technology from the point of view that the infrastructure development costs are far less than for

cable. We have Dubbo City Council on the corporations board, and we have had discussions with the general manager of council about whether they would be interested in putting in the conduit on new subdivisions for at least, say, cable so that new subdivisions would be classed as being ADSL capable in years to come. Obviously, the introduction of sustainable wireless services supersedes all that need for infrastructure development. Therefore, it is probably a far better option for regional and remote areas, given the issues with satellite.

Senator CONROY—We had a presentation last night in Sydney from an organisation called Unwired, who indicated that they have plans to expand into regional Australia over the next 12 months or two years, so you may see that technology finally coming available to you.

Mr Caldbeck—The big issue there has been—and we have had contact from several operators in the wireless field—the backhauls out of remote areas to Sydney and the availability of alternative supplies on backhaul. It is only just recently, with the introduction of companies such as SPTel with backhaul, that wireless operators are getting their confidence level up that they are not going to be subjected to any issues by having an alternative choice.

Senator CONROY—It is that issue about confidence level that I want to go on to. You have mentioned black cable—I am not familiar with that particular expression, so I was hoping that you would expand on it a little.

Mr Caldbeck—My understanding is that black cable is where cable has been laid but it is not available to the market because it is not connected. Once it is connected it becomes available, and it is then open to the market, as you are aware, under the Telecommunications Act.

Senator CONROY—Is it Telstra that is laying black cable?

Mr Caldbeck—It has been a combination. There has been quite a lot of cable laid. You may have had states where developers have laid cable in anticipation of technology advancing. I would not say directly that it was only Telstra, put it that way, but I am aware that there are certain areas where black cable exists. The technology in the industry, I suppose, makes it aware that the cable exists, but it is not publicly available as yet.

Senator CONROY—Why would they not bring it online as soon as they have laid it? Don't they think that there is the demand for it?

Mr Caldbeck—For reasons of service delivery, I suppose, or demand.

Senator CONROY—We have had many submissions now from the smaller providers, and one of the great complaints is about this certainty issue you raised earlier, where, if they announce they are moving to roll out a particular product in a particular area, Telstra immediately follow them into the area and try to do them over with cheap specials. Yesterday, we were told about a \$2.95 special offer for the first six months of a broadband service. Is that a practice that you have seen here?

Mr Caldbeck—I am not totally aware of that; people do not come to me and say that. But I am aware that, on the issue of backhaul again, the fibre back route back to Sydney, for example, has not been available in the options of service providers. I think that is what you will find: there

will be more of a comfort level with service providers. I am aware, and I have been told anecdotally, of service providers paying Telstra in excess of the \$29.95 the service provider is advertising and hoping to pick it up on the alternative services that they deliver. That has not come from the company; that has come from—let us call it—gossip.

Senator CONROY—You mentioned that you are a contractor to the government for trade advice and TradeStart. How important is it for these broadband services to be available for small businesses in your area to be able to become export competitors?

Mr Caldbeck—It is a critical issue. Whilst the federal government provides Austrade services overseas through the embassies and consulates, not only is communicating from here in Dubbo with our TradeStart adviser to the companies or potential exporters important but also, once they have established their export market, being able to communicate with their market is so critical.

Senator CONROY—So this really holds back the region.

Mr Caldbeck—I think it just inhibits its ability. We have had the contract now for three years and we have signed up 34 new exporters under the program, which is quite rewarding and quite exciting. The range and diversity of those exporters has been quite remarkable. But there are obviously inhibiting factors because other people have not actually done it. That is because telecommunications, or especially telephone, as a medium is quite expensive. If you said to someone at Lake Cargelligo who makes hospital beds that they need to be able to ring Hong Kong, they will say: ‘The cost to ring Sydney is bad enough. I’m not going to ring Hong Kong.’ So email and internet services become so critical because of the high cost of offshore phone calls. But the introduction of technology such as VOIP would provide a whole new service for those people, which would be quite remarkable if it can happen.

Senator CONROY—Has VOIP not arrived or are you not aware of it being prevalent here?

Mr Caldbeck—No, it is here. I am saying that it is technology that has not really been embraced effectively here because of whatever—ignorance, arrogance, people saying, ‘I’m fine’ or ‘How do I do it?’ There probably needs to be a lot more education to make a more effective service delivery. But I would suggest it is the way of the future, to keep costs as low as possible for business. If it is a good service delivery then it is a great medium that should be explored fully.

Senator CONROY—Many of the submissions that have been put to us are concerned about the regulatory regime that will be in place and whether or not it will be sufficient to cope with a company the size of Telstra once it is fully privatised. A lot of the submissions have centred around whether they will be able to get a fair go up against what they have described as the 600-pound gorilla. Given your experiences with Telstra as it stands at the moment, do you think there is a need to increase or improve the regulatory system to guarantee that you can get competition in regional and rural areas to increase those services and keep those prices down?

Mr Caldbeck—Speaking personally, I believe that Telstra Country Wide in this area and probably in the rest of Australia—but I cannot talk about that—attempts to provide the best it can with what it has got. Obviously there are people in the bigger scheme of things who are the regulators of price control and service delivery within the Telstra organisation. I would suggest

that as an organisation the local guys who live in this community try to do the best for us. I would say that there are some issues obviously that the general public has with Telstra's management.

Senator CONROY—The view that it provides world-class services might be something you could take up.

Mr Caldbeck—It could be questionable.

ACTING CHAIR—Mr Caldbeck, I have some questions. Earlier when you mentioned HiBIS operating here you raised a particular concern about it. I wonder if you could actually expand on your experience of HiBIS and on whether you think it is the right way to go so that it will deliver what a provincial city like Dubbo and the regional area around it need. Perhaps you could also expand on what you feel are the particular concerns associated with it.

Mr Caldbeck—As you are aware, HiBIS is a scheme that provides infrastructure. My understanding is that 60 or 70 per cent of the HiBIS funding can be through Telstra as a registered supplier and that the other 40 per cent or so can go to other service delivery. If it is not expended totally, Telstra can actually have access to the additional 40 per cent. What it means on the ground is that people can have a tower and actually receive satellite downloads if they are outside the range of standard ADSL service delivery. I know there are some wonderful things in the offing, but at this point in time 4.5 to five Ks extends the limit of an ADSL type of delivery and then the RIM has to be upgraded to actually get the additional distance. HiBIS is a very important tool for regional Australia, particularly this area. It is not as good as ADSL service delivery, but it is better than dial-up. It has better service delivery than dial-up once you can have satellite downloads.

The concern we have is to do with the emerging opportunities that exist for wireless operators—and they include Telstra if it wants to get into that game as well. The wireless operators would obviously try to access funding through HiBIS. At the same time, Telstra would try to access funding for exchanges that had not been upgraded to ADSL. I suppose there will come a time when there will be a competition on whether or not there should be HiBIS money for a tower to provide 30-kay radial distance delivery or an exchange that provides 4.5-kay radial distance delivery. I suppose I am raising issues and concerns that should be looked at because the HiBIS bucket is not unlimited. The government has put it in place, and while it is an excellent scheme it is not unlimited. A proliferation of wireless operators could see the funds go quickly.

ACTING CHAIR—Earlier I asked you whether you knew of any instances of anticompetitive behaviour, and I thank you for your answer. There is another type of anticompetitive behaviour between operators. This committee has heard on a number of occasions that quite often one operator moves into an area proposing to develop a certain service and the next thing you know another operator has suddenly come in and dropped their price or announced that they will be providing a service as well. In fact, a witness said to us that with a small country town, for example, the best way to actually get Telstra to come in and provide some service is to get Optus or some other operator involved. Can you throw any light on that from your experience?

Mr Caldbeck—Today I was really addressing Dubbo and some parts of the export work that we are doing throughout the region. I would suggest that today you are going to talk to people who would have far more direct information. They are from regional organisations that actually cover the 13 shires within the region. So I would have to answer that, whilst I am aware of it, I could not particularly quote a case.

My understanding of Dubbo per se is that it is such a large market that we have a proliferation of other companies that actually compete strongly in the marketplace here. It is far different in regional towns, where Telstra may be the only service provider, with maybe one other. I think that people here today will give you advice as to that. I am not trying to get out of your question. I am not as qualified as the other regional people are to provide that information to you.

Senator CONROY—I have a final question. Many of the submissions have argued that the USO should include broadband, with a minimum speed and quality. Do you have a view on that?

Mr Caldbeck—If I look at the US, the EU, Japan and Singapore then I would say yes. In Australia we should be entitled to a minimum service delivery for internet services.

Senator CONROY—Thank you very much.

ACTING CHAIR—Mr Caldbeck, thank you for your time today. I draw your attention to the fact that the minister recently announced not so much an inquiry but that the department is seeking views and discussions on the telecommunications regulatory regime. A lot of people in the public are not aware that what the government does and what the parliament does are not always the same thing. Even though the submissions to this inquiry are available to the government department, it is up to the department whether they use them or not. Since you were good enough to give evidence to us, could I encourage you to look at the possibility of looking at that discussion paper and perhaps making your views and your experience known to the department as well. That particular inquiry closes on 5 May, I think.

Mr Caldbeck—I have a copy of that. Thank you very much. I appreciate your confidence that I could give something positive to that inquiry.

ACTING CHAIR—I am sure you can, and you have to this committee.

Mr Caldbeck—Thank you very much.

[10.27 a.m.]

KNAGGE, Mr Joseph Patrick, Chief Executive Officer and Director, KNet Technology Pty Ltd

ACTING CHAIR—Mr Knagge, thank you for giving us your time today. It is much appreciated. You are reminded that evidence given to the committee is protected by parliamentary privilege and that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. I note that you have made a written submission to the inquiry, which we have numbered submission No. 10. I now invite you to make an opening statement before we move to questions.

Mr Knagge—We are an IT company located here in Dubbo and also in Orange. We have been established for almost 10 years. We have a staff of 16 and we are one of the biggest IT companies in regional Australia. I think it is sad in itself that it is such a small business in the IT and communications industry, which is the fastest-growing industry in the world, and that we do not have bigger companies here in regional areas.

My particular concern in your terms of reference is to do with item (g), which is in relation to the universal service obligations, about whether the USO really offers protection for reasonable telecommunications services and has a way of covering changes in technology in the future. That is something I believe that the USO does not have. There is no protection for new technologies to be implemented, particularly in regional Australia. Everything that I would like to talk about, at the least in this opening address, concerns regional Australia and not our capital cities.

We are talking about technology, and technology changes rapidly. For example, my company hosted a technology seminar in Orange yesterday and we have one here this afternoon. We try to put those on for our clients a couple of times a year, just to keep them up to date with the technology that is changing and new opportunities for their businesses to increase their performance or even to remain competitive, especially when they are competing in the marketplaces of Sydney competitors, such as my company. At the moment we are talking about technology in relation to telecommunications, particularly to broadband. While we are seeing the roll-out of ADSL services, say, in country towns and regional centres such as Dubbo, in capital cities like Adelaide, Melbourne and Sydney they are talking about ADSL2 and ADSL2+—speeds 10 times faster than ADSL. With ADSL2+, we could be looking at speeds of up to 25 megabits per second by the middle of 2006.

ACTING CHAIR—Is that the download speed?

Mr Knagge—Yes, I believe so.

ACTING CHAIR—What about the upload speed?

Mr Knagge—I am unsure. Quite a bit of information is coming out at the moment on the internet and in the IT and communications media relating to these developments. It is quite exciting. To have access to that technology, equipment in telephone exchanges needs to be

upgraded. Where there is a profit, in the capital cities, that has been implemented. You can see that it is all money driven, and so it should be in a competitive world. But, at the same time, I believe Australia is unique in our geography and in some of the problems we have. During this century, as there is a population explosion in the capital cities, those problems will be exacerbated. We are already seeing stretched resources in Sydney and growth along the eastern coastline. How do we get people into country and regional areas?

There is a lot of focus at the moment, in places around Dubbo, for example, on primary industry and those industries that might value add to primary industries. The infrastructure focus is on road and rail and transporting those goods to our ports. To grow and to move the population out here, we have to look at other industries, like IT and communications, financial services and business services, and at growth in the services industry. The only way we will get industries and employment opportunities out into country areas is by offering a new type of infrastructure, which is telecommunications. If we cannot have the very latest telecommunications and communications services, such as those being offered by the latest broadband products, we are not going to promote those industries to establish themselves in regional Australia. Problems with resources along the coastlines and in the capital cities are going to continue to grow.

I am addressing this Senate committee and the government to say that, as government, you have a commitment to the communities, to the people, of Australia to look into the future, to see those problems coming and to attempt to solve them. We are talking about telecommunications and regulations, but I believe it is a much bigger picture you should be looking at, and I want to stress that. I want my business to grow, and the only way we can grow is through the promotion of industries such as ours into country areas. We invest a lot of money in training young engineers to work on computer networks, to work with this sort of equipment. It is difficult to source good young people. We spend a lot of money on training them, and they are usually headhunted into, mostly, Myclient type sites because of their desperate needs for skills. There needs to be a lot more work into that area. When we start talking about privatising the remainder of Telstra, I see that as a backward step from what I am talking about. Our difficulties would increase, and I am very much afraid.

The staff in our company are just like our family. I am really keen to protect that and I can see that, in five to 10 years, if I do not have access to the very latest technology, then I will no longer be able to compete in the marketplace I play in, which includes the Sydney market, and I will need to move my business to Sydney. I just do not want to do that. I have always lived in regional Australia. I love regional Australia and so do all of our staff. I do not want to be faced with a move to the city, and that is why I am here today. On the matter of Telstra, I worked for Telecom for 18 years. I am not here to bag Telstra. They are a very good organisation. They have extremely dedicated staff. I think they are somewhat underresourced, especially in relation to the uniqueness of regional Australia.

ACTING CHAIR—You think it should be a 700-pound gorilla rather than 600 pounds!

Mr Knagge—I worked for Telecom back when it was a much bigger work force—over 100,000 people—but we were replacing manual telephone exchanges and rolling out huge amounts of cable, which has put us into this situation now where, I guess, somebody is looking to make some big profit out of all that work that was done and that investment that was made with taxpayer dollars at that time. At that time you did everything you had to do. It did not

matter what it cost to get a subscriber on with the latest telephone. Big money was spent and rightly so. At the moment, the Telstra staff that I know in regional Australia still have that same dedication. They will go out there and they will try to get the very best service for their customers, but I am fearful that there will be further reductions in staff numbers in country areas and maybe we will get a different type of work force under a private company and everything will be focused on that dividend for the owners of the private company—and so it should be.

How do you force a private company to put in services where they cannot hope to make any money? You are not coming to my company and telling me to go out and sell a computer at 50 per cent below my cost. I am not going to do it—I would have to shut the doors. I do not believe that any government organisation can do it to any great extent to any private company. I believe that Telstra and their staff are dedicated at the moment because they still are offering a public service and they still are public servants. I believe that it is in the interests of business in regional Australia that that is how it remains.

ACTING CHAIR—Thank you for that evidence. You were talking about USO. Essentially, USO as it stands is framed to ensure a voice transmission service is available. This committee has heard evidence suggesting that that is really an outdated idea because voice transmission is a thing of the past, even though at the moment it comprises a very large proportion of the traffic. We heard that the USO definition should be expanded to include other types of service capabilities. Is that what you were driving at?

Mr Knagge—The universal service obligation does have some provision for data services. There is a fair bit of talk there are about ISDN. I have not seen ADSL mentioned anywhere. I think the government regulation at the moment is for 14.4 kilobits per second, although I think Telstra treats it more like 19.2. But my biggest concern is the protection of new technology and how you ensure that new technology is rolled out. In its present form the USO, including the data services, is a very good example of that. We are talking about 14,200 bits per second as a guarantee, and I am talking about services that will be available in Adelaide in mid-2006 at 25 million bits per second. That is a huge gap. I worry about the difference in fuel prices around here in paying the overheads, but that difference in the guaranteed speeds of technology is enormous under the USO at the moment.

How do you guarantee something under a USO? I do not even know if it is possible. I do not think it is. You would need to keep it fairly wide. You could say something like: as new technologies are implemented that offer a competitive advantage to a business in a capital city, those technologies should be implemented into regional centres within 18 months and all country towns within two years. I am talking about a USO like that under the present format of Telstra, not under a fully privatised telco.

ACTING CHAIR—The USOs, you understand, are not limited to Telstra. They are open to other operators as well, but no-one wants to bid for them. What I am getting at is that at the moment the USO actually specifies a base level, a minimum supply. If Telstra actually go about that, much credit to Telstra, because if you have a lower limit people tend to stick to the lower limit. That is really a problem, because what technology can now supply and what the market requires is much higher than that. But once you put something in statutory form it is a contract that stays there until it can be changed. One possibility would be to not have these types of

figures in there, and have some other way of describing the USO so that it can move with the times, as it were. Do you see what I am getting at?

Mr Knagge—Yes.

ACTING CHAIR—If that is the way, how would you phrase such a USO?

Mr Knagge—In commenting on Telstra achieving above what is recommended in the USO at the moment, it is a fairly easy thing to do when that guarantee of speed of 14.2K is so ridiculous anyway. How do you guarantee something? You have got to get away from figures, certainly. I have noticed that the USO, when it gets down to it, really talks about the amount of loss on wire over distance and that sort of thing, and you really tie yourself down. You cannot tie yourself down, especially in a government regulation sense, because technology is light years ahead of the time it takes to make a decision in parliament compared to the time it takes to make a decision in an R&D section of an IT company. How you do that I do not know. I honestly do not believe that it is possible.

That is why I keep coming back to the point that Telstra should remain in majority government ownership. It is performing at the moment in that eventually we are getting services rolled out. But I think it is only because of the pressure applied by the government, by the people. That is why we are achieving that at the moment. At least we have got some services out here. I addressed, with a group of people, on behalf of a business organisation, the last Senate inquiry here in Dubbo, which was an inquiry into the privatisation of Telstra. I think as a result of that inquiry we suddenly saw services really being rolled out at a much more rapid rate out here. I congratulate all the senators from all the parties on that committee for that work. Undoubtedly, because of the people standing up, our voice was heard. Even though we are still waiting for services here in east Dubbo, we have got services even at Bourke—broadband in Bourke. If that inquiry had not been held, if the senators had not acted, I do not think that would have happened. Again there is an opportunity here, and that is why I present myself here today and give up my time. I think that committees like yours do achieve things.

ACTING CHAIR—I think Senator Conroy was smiling out of embarrassment rather than pleasure.

Senator CONROY—Could you tell me about the sorts of technological applications that you recommend to your clients and why the level of broadband and telecommunications is so critical to actually being able to deliver them? I will talk about them in a second, but I am hearing about all these extraordinary applications that can be used, particularly in regional and rural areas around the world. I just wanted to try and get an understanding of the sorts of services you provide.

Mr Knagge—I have a customer at the moment in Douglas Mawson Road in Dubbo. It is only a couple of kilometres. It is a whole industrial area. Believe it or not, they are just a couple of blocks down from the Telstra depot, so the Telstra depot, I guess, does not have access to ADSL either. At the moment they just have a modem and a dial-out. They download their mail. It is a fairly basic system that works for them, but they have a mobile work force and they want to be able to access their server from their homes and even from mobile devices on laptops when they are out on site. If we could get them ADSL broadband they could have email delivered to their

desktop. They could connect to the internet from anywhere and connect to their server, access their mail and databases, and leave messages. They would become a more efficient business. It would allow them to expand their business, geographically, into markets in other towns—anywhere where they can get internet access. But until they get that ADSL service, they really cannot afford it. There is an extra cost if you want to get satellite—there is an extra piece of equipment—and they are holding back and waiting for those cost savings. ADSL presents some very good plans at the moment for unlimited downloads as such.

With the whole new BlackBerry technology—the mobile devices where you have your phone and email right there with you—you can run a business through your IT and open up new markets. It should be the case that you should not have to operate out of Sydney. You should be able to operate anywhere within Australia and have the opportunities of new industries, businesses and employment growth. But it is all built on the ability to access that technology. It is no good having the latest server with the latest network operating system if we do not have an efficient and effective connection to the internet.

Senator CONROY—I have been talking to some people in the last few days, as I mentioned, about some of the applications in terms of farms and farming—wireless control of water release in dams and each animal being tagged to keep track of them all and so on. Those sorts of things would surely be a huge productivity improvement on the land, but they are only available if the service is there to provide it.

Mr Knagge—My customers are more in the business world, but through my involvement with business groups I know that there are a lot of young farmers coming out of university. It is now a trade where those young people go to university and are implementing those sorts of technologies. Farming is really changing, just like the rest of the world. Most definitely they need access to all those types of technologies. Again, while you can set up wireless technologies on the farm, it will always come back to that connection to the internet. As we move west of Dubbo, I guess that becomes harder and harder. We have satellite there, but it is limited. As internet access speeds increase, the types of technologies that are available advance. Eventually, there will be a minimum speed required to connect to that web site to gain those facilities. If you are going to sit out on a satellite system in a few years time, there are going to be lots of facilities that you are not going to be able to access, because you are going to need speeds in excess of a megabyte.

Senator CONROY—I am not sure if you heard all the discussion with the previous witness, but in terms of trying to get competition for Telstra into the region, we were given many examples of where other service providers announced that they were going to move into a particular area and, all of a sudden, Telstra gets interested in the area—perhaps even the example you gave, where the last Dubbo hearing of a Senate committee forced some action. Do you get a sense that the competition is not really there to generate these sorts of roll-outs in their own right?

Mr Knagge—Any evidence I have is only hearsay, although it may come from a reasonably high level and from experienced people. There may be instances where a competitor of Telstra and Telstra are quoting for a job—the types of jobs out here where there is no hope of making any money—and the competitor's quote will be much higher than Telstra's and Telstra is left

with the job. That happens. That is why I say thank goodness for Telstra being the way it is at the moment, because at least we get that service.

Also on Telstra, I think the environment of uncertainty at the moment is playing a part as well. In my opinion, the type of dividend that Telstra are presenting to their shareholders is probably quite good in a world where they might be looking for a sale. Perhaps the investment that might be going back into the network and into infrastructure is not as high as what it might be—if Telstra knew exactly where they were going in the future then that investment into the network might be increased. I think that that could lead to problems of their current infrastructure being a little undermaintained.

Senator CONROY—It would be a great tragedy if you were forced, as you suggested, to move to Sydney to further and grow your business. I would imagine that would be a tragedy for your existing work force.

Mr Knagge—It would be a tragedy for their lifestyle and my lifestyle. There is not much money in the IT world. Margins are very slim. The advantages we have of our overheads and even of the salary expectation in country areas enable us to compete at the moment.

Senator CONROY—It is a hell of a lot more expensive to live in Sydney.

Mr Knagge—Very much so. Our overheads would increase dramatically. At the same time, our market would increase dramatically. We would survive, but it would be a last resort. That is the reason I am here on behalf of my company. Remember that there are people involved in this decision—people's livelihoods and lifestyles are at stake here.

Senator CONROY—You mentioned that ADSL2+ is rumoured to be being rolled out in certain areas. I presume you want the fastest speeds you can get as fast as you can. Is there any indication of when some of those advanced technologies or advanced speeds might be available to you?

Mr Knagge—I have not heard anything mentioned about regional areas, with the exception that services such as ADSL2+ and last mile—the connection from the exchange out to a consumer—are maybe not so much the difficulty; it is the backhaul costs that are charged by whoever owns the infrastructure. So, if a private company was to come in here and supply that last mile service, they would still be paying the backhaul costs of using, say, Telstra's infrastructure. It is not possible to roll out that sort of technology. I have not seen anything specifically related to those new technologies being rolled out to any regional areas. The focus is only on those capital cities where obviously they can make some money.

Senator CONROY—Hopefully taking time out of your business for your appearance, and a whole range of other people's appearances today, might get you a second win. Obviously, if you are here, you are not out earning money, so we appreciate the fact that you have come along today.

ACTING CHAIR—One of the alternative ways that a government can encourage provision of high technology and information technology in remote regions is through incentives. One

which is operating at the moment is HiBIS. Can you tell us whether you have any knowledge of or experience with how it operates?

Mr Knagge—I have some and I am aware of businesses that have benefited from that program, especially in relation to satellite links. As I mentioned before, I believe that the satellite solution should be viewed as short term—it offers limited speed—and that different broadband technologies becoming available are more based on the use of copper, optic fibre and satellite. As a short-term solution it is giving some access, particularly to remoter areas and to businesses like mining companies. I guess that is satellite in general, but I have certainly heard of instances where somebody out on a property suddenly has access to high-speed internet while a person they know living in Dubbo does not have the same access.

ACTING CHAIR—I only asked the question in terms of an alternative approach to a unitary provider, like Telecom used to be, and as an alternative approach to encouraging the roll-out of high technology in remote regions, to see what is working or not working. Thank you very much, Mr Knagge. Can I just remind you, as I reminded Mr Caldbeck earlier—

Senator CONROY—This is the paid ad!

ACTING CHAIR—that the minister recently released a discussion paper seeking industry's view in particular and submissions close on 5 May. This is your opportunity to provide some input to people who really matter: the people in the department!

Senator CONROY—Are you saying you do not matter?

ACTING CHAIR—So you can go to the Department of Communications, Information Technology and the Arts web site and download the information from there. Thank you very much.

Mr Knagge—Thank you for the opportunity.

[10.57 a.m.]

HISSEY, Mr Arthur, Managing Director and Chief Technical Officer, Computer Research and Technology

ACTING CHAIR—Welcome, Mr Hissey, and thank you for giving us your time today; it is much appreciated. I understand your voice is familiar to people in Dubbo and it is very good of you to give the committee the benefit of your voice as well. I remind you that evidence given to the committee is protected by parliamentary privilege and that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. The committee has your submission. I now invite you to make an opening statement before we move to questions.

Mr Hissey—I should identify my position and where I come from. I am the principal owner of a local group of companies that is involved in a number of areas of technology. We are pretty much an information technology and telecommunications supplier to industry in the small to medium sized enterprise space. We are also importers of technology equipment into the Oceania region and we do research and development in that same area. We have offices in New Zealand and in Palo Alto in America where we also do development. So I believe that from that perspective I am in a position to comment on the effects of Telstra and the telecommunications industry at large on retail, manufacturing, education, mining and those types of industries.

I base my opinions on the real-world or pragmatic effects of conducting a business supplying technology solutions in the information technology and communications areas for my own companies and for our customers, of course. From there we gain our helicopter view of Telstra, its good and bad sides, and its impact on those customers.

We believe that, historically, small to medium sized businesses are very good at delivering services to other small to medium businesses, and the independent and private accountable organisations are also very good at delivering what the market expects of them—in fact, their very survival probably depends on that. I think it is also fair to say it is often considered that government is not always a good provider of highly flexible and adaptive solutions to business and consumer requirements and services, so a lot of the focus of my comments today will be on that.

From my point of view, Telstra seems to have a highly debilitating and damaging identity crisis. It does not seem to know if it fits into a particular role as a regulated or deregulated or privatised or not privatised organisation. Conversely, or perhaps more accurately perversely, it appears to be doing a pretty good job of having its cake too. It seems to have the capacity to be a private entrepreneurial organisation that is extremely aggressive, competitive and sometimes cannibalistic in the marketplace and yet it has a capacity to retreat rapidly and hide behind the curtain of bureaucracy when it suits it. That makes it very hard to deal with from time to time.

We believe that if Telstra were to concentrate on its real area of investment, which is being the owner and operator of a carrier class telecommunications infrastructure, and allow competition to occur at the deployment level of technologies—such as telecommunications, communications, and data and voice traffic—then the consumers of those products would receive a far better

product and better services. We also believe that would stop Telstra stealing from the plates, as it were, of more competent providers of those products and services.

It is my inherent belief that it is essential for true competition to exist in the marketplace, not simply a sponsored or spin-doctored competition. That would be my view of Telstra and its associated bodies at this stage. We believe that dedicated industry specialists, whether they be big or small, would readily surpass the service levels being failed by Telstra in many areas in which we deal with Telstra on a day-by-day basis. It is also my opinion that Telstra remains firmly insulated from market forces that shape the performance of organisations in any industry sector. It does not really matter what sector it is, let alone one as demanding as the information, technology and telecommunications sector.

I think that Telstra in many ways is simply hamstrung by the historical baggage in the voice communications area. I think it fails in the leadership aspects of knowing what is required of it or what is expected of it at the consumer level. I do not think it has got the mindset to meet consumers' needs and requirements. Once again, my area of specialisation is the deployment or enablement of business in small to medium enterprise. That is pretty much my opening gambit on Telstra and where we sit.

ACTING CHAIR—I can see a few other pages.

Mr Hissey—There is plenty more but I have made a number of points. I can work through those. I had about five minutes and I have probably exceeded that.

ACTING CHAIR—You can have as much time as you like. This is not radio. We do not cut you off at the knees!

Mr Hissey—I must have read the wrong statement.

ACTING CHAIR—I will go back to your challengeable statement, from Telstra's point of view, that it is facing an identity crisis, that it does not know where it fits in and that it is not doing a very good job of fitting into a regulatory or deregulatory mode. I see it rather differently. I think Telstra knows exactly where it is. Your next comment was that it is capable of retreating into government organisation mode or can act very aggressively as a private competitor in the open market. So I do not think it has an identity crisis at all. I think it knows exactly what it is.

Mr Hissey—I would challenge that assertion in so much as on a day-by-day basis we are forced as a set of companies to deal with the services that Telstra provide—by way of example, the service levels that we are expected to deliver often via Telstra, because we are very much forced to go across to Telstra infrastructure. When there are problems with the infrastructure, their response is laughable—I hope that is not too strong a word. They have become very aggressive out in the marketplace. They have bundled their services and are competing, on what I would say is an unfair basis, with any company who has an area of specialisation, but when you want to deal with Telstra to resolve problems, whether they be for our company or our company's customers in this case, they become quite faceless. Even when we wanted to promote an alternative form of technology that we thought was more suitable for remote areas so that the bandwidth and communication requirements were decreased but the performance was increased

we spent three months contacting Telstra and trying to find a person—a name, an email address or a phone number—to talk to. We were denied those things.

In another case one of our customers needed a wide area network, a virtual private network, deployed. They were in Dubbo. They wanted to open a branch in Wollongong. It took us six months of assisting that company to even get the phone on, let alone try and get a virtual private network going. It is a laughable situation inasmuch as it probably cost our company tens of thousands of dollars and hundreds of lost man-hours that we cannot recover. We are squeezed into a no-win situation. We cannot engage with or do our job for our customers until Telstra have done theirs. We are often in the situation where we become the go-between. I know that many of our colleagues in the industry are forced to go to Telstra as a negotiator, a facilitator, someone who understands the language but are not in a position to charge the customer. It is ridiculous to say to a customer, ‘Look, I’m going to charge you \$50,000 up front just to argue with, fight with and knock down Telstra so that we can engage a business solution for your particular business.’

ACTING CHAIR—Given that we have a situation in Australia now, whether Telstra is privatised or not, where, as Senator Conroy says, we have a 600-pound gorilla—

Mr Hissey—I would suggest that it is a little larger than that.

Senator CONROY—Someone was saying it was a 900-pound gorilla.

ACTING CHAIR—Yesterday we had a witness describe the situation as being like an elephant and two mice playing on a not-so-level playing field. Given we have a situation like this, what can the government do through regulation, incentive and other methods to make sure that Australians are properly provided for in terms of information technology and the changes and advances in information technology?

Mr Hissey—That is an excellent question.

ACTING CHAIR—Thank you.

Mr Hissey—There is no simple answer; it is a multipart answer. I would draw an analogy with the road system. If you had one particular manufacturer of motor vehicles—let us say it is Ford or Holden—and they owned the road system, are they going to be fair or equitable to their competitors in the marketplace? Their cost structures are different for a start. Are they going to say to their competitors, ‘I’m going to cut off all access to all roads except for my cars’? Is that fair or reasonable? When we look at the road systems, we see that their design is mandated by government and their performance is mandated by government. The road system is delivered by a whole series of specialists and they make, by and large, lesser or greater, a reasonable carriageway to travel on. Telstra does not actually seem to have that capacity whatsoever. I go back to saying that it is somewhat schizophrenic inasmuch as it has an infrastructure that it owns, it has inherited, and that it does not understand how to run the converged technologies on it.

I will talk about converged technologies. Today we see mobile technologies—and not just in mobile phones. People want to telecommute. They want to have computers, hand-helds and client devices working across the Telstra infrastructure. There are huge impediments there. They

want to have voice and data travelling down the same communications channels. Telstra, by virtue of their last mile costs, make hooking into the Telstra infrastructure cost-prohibitive. We can probably put an entire system together—we can assemble it and get it to run—for less than the cost of hooking into the Telstra infrastructure.

Telstra are quite discriminatory, in my opinion, as to what services they make available and the cost of those services. I cite the fibre-optic links and the fact that there are alternative technologies available—whether they be wireless or optimised communication methods—and Telstra do not seem to have a mind-set to address those. On a problem solution basis, on an assistance to design basis or on an implementation basis, Telstra is an obstacle driven organisation. You cannot get to speak to the same person twice. To find someone who understands the convergence technologies rather than the voice technologies is almost impossible. If you do find someone who understands, you will certainly not get access to that person again. The waiting times are impossible. Telstra do not have a mind-set that understands that communication within commerce is a critical business tool.

I also believe that Telstra are quite cannibalistic. The Telstra representative for our company, who is supposed to look after our best interests, goes out and sells competitively against us. If that is not a conflict I do not know what is. There are a greater raft of those issues—far too many, probably, for me to address in my very rambling answer—but I think all of them need to be countenanced before we can come up with a solution that will provide a reliable, efficient, affordable business communication technology within Australia whereby the supplier of the infrastructure stands at arm's length and is not influenced by the consumer.

ACTING CHAIR—Thank you. I have a series of other questions now but if I do not let Senator Conroy have a go he will give a demonstration of what a 600-pound gorilla can do.

Senator CONROY—Thank you, Chair! I was just having a look at the last page of your submission, Mr Hissey, about random sampling of Telstra incidents. I was particularly amused—I am sure you were not—by the disconnection of the Wellington service rather than the Parkes service. I was wondering whether you could take us through that.

Mr Hissey—I spoke of those predatory practices in relation to internet services. We were one of the first internet services and we are a technology company that is certainly deeply engaged at consultant level when it comes to communications. We were one of the first companies to set up an internet service in the region, and we did so very successfully. We did it so successfully that we decided to put branches in Wellington and Parkes and other places. But we asked for one of our ISDN links to Parkes to be disconnected. Telstra, in their wisdom, disconnected our entire communications link to Wellington. We spent one entire week fighting with Telstra to check the line. Their response was the same as it remains: 'There is not a problem.'

That is your response when you go to Telstra: 'There is not a problem.' I think three or four days later we proved to some extent that there was a problem and they said they would check the lines. We were, for all intents and purposes, forcing them to check the lines. They said they had. I can only assume that that is a lie because one of my colleagues—one of our managers—accosted one of the Telstra field engineers and said, 'Please come in on a friendship basis and check our line.' When he did he said, 'Yes, of course it is not working; it is disconnected.' It is a death sentence to an ISP—an internet service provider—to have their service offline for one

week, especially in a growing demand market. That random sampling shows events that are far from uncommon.

We have the situation that, whenever you go to Telstra with a problem, on your own behalf or on your customer's behalf, Telstra's response is almost inevitably the same: 'There is no problem.' If I could draw an analogy with your car: imagine you went to a motor mechanic and said, 'I have a problem with my brakes,' and he immediately said to you, 'No, you don't.' You would think that was pretty bizarre—you are suggesting that you are having trouble stopping and have an unsafe vehicle and you are being told that it is fine. After you argue for a while, he says, 'Prove to me that it is not something else to do with your car—the suspension, steering or driving—and that it is not the road conditions. In fact, exclude every other possible factor that might be affecting a braking situation.' You would say, 'This is an absolutely ludicrous situation.' It is so bizarre as to be a Monty Python sketch.

ACTING CHAIR—Is that the sort of culture that Telstra inherited from, say, the Postmaster-General's department?

Mr Hissey—I believe it is inherited, but I also believe it is conditional upon the fact that the people that you are talking to, probably at the first tier level of support, do not understand converged technology. Once again, I see converged technology as not being a pick-up-the-phone type of thing. Maybe I am using the line as a data communications link, a dial-up modem link or both—a virtual private network. They do not seem to understand that. I cannot answer the question, 'Where does it come from?' but I can tell you that we confront this on almost a daily basis—that there is no problem. My engineers are so skilled, in fact, in identifying telecommunications problems that they now ring up and demand a set of tests that they know exist. The problem is that the set of tests that are usually carried out are to prove voice quality. While you might accept a bit of an echo on a voice communication as being acceptable, for an ISP that is a drop-out, a disconnect or a loss of network. In other words, it is a loss of a businesses capacity to conduct business on a regular basis. That is the kind of thing that is everyday.

Senator CONROY—I noted you said, 'It took us a week.' But you actually replaced your own equipment as well.

Mr Hissey—When you go to Telstra and report a problem and they say there is no problem, Telstra also tell the customer there is no problem. Who do you think the customer believes—Telstra or us? How does the problem manifest itself? There is no big red light that lights up on the wall that says 'disconnected Telstra service'. It comes through discovering that the network is disconnected or that someone cannot do something on their business network. Inevitably, by way of excluding all the other factors that might affect things, we will change equipment, pull equipment down, dismantle it and test it. We exclude every event and we go to Telstra and say, 'There is a problem' and they say, 'It is your computer' and we say, 'No, it's not' and they say, 'It is your router' and we say, 'No, it's not; it is proved and tested.' In the end there is nothing else it can possibly be other than the Telstra link. We have spent months—three, four and five months in some situations—where our businesses cannot connect to the internet in a reliable fashion, and Telstra has absolutely and vehemently denied there was a problem. Then a new business will come in next door, Telstra will be forced to run some new lines and the problem dissolves and disappears. Months and months, hundreds of man-hours and tens of thousands of dollars are

involved in trying to solve problems at an IT level and when one of our customers moves to Sydney the problem just disappears.

Senator CONROY—I want to talk about that issue. That incident involved multiple requests for fault testing and the standard answer that everything was okay. Ultimately, the head office of the company relocated to Sydney and the problem was resolved. How do you feel when you see a situation where good companies that are based in this region are driven out and into Sydney simply because they cannot get adequate services to do their business?

Mr Hissey—I feel pretty bad. But when I look at our bottom line and I see that we derive our living and our income from performing technology services using communications that we cannot charge for, I feel even worse. This is a standard state of affairs for Telstra. They do not have a mind-set that is responsive, proactive or outside the gamut of the voice technology mind-set. So I feel really bad. My company has international branches and I myself cannot get communications. I live within six kilometres of the boundary of Dubbo; I live on top of a hill—I can actually see Dubbo; and I own an ISP and my kids cannot connect to the internet from my home. I have to have an alternative method.

I feel pretty bad about that too. It is incredibly damaging because very good reactive and innovative companies located in the country regions of Australia are being forced to either go to Sydney or give up and not expand because Telstra is delivering neither reliability nor value and is cost prohibitive in its delivery of communications. When such a business fails, its beating heart stops. Today telecommunications and information technology run a business. If you take those things out of a business, there is no business. If you take those things out of a business and Telstra say, 'Oh well, our response time will be 12 hours'—or 24 hours or 48 hours—that would probably be acceptable if the response was a good one. However, when it is a failure and you know it will go on for weeks or months, what options does a business have other than to shut down and contain its growth or move somewhere where its growth is not inhibited?

Senator CONROY—That must have a devastating effect. You are citing one or two examples but making the point that this is a common occurrence.

Mr Hissey—I will not put a number on it but, yes, it is. To get something to work is the exception.

Senator CONROY—That must drive the lifeblood out of a local community.

Mr Hissey—It also drives the confidence out of a community.

Senator CONROY—You may have a really great business model, a great product to sell, but the only way you are going to get ahead is to abandon ship and move to Sydney.

Mr Hissey—My own company is a world-class innovator and we are seriously considering that because of communication issues and problems within the region. The most exasperating part of this is that the problems are probably surmountable but, when you have a faceless entity to deal with, it is impossible to get good answers.

By way of example, recently an organisation—I think it has about 230 banking branches in 75 different countries—wanted to come to Australia. It engaged us to set up its telecommunications and communications infrastructure. We went to Telstra and asked, ‘What are the existing services that you provide to this company now, because they want to move and expand into Australia?’ Eventually, after weeks and weeks of trying to access the right person, we were given the answer, ‘We don’t know; can you go and ask the customer for us?’ We said, ‘Hell, no, go and ask them yourself’—and they would not and they did not, and they did not care.

But why would it bother Telstra? It is huge; it is monopolistic. It bothers us because we are engaged to provide a service that Telstra are key and critical in the delivery of—not the most expensive and not even the most technical. But, without Telstra linchpinning it, the whole thing does not happen. Eventually we had to go and find out for ourselves. Do you say, ‘But that’s only a small company’? Do you say, ‘That’s a company that we do not want coming to Australia’? That is nonsense; of course we do. But, instead of Telstra being a proactive telecommunications organisation, one that comes to us and says, ‘Let us assist you in setting up a rather important migration of companies into Australia,’ it is obstacle driven the entire way.

Senator CONROY—It is bad enough when some of the larger organisations, such as banks—we are all familiar with the banks’ story—shut up shop and leave town as fast as they can, but when there are impediments that start driving your best and brightest out, as you say, it has to have a devastating impact on confidence.

Mr Hissey—It does. Probably more importantly, when there are good alternatives, good solutions and you have the bright and the best available in communities, they will leave and there is an unintended knock-on effect: loss of employment, loss of technology and loss of innovation within a community as well. I think that tends to happen.

Senator CONROY—There has been a lot of debate around whether Telstra should or should not be privatised. To some degree, that is probably a moot point now. As you would be aware, the government probably have a majority to sell it. So part of what we are looking at is: what is needed in a regulatory framework to try and constrain a Telstra? Even now you have described it as monopolistic. Unfettered from any form of government ownership, are you concerned that its behaviour could worsen? If so, do you think the current regulatory framework is sufficient and, if not, what things do we need to do? We talked with the previous witnesses about, for instance, putting a level of broadband service in the USO so that everyone has to get a certain level. Have you thought about those issues?

Mr Hissey—Yes. Market forces will always shape the delivery of services. By way of example, there is the broadband situation you talked about. We find that a debacle. For many years we have invested strongly in the technology in a hardware sense and at an intellectual capital level, so we have a very significant investment in the capacity to deliver broadband services. Twice that I can verbalise, Telstra came into the marketplace and their behaviour, at the kindest, would be described as unethical. They priced the services to their consumer at the same price that they were selling them to us at wholesale.

Telstra clearly knew and understood that the ACCC would find them guilty. The 600-pound gorilla would understand that. They also knew that in the time it took to drag them, kicking and screaming and shuffling feet, to the ACCC they would effectively destroy the market for people

like us. The consumer would be driven over to their services, and the consumer is not likely to come back, whether it be a business consumer or an everyday consumer, because there is a lock-in effect. You have identities. When you set up business technology systems there are these things called internet protocol addresses and network addresses et cetera, so there is that lock-in effect. Telstra, quite cannibalistically, understood that very well. Your question was on the regulatory framework. I found that the ACCC was quite a toothless tiger. What if they fine them \$1 million or \$10 million!

Senator CONROY—I think it was \$6 million in the end.

Mr Hissey—Or \$6 million—I do not care what it was. They gained that unfairly, inequitably and unreasonably from their competitors, and their competitors did not have a chance. The only real competitor I have seen to Telstra at a carrier level was a company called Comindico. They disappeared within a week or 10 days. They were gone—out of business.

I think that there must be a very strong framework. There must be a safety net there that says that, if you are the only carrier and you are the owner of that carrier or infrastructure, you must be very responsible, in the same way that if you are the authority that maintains roads you cannot leave a giant pothole in the middle of the road. It must be safe to travel on. I also think there must be a divestment of responsibilities. I do not think that Telstra should be involved at the deployment level. They do not manufacture; they do not research it. They simply on-sell other people's products. There are better qualified organisations to be out there at the deployment level. There should be a clear separation.

Senator CONROY—That is almost an argument for structural separation.

Mr Hissey—Yes, absolutely. But I also think that they must be responsible in the same way. If I break the rules in business or the law, I am punished. I am punished by my clients and my customers if I do not deliver a good service, and if I do something illegal I am punished by the law. I think that has to be the case with Telstra. Those are the kinds of regulatory frameworks that need to be put in place. They may be there, they may be cleverly worded and they may be cleverly interpreted by experts far smarter than I am, but at an everyday pragmatic level on the ground that is not what we see. The small to medium enterprise knows it is impossible to take on Telstra at a legal level. We simply do not have the resources. So Telstra just roll on by, squashing everyone in their sights.

Senator CONROY—You indicated before a little disappointment—I think that would be a kind way to describe your feeling about the outcome of the broadband competition notice and the settlement that Telstra and the ACCC made.

Mr Hissey—Absolute nonsense.

Senator CONROY—Did that shake your confidence in the capacity of the regulator to do its job?

Mr Hissey—Totally.

Senator CONROY—One of the issues we have been discussing with other witnesses over the last few days is whether you needed an increase in power via things like cease and desist orders and divestiture powers. The UK have got that, and BT—I am sure you have been following it—have basically been told, ‘Either you do something to separate or we’re going to do it to you.’ We do not have that power here. Do you think that is something that the ACCC needs?

Mr Hissey—Absolutely. I cannot see any real road forward without that level of divestiture. It needs to be a clear separation. There needs to be enablement and empowerment of regulatory bodies to stop this kind of predatory behaviour and stop it quickly, before it impacts on the marketplace and the consumers. There is one thing for sure: if that is the philosophy and the policy of any aggressive organisation, on the rebound the costs will be greater to the consumer. You cannot have your cake and eat it too. You cannot have Dracula in charge of the blood bank, for God’s sake—you just cannot.

ACTING CHAIR—You might stop him from biting other people.

Mr Hissey—He certainly seems to have sharpened his fangs in taking out many good, reliable internet service providers and technology providers. They provide a fantastic level of service to their customers, because they are local and they are localised. They understand the customer; they understand the business problem. The help desk level of Telstra alone does not support that kind of deployment of technology. To answer your question, Senator Conroy, yes, of course I think it must be divested, otherwise it will never work—and will probably split even further. I do not think, as in America, you are going to have multiple owners at the carrier level in Australia. I do not think we are big enough as a country to do that. Therefore we must regulate it sensibly. Then again, there are many different countries throughout the developed world with multiple carriers. Almost inevitably the people who deployed the technology on the ground are privately owned organisations. Japan is a classic example of that.

Senator CONROY—Thanks very much for taking the time for the testimony today.

Mr Hissey—I thank you for your patience.

ACTING CHAIR—Mr Hissey, you are not the first one to say Australia is not large enough to have multiple carriers. It is interesting. The United States have multiple carriers because Bell Telephone was vertically separated, not split down the middle, when the antitrust rule came in. Initially it was one single carrier, and artificially multiple carriers were created from it.

Mr Hissey—Understanding, though, that Bell split at a multitier level; it was not an equal split. Bell is a developer of technology, it is a developer of IT and it is a developer of communications as well as the owner of a T1, T2 and T3 carrier.

ACTING CHAIR—The network was separated vertically on a national basis, actually.

Mr Hissey—Yes, but when you deploy services across their network it is not tied in as to whether or not it is a Bell service. If you call America via a Bell service it is quite transparent to the caller. If you dial in using their internet carrier structure, it is transparent. It is not obvious; it is opaque to the user of the system.

ACTING CHAIR—By now it is. I was talking about 100 years ago when the antitrust laws first came in. Thank you for your time, Mr Hissey. Senator Conroy, we need the committee to resolve to publish the written submission provided by Mr Hissey.

Senator CONROY—I so move.

[11.38 a.m.]

BARNETT, Mayor Robert, Narromine Shire Council

BENNETT, Mr Paul Anthony, General Manager, Narromine Shire Council

ACTING CHAIR—Welcome, gentlemen, and thank you for making yourselves available at such short notice. The committee has received a copy of your statement, which I understand you will read here. You are reminded that evidence given to the committee is protected by parliamentary privilege and that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. Councillor Barnett, would you like to make your statement now and, when you have finished, we can discuss any issues that you have raised.

Mayor Barnett—Thank you, Senators, for the opportunity to address you today as part of this inquiry. Many challenges face Telstra before rural Australians can be said to receive services that are adequate, reasonable and comparable with metropolitan and some urban areas. I wish to put forward the view of many Narromine shire residents and other rural based people across the region that the current telecommunications services being provided are inadequate and nowhere near comparable with those in metropolitan areas.

In this regard I would like to provide some basic information with regard to item (1)(g) of your terms of reference which relates to the universal service obligation. I believe I can demonstrate areas of great deficiency in the services available to not only Narromine shire residents but also the majority of rural based communities. The USO entitles all Australians to a telephone service, and your own terms of reference ask:

... whether the Universal Service Obligation (USO) is effectively ensuring that all Australians have access to reasonable telecommunications services ...

Who determines or defines what is reasonable? In today's age, what is the definition of a telecommunications service and how will the regulatory regime ensure that reasonable services will continue to be supplied, having regard to the rapid changes in technologies that are occurring?

There is no argument that traditional landline based telephone services are available across our shire, albeit with service and connection problems. These problems inevitably occur after rain or lightning, with the landline being totally knocked out, sometimes for long periods. If you are on the land, many miles from help, and an accident occurs and no telecommunications services are available, this is a very dangerous situation. There is also an inequitable cost burden on rural communities in relation to STD costs. My understanding is that there are no more costs to Telstra in connecting me to my neighbour than in me making a call to Sydney, yet these additional STD charges are imposed as a further disadvantage to people living in a rural area.

However, today I wish to highlight that landline telecommunication is only one part of the adequate communications services expected by today's society. The use of mobile phones is now a communications norm, yet our shire does not have full service coverage. This is a significant

disadvantage to people on the land who cannot receive adequate, cost-effective phone services while working their properties. Those with whom we do business on a daily basis expect to be able to make contact with us as and when required. This is something city people take for granted until they travel west and are suddenly isolated because they cannot use their mobile phones.

The use of the internet is becoming more important all the time for country people. Not only is it a means of communication through email, it has become a primary information source for farmers and other businesspeople. The internet is now where business is done, and our services in this area are less than adequate. The township of Narromine only received ADSL services at the beginning of 2004. This has been a positive step. But, as I am sure you all know, ADSL is only available to those premises that are within 3.5 kilometres of the exchange. Out here in the bush that restriction alone excludes more than half of our shire's population. In many cases even those inside this area find that the service is unavailable due to the age of the copper cabling that exists in areas of our towns. Farmers that have to use dial-up services are also totally frustrated with the enormous amount of time it takes just to connect to the internet, let alone to try to download information. This, I would like to emphasise, is probably the worst problem we are facing—the slowness and inefficiency of the internet.

In my own case, it is quicker for me to drive 30 kilometres from my property into Narromine to use my daughter's computer than to try to access the internet over my dial-up service. My situation is one that I hear echoed many times over, and as a result our rural communities are becoming victims of a technology gap. Because adequate services are not available, rural people do not use the internet on a regular enough basis to learn and reap the benefits of this new technology. Sure, there are other options. I could use ISDN or maybe even satellite services—but both come at a higher cost and do not deliver the same benefits as the internet services available to metropolitan areas. Wireless technology is now emerging as a new option for remote communities. We welcome this; however, this technology has its limitations, with distance constraints and line of sight requirements, so it will not be available to all.

Our concern is that, if the government cannot deliver adequate telecommunications services to country people under the current regime and as a major shareholder, what chance have country people of receiving ongoing quality telecommunications services under a fully privatised Telstra? The government has recently stated in a letter to council dated 22 March 2005 that it believes that 'in a modern telecommunications environment, it is a combination of competition and regulation that delivers people lower prices and new services'.

It is worth exploring that statement, because it is statements like that which cause country people to worry. Which privately owned company, you would have to ask, would invest in the necessary infrastructure, either now or in the future as new technology emerges, to service a small population of people in the bush? If a company did make the necessary investment no other company would try to steal such a small market, which means that the initial supplier could potentially charge almost any price for their services. It is our belief and the belief of many others that a fully privatised Telstra, without an appropriate regulatory regime, would focus even more strongly on the lucrative high-population density market and that regional people would lose the weapon of political pressure to lobby for adequate services.

We were also dismayed to learn recently that there is what I believe is called a ‘black cable’ running straight through the centre of Narromine, our town. This black cable is a fibre-optic cable that has not been switched on for years. That represents an enormous opportunity for our local residents and businesspeople to access high-speed internet and communication services. Why does what is essentially a taxpayer owned company invest huge amounts of money in infrastructure and then not make it available to the very people who pay for it? Where is the regulatory power to ensure that infrastructure such as this fibre-optic cable is switched on and made available to communities and other telecommunications providers so that adequate services can be delivered?

ACTING CHAIR—Thank you, Councillor Barnett. That was a very good point on which to finish your opening statement. Do you wish to answer your own question?

Mayor Barnett—I would love to be able to answer my own question.

ACTING CHAIR—Seriously, that is what this inquiry is actually about. We want to look at the sort of regulatory power that would adequately guarantee services to all Australians. Obviously we have a number of regulatory provisions in place already, but the question is whether they are adequate, particularly for disadvantaged locations such as small rural towns. So your question is very pertinent to the inquiry. If you do have a view on what sorts of regulatory powers are required we would be happy to hear them.

Mayor Barnett—I will take that in a broad-ranging way. Country people appear to be frightened of privatisation, yet Telstra is not delivering what they want. So you might ask why they are frightened of privatisation. However, the only weapon we appear to have at our disposal is political pressure. That has not seemed to work too well so far, but we cling to the hope that it may work. The importance of having this infrastructure available to rural people cannot be overestimated. I speak from my own situation as a businessman whose business is based some 30 kilometres from the nearest town and as the mayor of the town who gets a lot of approaches from other people in the same situation.

Every year new infrastructure comes on line. I am a wheat farmer and I am a cattle producer. In the wheat industry now, every day when wheat is delivered we download those loads and we try to market it. I cannot do that at home. I do a day’s work and come home at night, then I go into town to my daughter’s place to access the information, because I can do there in 10 minutes what I cannot do in an hour at home. The National Livestock Identification System is coming online in the cattle industry as of 1 July. We will be required to record through the internet the movements of these cattle but we do not have the infrastructure to do it, so we are really getting in a bind. As I mentioned, the great tragedy is that we all know that our kids are brilliant with this modern technology but that old fellows like me take a while to learn it. But if you have not got it at your disposal you cannot learn. You throw your hands up in the air and you become technologically illiterate. That is a real worry.

I guess we are really trying to highlight the real need to make sure that some form of service obligation is in place that guarantees the program of rolling out the system so that everyone can get access to high-speed, hopefully broadband, internet services and to universal mobile phone coverage throughout the nation. Let us hope that that program is ongoing and is the subject of

some form of guarantee that the provider cannot sidestep, so that whoever the provider may be he has to do it.

ACTING CHAIR—Thank you. The committee heard from the National Farmers Federation in Canberra something about the problem you face, but your statement is a much more powerful one. Thank you for giving your evidence on that. At that time I think I said to the gentlemen that we should really get people to recognise that every farm is actually a small business—sometimes they are not so small—and they should receive business-standard services rather than residential-standard services. Thank you for your evidence. You certainly highlight that point.

Mayor Barnett—It needs to be recognised that primary production, such as mining and agriculture, represents 30 per cent of our export income. I would argue that it is in the national interest that those businesses be hooked up to operate with modern technology at a fair and equitable cost and at a level of efficiency. I heard on the air yesterday that BHP and Australian companies have negotiated a 71 per cent increase in their coal price. It is our biggest earner in primary production. That is going to be a massive earner for next year. And where are all our coalmines?

Senator CONROY—That is actually down from a 120 per cent increase, which is what they wanted.

Mayor Barnett—Yes, I know they were after 120 per cent, but they still got 71 per cent, which is massive. I would not mind that for my wheat. The message there is that here we have a lot of big export earners, many of them in remote areas, who really need the use of modern technology to run their businesses efficiently. I would argue that that is in the national interest.

Senator CONROY—I am particularly interested in this black cable issue. I am afraid to say that I have not come across it before. A couple of other witnesses have mentioned it this morning. How did you discover that there was this black cable, as it is referred to?

Mayor Barnett—I will refer this to my general manager, who is much more familiar with it.

Mr Bennett—We recently participated in the broadband aggregation project for the Orana region. Narromine Shire Council were a very active player in that. We recognise the need for us to have high-speed broadband for our business community. We have a lot of businesspeople out there who are screaming for connections that are better than ADSL. Through that process and through the fact finding of our broadband broker, we were informed that this black cable basically ran down the main street of our town. It is not switched on and there are no outlet points for us. That sort of lit up in the back of our minds the question of why we have this wonderful piece of infrastructure that could provide such a great service and also allow us to attract investment by other suppliers to come in.

We have been talking recently to some wireless technology providers. They have said that, based on our terrain and our locality in relation to Dubbo, they can set up a corridor of wireless technology which would essentially within that network give us up to six-meg broadband speed wireless technology—again, with the restrictions of line of sight and so on. But that is only limited then within that network. And then when we wanted to shoot out and get on the internet

and get other information into the area we would still be going down an ADSL cable, at this point in time, where we would connect in.

Senator CONROY—Whose cable is it? Is it a Telstra cable?

Mr Bennett—It is a Telstra owned cable. My understanding—and, honestly, this is only my understanding—is that it was put in as an alternative cable in case the Brisbane-Sydney-Melbourne line became severed in some way. This was another way to route the traffic, but it is sitting there not utilised.

Senator CONROY—Are Telstra saying they cannot afford to put any traffic on it in case the other one does go down? My understanding of cables is that there is an extraordinary amount of information you can put through them.

Mr Bennett—That is a very good question, but Telstra have no answer. We have asked the questions from a regional basis and Telstra have no answer.

Senator CONROY—That is extraordinary, isn't it?

Mr Bennett—Essentially, if we could have an outlet point there and the wireless suppliers then came in and invested, it would mean—

Senator CONROY—You would leap into the 21st century in one big leap.

Mr Bennett—Absolutely. I add that our local federal member, John Cobb, has written the council a letter. He talks about legislation that will future-proof our networks. I am not exactly sure what his thoughts are on how we do future-proof those things, but the licensing requirements are one area that would certainly have to be looked at initially. The mayor has mentioned things like customer service guarantees, which would ultimately be important.

The biggest concern of the people I speak to is that, yes, there will be this enormous investment—and we have got some good schemes running now, through HiBIS and so on, to bring people up to speed—but what happens after that? How do we then ensure that in 15 years time, when technology has moved on, that we are not left back where we were with mobile telephone services. These have expanded, but we are still trying to keep up all the time. Who is going to guarantee the investments made in these regional areas to ensure that we keep up with those types of things?

We are moving towards new technologies now. We are building a new medical centre in the town that uses technology to combat the remoteness of our communities. People who come into our community will be able to come into our medical centre in Narromine and access online, through broadband or whatever, specialists that are located in Sydney. To be able to do this while they are sitting in Narromine is something that is really close to people. It means that our elderly people then retire to our local areas; they do not feel the need to move into big centres. They want to stay where their families and friends and so on are, but they have these concerns about having access to those specialist services. The specialists are congregating in those big centres and it isolates us even more. Issues like that are very much in our mind.

Senator CONROY—We talked with earlier witnesses about what the level of the USO should be. At the moment it is just voice. Clearly it needs to be data carriage as well. You are crying out for it. I was interested in the fact that you said that basically ADSL is not enough for what your businesses are demanding right now, so even if we put in a USO and said, ‘Okay, everyone’s got to get Telstra’s version of broadband,’ that would not be enough for your community.

Mr Bennett—ADSL does not deliver good quality videoconferencing; there is no doubt about that. It is only 256K, so it is not running fast enough to do those sorts of things. We are moving into an area where not only are we doing conferencing but people want to be able to access emerging services like on-demand movies, voice over IP and all those sorts of things. Again, we cannot do that within our localised networks—it is just not available to us. These higher speed broadbands would basically eliminate the isolation factor of a lot of remote communities. They would allow them to feed into all sorts of information and, as I was saying, things like on-demand services that otherwise we are not going to have. Again, that leaves everybody that much further behind.

Senator CONROY—One of the things that some of the previous witnesses talked about—these were internet businesses and consultants that help companies use the web—was their inability to help their customers. They were talking about their own customers leaving town and going to Sydney because they could not get decent quality services and were therefore being constrained here. They themselves were contemplating a move to Sydney because they could not get the service they needed here. That must really gut a local community, when your best and brightest are being forced away because you are not able to get the services you need.

Mayor Barnett—I have got two words written down here: ageing population. I have four children. How do you attract to or retain young people in small western towns when all their peers have access to these services that they do not have access to? Their curiosity is enough for them to say, ‘Gee, I want to try this out.’ They go to the bigger towns and the cities, they find the services that we do not have are there and they do not come back. The danger of that is that the desert will be deserted: it will be deserted of people. Our towns are ageing. Our populations in many of these western towns are diminishing. If we cannot keep up to speed in these basic services with those in the bigger areas, the areas of higher population density, then that is just another nail in the coffin of retaining younger people in our regions. Again, I do not believe that is in the interests of the nation.

Senator CONROY—One of the witnesses yesterday suggested that the debate in the USA around a USO was a debate that Bangladesh should have. You make the point that, quality and service problems aside, everyone has got voice. So there is a question about the Australian parliament spending its time debating a USO around voice. That is Bangladesh’s issue; it is not our issue. Our issue has got to be this broadband issue. I found it particularly compelling the way you described eliminating the isolation factor and possibly even reversing the trend—not just retaining people, but reversing the trend by having all of the facilities and services available here so that you can actually attract people to the area not just stop the flow out, so that you can grow the community rather than just try and hang on. They are very powerful images for us.

I note you said that the government wrote back in a letter, saying, ‘The government believes that in a modern telecommunications environment it is combination of competition and

regulation that delivers people lower prices and new services.’ It is that regulation debate that we are trying to have. Have you any other thoughts on any specifics that we can try to argue? Labor is looking to move some amendments when the debate comes up so that the USO is X, Y and Z. That is certainly what I am looking for and I am sure Senator Tchen is interested in these issues as well. Are there any of those sorts of issues you would like to put forward? Even if you do not have them all available now, if you would like to supply them to the committee later, we would be very interested.

Mayor Barnett—We looked at the various items listed that you are looking into. Paul and I have access to reasonable services and we receive adequate telecommunications services. They are wonderful words but they are open to a very wide interpretation. Our concern is that whatever legislation is put in place needs to be watertight. There needs to be some specific guarantee of service levels that cannot be sidestepped. I think, to be fair, there is a recognition that the pace of change is increasing all the time. We all recognise that. Fifteen years ago there were no mobile phones but today they are everywhere. I think I heard on air recently that seven million mobile phones will become redundant and be replaced by new ones this year alone in Australia—35 per cent of the population will abandon their phone for a new one; it is just amazing. But we cannot be left behind forever. I cannot put the words in your mouth but I can tell you what our need is. Our need is to be able to run our business on a level playing field with other people. I can tell you this story: my first alarm as to what the lack of broadband could do to us was when, about three years ago, a businessman in my home town who had a franchise, a vehicle-dealer business, said to me, ‘Bob, if we don’t get broadband or better internet services into this town, the company has told me I will lose my franchise.’ I was amazed, but, in running my own business, I now see where he was coming from.

Senator CONROY—Did he manage to get broadband?

Mayor Barnett—He got ADSL and he is still going. In response to an earlier question, I would love to have ADSL out on the farm because it is so much better than what I have. But in the longer term we need to keep climbing the steps of advancement so that when we get ADSL Telstra does not say, ‘We have done our job now.’

Senator CONROY—That is the problem. You mentioned that your local MP, Mr Cobb, talked about future-proofing, and that is one of the big debates around at the moment. The Deputy Prime Minister, I think, coined the phrase first. He created another new phrase for me—I am still learning in this portfolio, as you can see. He talked about all the safeguards and regulations that we have on Telstra going ‘soggy’. He said something like, ‘We have to future-proof against these soggy developments.’ I think he was referring to rain and mass service disruptions and those sorts of things; so that is where the phrase comes from. But this issue of future-proofing is what we are grappling with, so please continue—I can see you are bursting at the seams there.

Mayor Barnett—A very unfortunate choice of words! My interpretation of future-proofing means to leave it where it is; I want to see that we go into the future with a guaranteed level of service as technology—

Senator CONROY—As you have said, ‘climbing the steps’.

Mayor Barnett—Absolutely.

Senator CONROY—You want to future-proof the stair climb, not the existing level.

Mayor Barnett—That is right. Sure, new technology will come to Sydney and the big cities first—I do not have a problem with that. But following along one step behind is the commitment that it gets rolled out through the nation—that is what I am seeking to see happen. It is obvious that no-one, or very few people, in the bush want to see Telstra sold. I made the point earlier: why is that when it is so dismal now? It is because they fear it will be even worse.

Senator CONROY—Often you stand there and your mobile phone drops out and you think it is almost a good reason to sell Telstra. The problem is that what the future holds is not necessarily better than what we have currently under a privatised Telstra.

Mayor Barnett—My view is that any private enterprise is in business to make money. The obvious thing is that they will go where the money is. Sadly, it may not be out here.

Senator CONROY—Have you seen it with the banks?

Mayor Barnett—Absolutely, but it is in the national interest, I believe—and that is where government comes in—to make sure that some of our areas which are great export earners are not put to a disadvantage.

Senator CONROY—I note that you are the local mayor.

Mayor Barnett—Yes.

Senator CONROY—Are you aligned with any party or did you run as an independent?

Mayor Barnett—No. We do not have—

ACTING CHAIR—You cannot—

Senator CONROY—I can ask. The chair is a member of the Liberal Party, in case you are wondering, and I am with the Labor Party. I am just interested as to whether, as the local mayor, you are active in—

Mayor Barnett—No, in our town it is not political.

Senator CONROY—I did not want you to be accused of being a Labor stooge—that is all, Mr Barnett.

Mayor Barnett—Thank you.

ACTING CHAIR—I would never accuse local mayors of that.

Mayor Barnett—In our town it is not looked on favourably to bring what is seen as party politics into local government. The one advantage I think we have is that we certainly have the ear of the people. We are said to be the closest to the people—

Senator CONROY—Always.

Mayor Barnett—and, unfortunately, when you walk down the main street of a Saturday morning, having made an unpopular decision, you cannot sidestep everyone.

Senator CONROY—I have been a local councillor myself; I understand, Mr Barnett.

ACTING CHAIR—I would like to follow up on some of the decisions on the USO. I must tell the Deputy Prime Minister that Senator Conroy is studying his speeches. I think that when the Deputy Prime Minister referred to future-proofing, he was not talking about preserving what we have at the moment, which is exactly what the current USO's model is, because it specifies certain conditions and certain standards which must be provided as a minimum. That is a very specific technology, whereas we are talking about a technology that is changing very quickly. The impression I got from Mr Knagge, I think, an earlier a witness—although I do not think he actually said it—is that he thinks the USO should be in a form not so much of a fixed standard but such that the given standard achieved in the metropolitan area should be delivered to the regional area within a set period—in other words, a moving target. Do you think that would be more appropriate for something like the USO, assuming we can put it into words to satisfy lawyers?

Mayor Barnett—Yes, if you allow me to set the time frame. It is appropriate if the time frame is realistic—I will use that word—for country people. We would not want to see a 10-year gap. At the moment, we are far behind. I know that things are advancing so fast in the city that we are always playing catch-up and I suspect we always will.

Senator CONROY—But you do not want the gap to widen.

Mayor Barnett—No, we want the gap to narrow.

ACTING CHAIR—What sort of a gap would you see as tolerable?

Mayor Barnett—Let me give you an example that I am thinking about as we go along. I have an MYOB program, as many farmers do. Every three months we send our stuff to our accountant. It takes me over half an hour to email my little bit of info to the accountant, yet it takes a few seconds at the ADSL in Narromine and I suppose it takes even less on broadband; I do not know. I punch it in and go and make a cup of tea and have a sandwich and come back 20 minutes later and it is still whirring away, sending the email. That is the level of service we have. We all thought it was good until we found out how much better everything else was. The first thing we need to do is to make sure that the decision makers in Canberra are aware of the position we are in and, secondly, to get a commitment that our services will be brought up to speed. Ten years ago no-one knew what broadband was, but the trouble is that, when everyone else has it, you need it. It is like a motor car or anything else: once someone has it, everyone seems to—

Senator CONROY—You cannot do business with everyone else.

Mayor Barnett—We cannot do business without it. As I said earlier about growing wheat, a few years ago I would go and get my warrants at the end of harvest. Now, every day, I am getting each individual load and marketing it. But I cannot do it from out on the farm. I drive into town because I can do it more quickly. After a hard day's work out in the paddock, you do not want to be spending a couple of hours working at night. You say, 'Blow this—I'll go in and get it done quickly.' I want to be able to do that at home, naturally, and probably not everyone can drive into town and access somewhere. Fortunately, I can.

ACTING CHAIR—Government generally has three ways of affecting a market such as the telecommunications market. One is through regulations binding what the players in the market can do. The second way is to help the particular players in various ways in conducting their business—to make sure they are getting investment returns and this sort of thing. Basically, these two ways are provided for in parts XIB and XIC of the Trade Practices Act, which this committee is supposed to look at. We have heard a fair bit about the anti-competitive behaviour, which is governed by XIB. We have not yet heard too much evidence on the investment aspects, which relate to XIC. But a third way is to provide financial and other forms of incentives to the marketplace to encourage operators to develop a particular service. We have one example of this, which is HiBIS. Has HiBIS come to Narromine? Do you have any experience with it?

Mr Bennett—HiBIS is obviously something that is available, and there are people in our shire who are aware of it. Because we have participated in this broadband aggregation project, I think a lot of people are waiting to see what that delivers and whether that will deliver better technology for them in any case. If they go off to HiBIS and they are on that particular type of technology and then we deliver a wireless technology which has local benefits such as free local calls and those types of things, they do not want to be left out of that sort of arrangement either. At this stage it is very much a wait-and-see process.

One of the things that we are confronting, though—and I have heard many stories of this, not only from Narromine but also from other towns where I have either relatives or friends—is that Telstra is not really opening the door to allow other competitors to come in, even to deliver ADSL services. I know of at least five or six people in Narromine who have told me about this over the last month. They now know that we have ADSL out there, and they ring Telstra to find out whether they have got it. Apparently they run some sort of test on the line to tell them whether they have ADSL, but Telstra will not tell them whether they have ADSL until they sign a 24-month contract.

ACTING CHAIR—Yes, we heard that too.

Senator CONROY—We have heard that. It is an extraordinary marketing proposition.

Mr Bennett—It is. To me it is just blatantly wrong.

ACTING CHAIR—Also, from what we have heard, as soon as you get a wireless operator really interested, Telstra will come in.

Mr Bennett—We have heard exactly that the same thing.

ACTING CHAIR—That is not a promise; that is just an observation.

Mr Bennett—I think that is exactly right. I think that is why there will have to be a commitment from a local community to say, ‘Yes, we will embrace a particular supplier.’

Senator CONROY—One of the local councils on the fringe of Melbourne tried that. They were just so jack of Telstra’s lack of service they decided to tender out, to build their own loop. They invited tenders, and Telstra put in a bid and said, ‘By the way, if we don’t win the bid, let everybody know that we will lay cable immediately around you.’

Mr Bennett—Yes, that sounds about right.

Senator CONROY—That was Whittlesea. You might have heard the example. It was in the local Whittlesea shire on the edge of Melbourne.

Mayor Barnett—That is dreadful. That is just terrible.

Mr Bennett—On the regulatory side of things, I totally agree with the thought about trying to bring technology up with both and putting some time frames on delivery. The difficulty I see in that is that somebody might come out with a new technology that is not taken up by the public in general. I think it would then be unreasonable to say to anybody that was going to provide that particular type of service, ‘You’ve got to take that out into the bush,’ when you might only have a 10 or 15 per cent take-up even in a metropolitan area, because of either the cost, the type of technology or the way it is utilised.

I would think that the licences issued to telecommunications companies need to be done on renewal basis, that they would be subject to review and that any new technology they deliver to metropolitan type areas has to be delivered to X percentage of the population over a period of maybe three to five years. But that requirement only cuts in once they have a market penetration of a certain percentage so that they can justify it: ‘Yes, we know that it’s going to be a popular piece of technology. If we do take it out into these rural centres then the take-up is going to be great enough to give us a return on our investment.’ But I think it is unreasonable to say any new technology has to be delivered everywhere, because it may not be popular technology.

ACTING CHAIR—That is an interesting thought.

Senator CONROY—I wanted to raise a couple of questions. Do you think it is possible to get a guarantee in legislation, to mandate that within 12 months of a metropolitan area getting a new service it is to be rolled out regionally? Is that realistic, in your view—do you think we can achieve that in a privatised regime?

Mayor Barnett—It would depend on the service that you were requiring to be rolled out and on the infrastructure required to provide that service. But I think that is the sort of general commitment to providing services that would be well received in regional areas. I think people are prepared to accept that technology is moving so fast that a commitment to provide the service within a reasonable time is acceptable—and let’s say it is 12 months, unless someone can demonstrate extraordinary reasons why a longer time is required to roll out that service. A 12-

month time frame for the advent of new technology would be reasonable. I personally think that would be acceptable.

Mr Bennett—But it may also be as simple as saying that they have to do a market survey; they have to do some sort of demand assessment for the technology. Again, a type of technology that is delivered in the city may not be relevant for particular rural communities and I think that—

Senator CONROY—Would you have faith in Telstra conducting a survey that surveyed you when you phoned them up—where they said, ‘Well, sign up first before we’ll tell you if you can have it’?

Mr Bennett—That is true. It is interesting to think that they have got this black cable through town and they have never asked anybody whether they would actually use it if they switched it on!

Senator CONROY—That is right.

Mr Bennett—I think if a new technology did come in and then, as part of their licensing arrangements, their customer service guarantees or whatever it is, they had to undertake some sort of demand aggregation project, to monitor demand. Then, when there was a response at a certain level or when the demand hit a critical point, they would be required to implement the technology in those areas. They really have no excuse for not making the investment if you can demonstrate demand in the areas—and everybody in the bush is very aware of what is going on.

Senator CONROY—You have an extraordinary level of demand here. All morning we have heard from people begging for an improvement in service quality. Business is moving because they cannot get a quality service, yet they have a black cable running through town. This is extraordinary.

Mr Bennett—It is.

Senator CONROY—Thank you.

ACTING CHAIR—Thank you, Mayor Barnett and Mr Bennett, for your time here today. When I was a young university student I used to, during holidays, load beer kegs at the Central railway goods station in Sydney for Narromine, and I never got to visit it so it is good to see that it actually exists.

Mayor Barnett—I can assure you it was always well received! Banjo Paterson’s poem describes Narromine as the ‘city of dreadful thirst’.

ACTING CHAIR—Thank you.

Proceedings suspended from 12.19 p.m. to 1.04 p.m.

DUFFY, Ms Juliet Lee, Executive Officer, Orana Regional Development Board**WALTERS, Mr Max, Chairman, Orana Regional Development Board**

ACTING CHAIR—I reopen this public hearing of the Senate Environment, Communications, Information Technology and the Arts References Committee inquiry into the telecommunications regulatory regime. I remind everyone that, after the last witness listed on today's program has finished giving evidence, the committee will allow half an hour to hear from anyone who would like to make a short statement about matters that are relevant to the inquiry.

I now welcome the representatives of the Orana Regional Development Board. Thank you for giving us your time today, especially at such short notice. It is very much appreciated. The committee has received your submission as submission No. 11. You are reminded that evidence given to the committee is protected by parliamentary privilege and that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. I now invite you to make an opening statement before we move to questions.

Ms Duffy—Thank you for having this inquiry here today and coming out to see us in a regional location. Given the time frame in which things were pushed around, as you would have noticed our submission was a covering a letter. I have been able to substantiate that a bit further. Our board are concerned with sustainable economic and regional development. A lot of people come to us from industry with business representations in that respect, and they have expressed their concerns about the current level of infrastructure for telecommunications out here and, moving forward, about the possible sale of Telstra. At the moment we are sitting in limbo. We want to look proactively towards the future, as you are in doing this Senate inquiry, and to look at some long-term, sustainable telecommunications solutions that will ensure telecommunications not only now, in the immediate deficit we are facing out here, but also in the longer term so that we are not turning around in another five years and having these inquiries again, saying, 'It's not up to scratch.' We are hoping that the Senate will take on board some long-term strategies.

I have done an executive summary. Our main issues—what we see as the key initiatives in going forward—are support for and encouragement of the development of suitable business models, encompassing local ownership, thereby securing the Orana's long-term, sustainable telecommunications needs. The concern is that if Telstra is sold, with a maximum amount for foreign ownership, regional areas are not a commercially attractive market, so we will not be targeted. Our concern is that we are going to lose ownership and control.

The next item is funding and support for new technologies, infrastructure and investment to provide suitable and affordable last mile solutions, particularly in non-commercially attractive markets. We have had a lot of press and a lot of PR about the fact that this town has broadband, but it is only in the CBD. The biggest part of industry out here is agriculture, and agriculture is increasingly dependent on the global economy. A lot of the time farmers do not even have reliable phone services, let alone fax transmission, so data transmission is very difficult. That is really important on a national scale, because agriculture is part of a global trend. We all know

that in about 50 years the leading economies will be America, China and India. Australia will be a supplier nation. We rely heavily on agriculture and we really need to support the agricultural industry. Broadband should not just be servicing the regional cities; it needs to get out past that. The last mile solution is really important for Australia's future and our GDP.

The next item is the ability for government departments to make purchase decisions at local levels, reducing limitations imposed by national purchasing arrangements and thereby facilitating demand and aggregation anchor tenants. For the last four or five years under NTN funding and in various other funding areas, the board has undertaken numerous demand aggregation projects, as with other areas as well. Our demographics, with a large area and a small population base, were not very attractive and it is very hard to get those anchorage tenants. Government out here is a major anchor tenant, but, unfortunately, we cannot do deals with government departments on a local level; those deals are done at a higher level and they purchase on a national basis. We do not have that opportunity then to secure the health department or to secure education for this region to try and encourage competition or to set up something on a local level with private investment and local ownership. That is an area to look at as well.

Another point is the development of regionally based IT&T research institutes in regional locations. We think this would address skills shortages. At the moment we are having trouble trying to service our current infrastructure, let alone if we are going to move forward. This would also foster and encourage the development of new regionally based industries in IT&T and world's best practice and innovation, and spin-off commercialisation and export opportunities would also be afforded with the development of research institutes like that. Such research institutes could be based in regional locations.

We feel that substantial penalties need to be imposed to enforce regulatory compliance. The penalties behind the legislation need to have teeth. Just out here, and we are only a small market, the annual spend is \$200 million per annum. A fine of a couple of hundred thousand dollars or something like that is not going to make people do what they are supposed to do. It has not happened to date, so we think that tough penalties need to be applied with those service arrangements. We also feel that we need to set up some structure like regional representation on advisory and regulatory committees so that feedback can be provided from the regions. That is the summary of what we are looking at trying to push through. We can go through the individual parts, if you like.

ACTING CHAIR—Perhaps we can ask questions and touch on the various points.

Senator CONROY—I am looking at your submission and there are a couple of points I would like draw you out on. You make reference to the RIMs network and that it seems to be holding you back. Perhaps you could talk to us about that.

Ms Duffy—I am not technically—

Senator CONROY—You are not a tech-head? That is okay; neither am I. It will be a good conversation.

Ms Duffy—I did come from IT and worked in wireless networking. Another problem we have here is that optic fibre and other things are out here for education and health, but businesses cannot access them, so we cannot leverage off that government infrastructure. Cable and things like that are out there, but the general community cannot access them. It is limited in that it only goes to a point; it is that last mile solution that we do not have.

Senator CONROY—Talk to us about what impact you think not being able to get access to the better level of service that you need has on your local communities—the impact on export business and the impact on families.

Ms Duffy—It does have an impact. I grew up here 20 years ago and I have only just come back in the last two years. I have been quite astounded as to how far we have dropped behind. I came from broadband and was working with international markets. I came back here and just assumed that it was the same here and that I could still run an e-business from home and things like that. That has not been the case. So it impacts on a micro level like that. For people doing research and study externally through a university it is the same. You cannot access everything like that because you are limited to broadband and dial-up—which is not a regular service, either; it is intermittent and it cuts out.

We have large areas out here. A lot of areas are depopulating. We are finding it hard to attract and retain youth in our regions. Regional people need e-options more than people in metropolitan areas do. We need to be able to access our banking because we cannot just go down the road. There is no bank there and sometimes there is not even an ATM. We need to be able use those options because it might be a couple of hours drive to a bank. The bank is not just down at our corner mall or whatever.

Most health services in this area are in Dubbo. That is where the major health services are set up and everything satellites out from there. I am talking about tele-health and things like that. There are long-term concerns about the growing aged population as well. One of the hardest things out here is transporting people around. If we had better services, people would not have to travel to Dubbo a couple of times a week to go to an appointment.

I have talked about home businesses as well. As you know, we are currently in a drought and a lot of people are looking for off-farm incomes. A lot of that can be done via the internet with home based and e-based businesses. That is a luxury but it should be afforded to them. In relation to business and agriculture there used to be government structures set up to which you sold your grain or whatever. Increasingly we are looking at international and global markets and the need to do research. We need to be able to get access to that information.

Only this week a lady wanted to find out about some federal funding to set up a food processing business. She has a home business up and going, cannot keep up with the demand and wants to look at the commercialisation of the business. I told her about this funding that is available but she could not download the information. We have that problem all the time. I am sick and tired of having to download information a couple of times a week. Look at the size of this document. There are hardly any graphics but I could not get it to my chairman the other night. I have to copy onto disks and send them. I just cannot believe how far behind we are.

Senator CONROY—Do you think it is holding back the economic development as well as the personal development of people in the region?

Ms Duffy—Definitely. Communications is the basis of any business and I definitely think it has a severe impact on the economic development out here. It has an impact on us trying to attract industries out here and it has an impact on us trying to get people to relocate. Those services are not available. They look at that in relation to education and setting up home businesses and e-things as well. It really does affect us.

Senator CONROY—You also spoke about more and better powers for the ACCC. That is one of the issues we are grappling with.

Ms Duffy—Yes.

Senator CONROY—At this stage it looks as if the government has control of the Senate, so Telstra will be privatised. Now people are not focusing on the yes or no debate but are thinking, ‘Oh my God, we are going to let this 600-pound gorilla loose.’

Ms Duffy—It is a monopoly.

Senator CONROY—You have made the point that this is a virtual monopoly in your area now.

Ms Duffy—It is scary.

Senator CONROY—What sort of extra powers would you like to see with the ACCC? Some people have suggested that they need divestiture powers, like the British equivalent of the ACCC, so that they can say, ‘No, if you do not do the right thing we will break you up.’ Is that the sort of thing they need or do they need increased fines?

Ms Duffy—I cannot see us breaking up a huge multinational like Telstra. It will end up being a multinational once we sell it—if that is the way it goes. It is a monopoly out here; it has a 95 per cent market share. That is frightening. It has a 95 per cent market share when there is government ownership and we still have not got the services. What has been happening to date is not enough. Telstra is a corporation. It is not going to look at the triple bottom line. We will see who will be at the helm. I would say, particularly with a new person at the helm who is probably going to come from the US, that it is going to focus on economic returns to shareholders.

Senator CONROY—That will be his job if it is privatised.

Ms Duffy—The only way you are going to slap them on the knuckles is to say: ‘You haven’t done that. We’ll take that.’ It is only going to be by fine. I think it would be a nightmare to try and do it any other way. I do not know.

Senator CONROY—So you would not be confident that the existing regime, as it stands today, while we have got government ownership, will be able to cope with the fully privatised Telstra in the marketplace?

Ms Duffy—It has not coped to date. We have not got the services out here. It is not good enough. We are really behind the eight ball.

Senator CONROY—Mr Switkowski was quoted recently, just in the last few weeks, as saying that Telstra's services all around the country are world class. Does he need to get out more?

Ms Duffy—Yes, I think he does. And I am surprised, because he came from a science base, the same as I did. That is the other concern: when we look at our global standings and our rankings, we have dropped in research and things like that. From a national perspective, that is quite frightening. We used to be the leaders. We are not. We know that now. That is reflective that they are gearing up a company to be ready for commercialisation. They are looking at the only bottom line. They are not looking at the triple bottom line anymore, with their corporate social responsibility. They are looking at the economic bottom line.

Senator CONROY—A lot of the political debate at the moment is about this phrase has been mentioned a little bit this morning: future-proofing. We have got to future-proof. We have got to lock in the existing level of services and make sure it does not fall.

Ms Duffy—The existing level is not enough. We have got a monopoly out here. We do have some services, but only where there is demand and it is commercially viable. As an Australian economy we have to look forward. Do we want to keep agriculture growing here? Do we want to be best in practice at agriculture? Do we want farming communities and businesses out here to be able to directly access markets or do we always need the middleman in the metropolitan centres? We need that to develop niches. That is just not happening.

Senator CONROY—It is all underpinned by the need for communications.

Ms Duffy—I think so, yes. The board has just looked at some small businesses out in remote areas. Their major concern was lack of access to information. The information just does not get out there. We need to improve that. They just do not know half of what is going on. They are very well informed from media, from ABC Radio and papers like *The Land*, but they are not informed enough to keep up to date and to access training and opportunities.

Senator CONROY—Your submission says that headline access pricing for broadband services has declined, and you give some fairly staggering figures as to the costs. Could you take us through that?

Ms Duffy—We have currently got in an application for a demand aggregation sort of tender, which I have not brought up in this. Those are some of the figures that we pulled up when we were looking at the business model of how it would work from a community basis.

Senator CONROY—I am sure you are aware that Bendigo has done a great job of demand aggregation.

Ms Duffy—Yes, and we are looking at them. That is the basis of our application, to look at what would be the best business model, given our demographics and our spend. They are the sorts of figures that we have pulled up to get in that application. It is quite staggering. Some

business leaders came to us to say, 'This is what we need to do.' They can see the writing on the wall and are very concerned.

Senator CONROY—One of the other issues has been the cost even of STD calls in the region. I have used VOIP, voice-over IP, only once. It is the end of STD.

Ms Duffy—That is exactly right, and that is something that we are identifying in the business plan. I also worked for an American company that did networking solutions and I am quite surprised that we do not have any of those solutions here. I used to deal in American, Asia-Pacific and European markets, and I could use voice-over IP sitting in a unit in Manly. I cannot understand why we do not have that here. That was that one company alone, and there are others, like Nortel Networks and all of that. That was three years ago, so I am a bit out of touch with the technology now. Unless you have it in your face all the time, it goes pretty quickly. Back then they were trialling wireless solutions that were extending for 90 kilometres, so I can only imagine what solutions exist three years down the track. We are not encouraged to use those solutions.

Senator CONROY—Do you think that, because of the structure—the monopoly situation that you have here—Telstra has its foot on these developments?

Ms Duffy—If I had a company that put all that money into infrastructure, I would like to get the most money out of that infrastructure and that investment that I had made. That is pretty basic business.

Senator CONROY—So do you think they are just hanging onto the copper?

Ms Duffy—Yes, they love the copper.

Senator CONROY—The problem is that it was taxpayers' money, not government money, that built the copper network that they are trying to hang onto, when the world is moving on and we are trying to upgrade in a way that we can guarantee that those upgrades are put to everybody. VOIP would solve a lot of the issues around this in the country, but I get the sense from being here and in other regional centres that we are years away from getting VOIP as a standard.

Ms Duffy—Yes, and I am really surprised, but I should not be. That is one of the solutions, given our distances out here and the costs that add to the bottom line for businesses and families—STD calls and things like that. I cannot understand why we do not have voice-over IP. I know we have not because we do not have the infrastructure there to support it, because you need broadband to do that, and there are limited areas. Yes, we have the telecommunications carriers. In regional areas we have to be a bit smarter about that. We have carriers. It is not just a vertical market. There are lots of other solutions. You have already mentioned the Bendigo Bank. That is like a broker sort of thing. That is talking between the infrastructure and the telco. We would then have some control over some of those profits—we could be encouraged and could look back at the investment into infrastructure—and could put that back in instead of the profits going to what would be shareholders from all over the world. That is one thing.

The other concern is that we are not doing the research. Who is doing the research? Out here, how do we know what is the best solution and how do we get that solution enacted? If we put more infrastructure out here, how are we going to maintain that infrastructure? We have skills deficits here already, so I think we need to look at that as another—

Senator CONROY—That is what can cause you to draw people in, though. You create those services and you start drawing those people back to the communities.

Ms Duffy—That is right and that is the idea. I think it will, because a lot have gone from here and ended up in IT and that sort of thing, but they are quite willing to make those lifestyle choices back. Also, there could be other opportunities here—that is, a lot more regional universities, TAFEs and whatnot. A lot of the time they study here, but they cannot see a career progression. It is much easier to go to the city and get that experience. It is a real problem out here. I think it would draw people back if we improved the infrastructure and the research and development out here. We would identify a lot more opportunities and we might address some of those social problems as well—all the social issues of trying to retain youth and giving them options and real career paths here: where we are exporting, where you can go and work overseas in a head office, and all of that sort of thing.

Senator CONROY—It must be very frustrating over time to see so much talent leaking away, Mr Walters, although you have had some success in drawing Ms Duffy back from having been away.

Mr Walters—If I can make a statement: firstly, I would like to congratulate the committee on coming out to regional areas, rather than focusing on the capital cities. That is important, because I think the regional and rural areas are most affected by a lack of telecommunications services. Unless we have these expectations of up-to-date worldwide telecommunications services across the board we are not going to get people leaving the major capital cities—or the world cities—and coming out to regional areas to seek employment, like Juliet has done. I think that is the thrust of your question. It is important that we back up senior staff members with sufficient, efficient and cost-effective telecommunications networks. Unless we do that, business in rural areas is going to suffer badly, worse than they are now.

I think we have also got to have the ability in regional centres like Dubbo to have Telstra shops. We should be able to shop there and not have to go back to buying in capital cities. I will give you a quick example. Two years ago I responded to a Telstra Country Wide advertisement to upgrade my mobile phone and I spoke to somebody in Melbourne. I said: ‘Thank you very much indeed; I will upgrade. I would like deal with my local Telstra shop.’ But to get little things like a leather pouch and a hands-free kit I would have had to pay an extra \$49 if I had bought it from the Telstra shop in Dubbo rather than buying it over the phone from Melbourne. When I went in to the Telstra shop and complained bitterly, the girl said, ‘Yes, we get undersold every time.’ People are buying from Melbourne or wherever the Telstra hierarchy direct. It is virtually at a stage where if we could buy this stuff locally in our own Telstra shop—and I am not talking about franchise people—it would mean more employment. That is the thing that really annoys me.

Senator CONROY—That is an extraordinary price differential, and that includes postage, I presume.

Mr Walters—Yes. If I got the thing from Melbourne, they would give me the hands-free kit. But if I went into my local shop, they would have to charge me, under Telstra's price structure, \$49 for a leather pouch. I was a primary producer then so I wanted a leather pouch—so as to be able to throw the mobile phone around in the Land Cruiser—and a hands-free kit. To me that says it all: they are differentiating between rural areas and the capital cities. I think that is wrong.

ACTING CHAIR—Ms Duffy, were you living in Sydney for quite some time?

Ms Duffy—Yes.

ACTING CHAIR—Were you very successful in business?

Ms Duffy—Yes.

ACTING CHAIR—Did you come back three years ago?

Ms Duffy—It was two years ago.

ACTING CHAIR—Two years ago, were you of the same mind that we do not need the middle person in the cities?

Ms Duffy—No, not at all.

ACTING CHAIR—That is all right. That is the problem, isn't it? One of my former colleagues used to say very loudly that the kebab shop owner in his electorate deserved as much say as the people in the country.

Ms Duffy—I must say there is a kebab shop owner here who supplies all the felafels in Sydney, and you would not know it.

ACTING CHAIR—I am just saying this is a perception problem which we have to overcome as well.

Ms Duffy—Yes, that is right.

ACTING CHAIR—I have some almost frivolous questions, but we are talking about Telstra, this 600-pound gorilla. Ms Duffy, I am not going to ask you this question as you would be too young to remember, so I will ask Mr Walters. Given your experience of Telstra, is Telstra harder to deal with than the Telecom or PMG that you remember?

Mr Walters—Yes, I think so. If I go back to the old PMG and Telecom, I remember that we could deal with the local people and get answers out of them. But I would say this: I have praised the local Telstra Country Wide staff. But they are not getting backed up by middle and senior management. That is the disappointing part.

Senator CONROY—Do you think it is a bit of tokenism?

Mr Walters—Yes.

ACTING CHAIR—What you have to do, Mr Walters, is offer some of their senior management some jobs in Dubbo. Then they will come out, have a look and learn. We have been talking about the optical fibre service being available in Dubbo but not generally being available to the public. Earlier we heard a couple of reports about so-called black cables, which are cables that have not been activated. There may be operational problems—I do not know; we would need to ask Telstra about that—but obviously it is not good if you have an optical fibre service available to some customers in Dubbo but not to others. Did Telstra ever give you any reason why?

Ms Duffy—I have not asked them specifically about that, but I have heard that there is a lot of bandwidth sitting underneath Dubbo that is not being utilised. I do not know why people are sitting on that. Maybe it is because they do not like to share data.

ACTING CHAIR—There may be other reasons.

Ms Duffy—I do not know, to be honest.

ACTING CHAIR—We have heard of hospital beds being vacant because there are no doctors and nurses.

Ms Duffy—I could not answer that one. I am not sure.

ACTING CHAIR—So you do not know why, for example, a school or a public office may have optical fibre but a business next door cannot have it?

Ms Duffy—It seems that the education department or whoever run their own cable and other people cannot branch off that. I do not know whether that is for technology reasons or for security reasons. I suppose that is the other thing—if they were digging trenches to lay all of this cable then why were they not digging another trench that could be used by businesses as such? If we get optical fibre into the cities, that is great; but it is that last-mile technology that is really hurting us.

ACTING CHAIR—Finally, in your response to our terms of reference on USO you referred to a trivialisation of regional telecommunications needs. Have you given any thought to how the USO can be rejigged in such a way that it will actually meet your requirements? The Deputy Prime Minister has spoken about future-proofing the telecommunications system, which implies that we are looking forward rather than saying, ‘This is what we’ve got and we’ll maintain this.’ The current USO tends to look at what is available and specify, ‘This must be provided,’ but technology has gone way ahead of that. Can you suggest some model of USO, particularly given your IT background, by which we can actually future-proof the requirements of regional Australia?

Ms Duffy—Given demographics, you would have to look at each region individually. I think what you need to do is have an independent assessment of what would be the best solution. My guess would be that it is probably going to be cable running into the centres or key points and then a wireless connection from there. That would be my guess from my limited IT background,

because it has been a couple of years now. I think we need independent research to look at that—that is the basic thing. I think we will be quite surprised that it is not going to be the huge cost that we have been led to believe. I think there are other solutions out there, and we have to look at global solutions as well. Because we have not been keeping up-to-date with telecommunications research in this country, we might not have the best solutions here. I think providing a solution like that based on today's best practice would be achievable and not as expensive as we have all been led to believe.

Senator CONROY—Would wireless and fibre technology such as you are talking about allow VOIP, for instance?

Ms Duffy—Voice over IP—yes.

ACTING CHAIR—Thank you very much for appearing here today, Ms Duffy and Mr Walters. It is always a pleasure to come to regional Australia—it is not a burden.

[1.40 p.m.]

DAVIS, Mr Michael Leonard, Private capacity

LE LIEVRE, Mrs Therese, Private capacity

WARREN, Mr Thomas William, Chief Executive Officer, Orana Development and Employment Council

ACTING CHAIR—Welcome. Thank you for your time. It is much appreciated. The committee has received your submission and has numbered it No. 8. The committee has also received your supplementary submission today, which the committee will later resolve to publish if you have no objection. I remind you that evidence given to the committee is protected by parliamentary privilege and that the giving of false or misleading information to the committee may constitute a contempt of the Senate. I now invite you to make an opening statement before we move to questions.

Mr Warren—Thank you for the opportunity to address this committee. At the outset and on behalf of the organisation which I represent, I need to clarify that this is not a Telstra-bashing exercise and it is not really in reference to the proposed sale of Telstra. It is really a comment on the delivery of services across the whole of the region. The Orana Development and Employment Council is the area consultative committee funded through the Australian government representing the Orana region. As such, we have a role to facilitate and assist the development of Australian government programs and also to act as a conduit of information from the community to government. We represent 25 per cent of New South Wales, from Wellington through to Cobar, Bourke, Walgett, the Warrumbungle new local government area and all points in between back to Dubbo. Comments today relate to voice, mobile, land based, fax and data services across the region.

After the deliberations of our board, we believe it is unreasonable to expect the same level of service in remote areas of New South Wales as is available in George Street, Sydney. We also believe it is somewhat unreasonable to expect the cost to be at exactly the same level. My board put forward the fact that people make a choice to live in these areas. However, in this age of modern technology, it is reasonable to expect a reasonable service at a reasonable price to be delivered under accepted universal service obligation provisions. My board believe that at this point in time the telecommunications companies are not delivering according to their obligations. I do not believe it is acceptable to have a data service in remote parts of our region where you can go and boil the jug and drink half the coffee before the data is downloaded. That is not acceptable to me but that is the case with some services.

Claims about remote services from a variety of providers are not accurate. They say that there are services in certain parts. For example, I note the Newell Highway. They claim that the service along the Newell is continuous. It definitely is not, and I can prove it. If you feel like getting in the car and going 42 kilometres north on the Newell Highway you will note that the service drops out. It is as simple as that. Often I carry three mobiles when I go out there, as I have noted in the submission: Telstra digital, Telstra CDMA and Optus digital. I refer each of

those to each other in the hope that one of them might work somewhere on the property because they do have various reception points around the place. I believe, therefore, that the telcos should be honest when reporting their coverage and mobile footprints because that reporting affects the purchasing by the consumer.

I also have a small property close to Dubbo about 5.25 kilometres from the Dubbo exchange. We cannot get ADSL. When we tried to get it they said: 'Look, some time in the future it may be rolled out. Come back in 12 months time.' That was well over 12 months ago. It is the same message now. I will give you an example of the use of that service. I have children. My daughter is currently at Dubbo senior campus doing her year 11 and 12 studies. She has to come down to the library or to my office, where I work during office hours, after hours to get adequate access for her studies. Data services are not adequate close to Dubbo, so I really do sympathise with these people here beside me who are in remote parts of New South Wales.

There is a solution which I do not believe is known to a great deal of people. The Vodafone Globalstar network gives you mobile and data telephony services all over Australia and 200 kilometres out to sea. It has been around for a while. If you travel to Gilgandra you will note that on the left-hand side just out of Dubbo one of their major tracking stations and relay stations exists at Brocklehurst. It is not an issue of technology; it comes back to an issue of cost. However, from memory, I think about three years ago Vodafone Globalstar tried to get from the ACCC and under various trade practices rulings access to USO provisions so that they could use profits from one area of their operations to offset the costs of another area. That would have meant a dramatically reduced cost for voice services and data services, using a mixture of both land based and wireless technology. This is the challenge that I feel is in front of the future of telecommunications in and for regional Australia. The technology exists, but the rules and regulations are inhibiting the delivery of a lower cost service. I reaffirm that that has nothing to do with the sale of Telstra, but I believe it applies to all telcos.

There are quite a large number of other issues. I suppose one solution would be to share towers. Too often we see several towers in the same vicinity: one for Optus, one for Telstra and one for someone else, yet we still do not seem to be able to get services. I will cite another example: a Narromine businessperson, who is happy to send you some factual evidence on the company's letterhead, applied for a service for ADSL within the town limits of Narromine. The cabling was there in the ground at the front of the building. They applied for a line to come into the premises, because the company had moved from out of town into town to set up this business. They employ 56 staff. They have a business that travels from Central Queensland to Victoria. They applied for the service on 1 February. The line person turned up in the first week of March, after many calls. They eventually got it connected in the first week of April.

The businessperson believes that the only reason she got that to happen was that she called on a favour from a local telecom person who the family knew. That person rang head office and escalated the request up the queue and also explained to the people what was required. This businessperson has in the vicinity of 20 mobile services, including 12 with Telstra and six with Vodafone, plus a large number of landlines covering that business. The company does not believe that that is adequate.

Another example that could be a solution is a universal service obligation on data services at some level. That could be set as a percentage of the data services in the city. I do not believe it is

reasonable to expect the same speed in remote areas as can be generated in the city, simply because of costs and also the technology requirement. At this point I will hand over to Therese Le Lievre, who is from Louth. She will give examples of some difficulties that she and her community faced with respect to services.

ACTING CHAIR—I have here a two-page list in chronological order of what happened to you. Do you intend it to be a submission?

Mrs Le Lievre—Yes.

ACTING CHAIR—It has been moved that we accept that submission. There being no objection, it is so ordered.

ACTING CHAIR—Go ahead.

Mrs Le Lievre—My husband, Don, myself and our older son, Sam, have two properties, one on the western side of Louth and one on the eastern side. Louth is about 100 kilometres down the river from Bourke.

ACTING CHAIR—Yes, I understand that. There is such a place as the back of Bourke!

Mrs Le Lievre—That is right. Have you been to our races?

ACTING CHAIR—No.

Mrs Le Lievre—On the western side we have CDMA, and it is a disaster. You feel as though you are speaking to somebody overseas. To send faxes people end up going to our neighbour, Liz Murray, who has a satellite. The couple we had living in the cottage would go to put a fax through, they would dial the number, one page would go through and then it would cut out. Then they would have to dial again. That was how they sent faxes. If they had a lot of big, important faxes, they used to go up to our neighbour to get them through. When talking to them on the phone, which is on the other side of the river, it was as though we were talking to somebody in England years ago, and there was also a terrible noise. On our side we have a landline into Louth. When it is good it is very, very good, and when it is bad it is horrid. This is where the document I have made for you comes from.

Many years ago, when I married Don, we had the party line. I heard you talking about the different lines. Really and truly I think we were better off then than we are now, because at least we had five or six people on the line and if there was a problem we could contact one another. We propped our lines up; I realise that. But it was a lot better than it is now. There is a technician in Bourke, Stephen Walsh, who we call Stalky. Before Telstra took over, every time we had a problem he would be down either the next day or the day after and our phones would be fixed. They may have gone in and out quite a lot, but we did not really worry about it because he came down, it was fixed and was the end of it. Now I ring up Stalky and he cannot do anything for me unless he is sent.

We make a phone call to report our lines out and we end up talking to somebody in Townsville or Adelaide or somewhere. They say, 'The person has to report their own phone out.' We had an

incidence, which I describe in my submission, where about 52 phones were out. The mother-in-law of a young fellow asked him if he would report it when he got home, which was 40 kilometres away. That was the closest phone to her. When he got through, they said, 'No, she'll have to go next door and report it herself.' He said, 'That's ridiculous.' He explained the distances and they just said, 'She'll have to report it out herself,' and that was the end of that. We once again got through to Liz Murray, and Liz reported it for us with her satellite phone.

When Don and I were first married and we were out mustering cattle I came off the bike and broke my collarbone, a few ribs and a couple of other things. We were a long way from our vehicle. We could not get the vehicle in because it was rough country. I had to get behind him on the bike and sit for about 23 to 26 kilometres to get out, get into the Toyota and then go up to Bourke to be fixed. I expected that, because that is the way things were. But I do not expect it to happen today, and it is happening today. I cannot get through to anybody if something goes wrong. My son once tipped over the four-wheeler. He was upside down. I do not know what happened but they rang the Broken Hill flying doctor and for some reason—it has never happened before or since—they did not get through. They ended up ringing Bourke and the ambulance came down. They were a bit worried. It was a very slow trip up. It is the accidents that frighten me. I feel we are an accident waiting to happen.

In two weeks time we move into our sixth year of drought. It is very stressful, but we chose to live out there so we will have to put up with the drought and keep on going, praying and hoping. But I do not think we should have to put up with Telstra the way it is. My biggest thing is that the people that are out there now are getting older. They tell us we can have mobiles, but they do not work. I would like my husband and my son to have one and I would like one myself, or we could have one to share so that we could have some contact.

I go out from home to the back of the property about every third day and do a water run, checking troughs—the water is pumped out from the river. It is nearly a 60-kilometre round trip, and that is one side. Then a few days later it is the same on the other side. I have had one accident. I was on my bike and it got wire around it. That was in December. I started to pull the wire off the bike, and I was leaning over—it was about 44 degrees I found out later—but I did not think anything about it. All of a sudden I realised that I was not going to be able to get the wire off, so I had better start making a move. I had to walk and I did panic. Someone would say that I should have had water—well, I should have had water—but on the bike I do not know where I would have put it. If I had had a phone, I could have got through to home and somebody would have come to pick me up. It probably seems very simple, but it did happen.

My other concern was that, as you see there, my phone was out for 16 days. I am not a person that makes a lot of fuss—I try to give everybody a little bit of time—but 16 days was the sort of thing I did not like at all. That is why I am here today. It was unfair and wrong, and when Telstra is privatised I do not know what will happen to us; I really don't. It went out and we were told that we would have it in in about four or five days. It went on and, as you will see down there, it was out of order for 16 days.

That was on the 12th. On the 19th our fax line went out along with 42 or 52 other lines in the Louth village and district. So we got through to Liz again to report it for us. The night before it went out there had been a motorbike accident where a young fellow had had a very bad fall and had hurt his spine. It was quite serious. They got him into Louth and we got onto the Flying

Doctor Service. My son is the captain of the Louth bushfire brigade and, anytime there is a night landing for the flying doctor, Sam has to be in there with the bushfire truck just in case something happens. But nobody could get us, and there was such a panic with this young fellow that they just brought him in. The pilot did not know until the plane got there that Sam was not going to be there. The pilot landed and everything worked out and he flew him away. That should not have happened.

The next day the young wife with two little children wanted to ring Broken Hill to find out how he was. That was the day that the 42 lines were out. She could not ring anyone. She was 40 kilometres from Louth. Finally she got herself up to Louth, but we did not have any phones—and she was in a great state, to say the least. I think we must have gone to Liz's; I do not quite know what happened then.

At the time it is so terrible when it is happening. It is so stressful. The phones came back in at about three o'clock in the afternoon and my fax line came back in. But I did not know that and I did not know that other people's phones were back in. Finally somebody drove to me and said, 'Is your phone still out?' Yes, it was. 'But they were all fixed.' So we got through again to Telstra. It was a human error, I know, but human error is what is worrying me later on. Will anything be done? What was the problem? They assumed that my 27 line had come back in again, but it had not. Nobody rang me. There was just no contact. So we got through again and I think it was four or five days then before we finally came back in.

Someone called me on the two-way and told me—I think that is how it happened—that there was a Telecom man working on the lines. I jumped in my vehicle and away I went and found him. He said, 'I have just fixed your line.' He had a great amount of dirt all round him. He said, 'There's a copper line with plastic over it and the plastic has disintegrated.' I actually rubbed it in my hands. Although I love my line, what bothered me is that he pointed to a few others. They are still going perfectly, but I know that we are going to have problems. I hate leaving this line because it is better than what we have got over the river, but if they do not find these problems until Telstra take over, I do not know who is going to care about us, or who is going to worry about us.

I am sorry that Liz cannot be here today. She and Michael are great people for fighting for us because they do understand it all. I think we should have a line, and we haven't. It is stressful. Coming down here to you people today, I left home at six. I ought to be fighting for roads. Our roads are so terrible I put a stone through the wall of a brand-new tyre. I thought, 'It should be the roads I am fighting for, not Telecom'. We have to accept it, because we are out there, but not the telephones.

ACTING CHAIR—Mr Davis, do you have a similar story to tell us?

Mr Davis—No, not really. I am under the wireless local loop. I have received that upgrade in the last two years. We have gained nothing out of our upgrade. The government promised a 19.2 kilobit service on a dial-up. We still cannot get 19.2 on a dial-up. We can only get 10 or 11. I think that is approximately what they believe we have got. We have lost voice quality. We have unreliable connections, where the people on the other end think they have faxed, and the fax doesn't come through. If we go to dial up someone and then want to send a fax, we have to hang up because we have to put the prefix number 12622 on every fax we send. So, if I am dialling

someone to talk, I then have to redial to send a fax if I want to send a fax. We have actually lost ground by this upgrade. I have gone on to the HiBIS scheme under the satellite for my internet connection, because I just did not have enough time in my life to put up with dial-up. It costs me \$70 a month to be provided with something that in the city is provided for approximately \$25 a month. I am not criticizing the satellite broadband—it is very good. We need it for our business. We sell sheep over the internet, and we bank. I am 200 kilometres from my bank. I don't just jump in and go and cash a cheque. We transfer money via the internet and try to operate that way.

The thing that really worries me is that most people will not pull on the HiBIS scheme because of the cost. I listened to the Narromine mayor saying that he had to drive into town. He could pay the \$70 a month, but most people where we are, in rural Australia, are on low to middle incomes at best. I live in the community of Brewarrina. We have been described as the most disadvantaged town in Australia, which is a rather large area. And it is not only me. I am on a place. There are a lot of other people in towns who cannot afford to access the broadband as it is.

The access that I really have trouble with is the untimed local calls. I am not like Tess. I thought that when I was put on this country of Australia I was equal to anybody, no matter where I lived, as far as telecommunications go. I can go into a post office anywhere in Australia, buy a stamp, put it on a letter and send it for the same price that anybody else all over Australia can. Yet when I go in to dial up on my phone on the Gadooga exchange I get the Gadooga charge point. I have got no technician in Gadooga, just a charge point. We have spheroidal areas around each of these charge points of 32 kilometres. I live in the electorate of Gwydir. It is 185,604 square kilometres. Most of the electorates, from what I can gather, have 85,000 people.

I get an area with a 32-kilometre radius of approximately 3,000 square kilometres where I can make untimed local calls. In Gadooga there are three seven-digit prefix numbers, which means that I can contact only 300 people. If I was in the same 32 kilometres in the electorate of Grayndler, which I used to live in years ago when I was mucking around in Sydney—it has a full area of 29 square kilometres with 86,000 electorate voters—I could dial up approximately three million people on the Sydney charge point for the same price.

We are arguing here about how to retain people in the bush. I see that this is very disadvantageous to all of us. I feel that it is the government who has to dictate the outcomes for these. Telstra will not do it. If Telstra becomes fully privatised it will only look at its bottom line. I know that, where I live, we are not viable as far as our phone connection is concerned. I also know that I am not viable as far as Australia Post goes, because it is 20 kilometres up the road to my neighbour. A man comes along, driving a vehicle, with about four letters. We are well aware of that. Yet it seems to me that we have lost sight of communication contact for us in the bush as being a responsibility of the government. Liz pulled out, so I have only just come to this, but I would like to have a crack at sending a submission to you. Would that be all right?

ACTING CHAIR—Yes.

Mr Davis—It will only be on my behalf. In rural Australia, we are a low to middle income outcome. There is the technology out there today, and I think people could access it if we did not have to pay through the nose. It is to the detriment of all our areas. This is one thing that the

governments could do to help retain people in rural Australia. I have been where I am for 31 years now. I went to school in Sydney. I went to university in Sydney and then pulled out—I ran out of brains. I could not handle the number of people then. I have a boy down there now. I have two boys, and I am driving them away from rural Australia. I said: ‘You have to go there. You have to get a bit of paper and you have to get out of here.’ I feel that is a very sad day.

I have no idea how we are going to future-proof. I do not think even John Anderson knows how he is going to do that. I did say to John Anderson at the recent ICPA conference at Moree, when I got up and asked him a question, ‘At the end of June, you will have control of the Senate and the House of Reps.’ They are supposed to be ‘our men’, because rural Australia is supposed to be represented by the National Party. They are the ones with the balance of power in both houses. I said to him, ‘What level of service do you think we should have?’ and he just wafted on. I really do not know how he is going to guarantee it. But, from where I sit, I think the National Party have the balance of power when it comes to the outcomes. Whatever happens with our communications after June will fall squarely with those people with the balance of power—and they are supposed to representing us.

ACTING CHAIR—Thank you, Mr Davis. The secretary will give you our email address and, more importantly, our postal address so you can send that to us.

Mr Davis—I have all that.

Senator CONROY—What are the odds on email?

Mr Davis—No good—I just have to pay. I have no money in here, but I can still email.

ACTING CHAIR—Senator Conroy, do you have any questions?

Senator CONROY—No. I think they were just fantastic examples of the difficulties that we face in the debate around future-proofing. I think you said you had driven 500 miles—

Mr Davis—Five hundred kilometres.

Senator CONROY—to be with us today. I simply thank you very much for coming and telling us your story. And Mrs Le Lievre, we appreciate you taking so much time and effort to come to us. Hopefully we will get your submission soon and we will be able to put that into the body. I can promise you I will be standing up and talking about the examples you have given us today when the debate is on in the Senate in the next couple of months.

ACTING CHAIR—And I will make sure he doesn’t add anything to it! Also, Mr Warren and Mrs Le Lievre, if you have additional information you wish to send to the committee for consideration, please make a further submission if you wish. Thank you very much for your time.

Senator CONROY—We will send you a copy of the final report.

ACTING CHAIR—And I hope John Anderson can improve the road!

[2.11 p.m.]

REYNOLDS, Mrs Tina, President, Dubbo Chamber of Commerce

LAWLER, Ms Jodie, Executive Officer, Dubbo Chamber of Commerce

ACTING CHAIR—Welcome. Thank you for your time here today. It is much appreciated. I remind you that the evidence given to the committee is protected by parliamentary privilege and that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. In plain language, that means you can say anything you like but be careful what you say. I now invite you to make an opening statement before we move to questions. I notice you do not have a written submission at this stage.

Mrs Reynolds—We do not have any statement prepared at all. We sent emails out to about 240 business houses in Dubbo. Believe it or not, we did not receive one response. Basically, we are here to answer any questions that the Senate may want to ask about small businesses.

ACTING CHAIR—You have just made a very interesting opening statement. You sent out more than 200 emails, and received not a single response. Can we assume that nobody actually received those emails?

Mrs Reynolds—Or they are too busy running their businesses.

ACTING CHAIR—I direct you to our terms of reference. Basically, the Senate asked this committee to look at the existing regulatory regime, particularly provisions for anticompetitive behaviours. You are probably not interested in that—Telstra's competitors would be more interested in that—except in the way they impact on the service you receive, including where other operators may be priced out or forced out of providing a service to you by Telstra. Another aspect is looking at consumer protection and your relationship with Telstra or other service providers: whether you receive proper service and proper responses to your complaints. Finally, the other issue we want to look at is the USO—that is, the universal service obligation—and particularly its impact in regional Australia. We are interested in whether you believe that the provision in that is adequate and, if not, how we can improve it.

Mrs Reynolds—After listening here today, obviously there are problems out here. Some will say there are not; some will say there are. Personally, I have had problems with Telstra. I am five kilometres out of Dubbo. We run a small business. In the last six months, we have probably had our phone lines down for half a day six times. It has taken Telstra anywhere between one to two days to get out there to see what the problem is. The excuse I get each time they come out is that we are connected to the Wongarbron exchange. Apparently the Wongarbron exchange needs to be upgraded. But, Telstra said, unless they get 60 complaints from 60 individual people, nothing will be done about this exchange.

ACTING CHAIR—Sixty?

Mrs Reynolds—That is the figure that the technician quoted.

Senator CONROY—We tried to phone everybody to round them up!

Mrs Reynolds—Personally, we have had problems with Telstra in that way. Just from listening today, obviously as you get out of Dubbo into regional areas there are a lot more problems for businesses. This week we have had employees in Binnaway. There is no mobile coverage at all in Binnaway. We cannot check up on our workers to see how they are going and to make sure that they got there safely. In MobileNet the coverage is not out here compared to the city areas. I spoke to a Telstra guy last night who told me that Telstra are mainly concerned about the golden triangle, which is Sydney-Canberra-Goulburn. That is where their main profit area is. Outside that area it is not profitable for them to be servicing.

Senator CONROY—How critical is it for your members to have high-quality, high-speed internet access to be able to do their business?

Mrs Reynolds—It depends on what type of business they are in. If you are in a business that is involved in computers, it is very important. There are other businesses that probably do not need it as much and are not that worried about it. But if you are in a business where you have to be using computers, it is definitely very important.

Ms Lawler—We probably should stress, too, that our membership base is mainly small business, so a lot of people do not have access to those resources. A lot of people are not on broadband as yet.

Senator CONROY—One of the other groups who appeared before us in Sydney yesterday, the Small Enterprise Telecommunications Centre—and they are mainly small businesses—noted that commercial activities to date have seen too many new service offerings limited to metropolitan areas. Is that something your members and you have experienced?

Ms Lawler—Yes, absolutely.

Senator CONROY—So the range of services for small businesses in the cities is improving, getting better, but out in the regional membership it is just not up to that same level.

Mrs Reynolds—Broadband is limited in Dubbo. You can be in south Dubbo, which is a two-minute drive from here, and not have access to broadband.

Ms Lawler—My bookkeeper works from west Dubbo and I work in central Dubbo, and I cannot get anything to her through the internet.

Senator CONROY—So you have just basically got the CBD of Dubbo.

Mrs Reynolds—That is basically all that can pick up broadband. You will probably find that some businesses cannot even pick up broadband in the CBD. I was amazed when I was in Pinang at Christmas time, which is supposed to be a third-world country. I walked into my hotel, opened up my laptop and had a wireless connection straightaway. Yet we cannot get those services in Australia out in the country.

ACTING CHAIR—It was probably the Pinang CBD, though.

Mrs Reynolds—Actually, it was not. It was not in George Town; it was out of George Town. Broadband is a big problem here in Dubbo. There are only certain areas where you can hook up to broadband.

Senator CONROY—Virginia Trioli wrote a piece recently about when she was in the Lebanese desert and had coverage from Damascus through the other side. She comes home to Australia and drives around, and in certain areas of the CBD you still do not get coverage.

ACTING CHAIR—It probably needs a war.

Senator CONROY—I do not think so. The message you are giving, Mrs Reynolds, is consistent with what we are getting all over Australia.

Mrs Reynolds—You probably get a lot of businesses that are happy with the services as well, so you have probably got your positive and your negative side with Telstra.

Senator CONROY—Are your members concerned—and we were just hearing about it from the last witness—about the monopoly that Telstra have in the area? Because there is not enough competition, you cannot drive the service providers to help upgrade your businesses. Is that something your members have experienced? Is that lack of competition stifling?

Mrs Reynolds—Correct me if I am wrong, but even if there is competition within the services here, aren't they all Telstra lines anyway?

Senator CONROY—There is that small problem.

Mrs Reynolds—So competitors are still buying their time or their lines off Telstra anyway. If there is competition to Telstra and you are having problems with your line, and you ring them and say, 'I'm having a problem,' they have got to ring Telstra to fix the fault anyway. Is that correct?

Senator CONROY—I presume so. I have to say that that does seem to make sense.

Mrs Reynolds—So Telstra does have the monopoly. We had a guy from ACN approach us last week about switching from Telstra to ACN. He could offer cheaper phone calls and if you had three phones hooked up with ACN it was all free calls. I thought, 'How do they do that when they are buying their time off Telstra?' I do not know.

Senator CONROY—It sounds like OneTel: buy at 70c and sell at 15c. Funnily enough, they went out of business and there are people who are going to jail about it.

Mrs Reynolds—The way I look at it is that there is really no competition because Telstra owns the lines.

Senator CONROY—You sound as though you are resigned to it. Part of what we are trying to do with this inquiry is to find a way to regulate Telstra so that we can improve the access for competitors and try to get some life into the competition.

Mrs Reynolds—That is one question that small businesses do have: if Telstra is privatised, who is the governing body that will keep an eye out to make sure that people in country areas do not lose the maintenance or upgrading of services?

ACTING CHAIR—That is what we are trying to find out. Essentially the same people who regulate Telstra will continue to regulate Telstra. That is why we want to see whether it works at the moment.

Senator CONROY—They are doing a great job now, so you should rest easy.

Mrs Reynolds—Who regulates Telstra at the moment? Is it the ACA?

ACTING CHAIR—It is the ACCC.

Mrs Reynolds—I was speaking to another Telstra guy last night. There is a thing called the customer service guarantee.

ACTING CHAIR—Yes.

Mrs Reynolds—They have to answer to the ACC—is that right?

ACTING CHAIR—The ACCC, yes.

Senator CONROY—Some of the debate we are having is about what should be in the universal service obligation and what should be in the customer service guarantee. From your complaint before, I struggle to see how they are meeting their CSG obligations to you, given that your line has gone down six times for half a day and it has taken one to two days—

Mrs Reynolds—They did send me a letter saying that if I want to put in a complaint—

Senator CONROY—Yes, but I would imagine they would owe you some money by now, because there are penalties. Depending on which area and how long it takes, they have an obligation to fix lines by a certain time or there is some recompense involved. I am not talking thousands of dollars or anything, but those guarantees are in place.

Mrs Reynolds—I was talking to a Telstra technician last night, and the only thing that Telstra get fined on is if they have not been to fix up their service within a period of time—anything else they are not really interested in.

Senator CONROY—Funnily enough! Those are the sorts of issues that we are trying to get to the bottom of. What sorts of things should be in the universal service obligation? Should broadband be part of the USO? At the moment it is just voice—the telephone. Should it be broadband? Should it be the capacity to use VOIP, which is voice over the internet? Should those things be included as the minimum standard?

Mrs Reynolds—Definitely. If they are offering a service, all those services should be under that, to be checked on and governed. That is a concern if Telstra is privatised: who will be

governing Telstra, who will be checking up, who will be making sure that things are upgraded and maintained? We just heard from a lady from Louth; is it being done out there?

Senator CONROY—From the story, definitely not—it took 16 days to get a phone line fixed.

Mrs Reynolds—Exactly. My father was working at Mt Hope, which is out near Hillston. They could get no service whatsoever out there. I think he even bought a satellite phone and that still did not work.

Senator CONROY—You might have heard me say earlier that Ziggy Switkowski said that Telstra services are world class. Do you have any thoughts?

Mrs Reynolds—World class compared with whom.

ACTING CHAIR—I do not think a satellite phone is Telstra.

Senator CONROY—I am not sure.

ACTING CHAIR—Did your uncle buy a satellite dish as well?

Mrs Reynolds—No. I cannot tell you exactly what it was but it was a special phone that you can use out in country areas. It did not have a satellite with it. Maybe he had something that you have to put on the car and then dial out. I am not sure what it was, but he still could not get service out there. You said ‘world class’; who are we comparing against when he said that?

Senator CONROY—A lot of people were laughing when he said it.

ACTING CHAIR—You heard a previous witness talk about the remote regions problem. What are the specific problems that are common in Dubbo that your membership tells you about? I understand that you say some members may have nothing to complain about. I suppose that if you do not know what is available you do not know what you cannot have. Do you have any feedback from your members about the sort of service they have received or not received?

Ms Lawler—No. As we said, we sent out an email and we did not get any response, so I gather that most people are happy. But for a lot of our members we still have to send information via mail. They are not even connected to the internet.

ACTING CHAIR—Where are your members located?

Ms Lawler—Dubbo.

ACTING CHAIR—Within Dubbo? There is nobody outside of Dubbo?

Ms Lawler—Probably in Wongarbone and Wellington we might have a couple and maybe in Narromine.

ACTING CHAIR—So they are all in centres, basically.

Ms Lawler—We focus on Dubbo.

Mrs Reynolds—I know from being in business that in south Dubbo you lose mobile coverage. There are certain areas in Dubbo where as you drive around you lose coverage. And broadband is probably a big thing with a lot of businesses as well. Generally, if you are just using your telephone here, your landline, I do not think there are a great deal of problems unless you are just outside Dubbo, in Wongarbone and places like that.

ACTING CHAIR—Thank you for your efforts in trying to get more interest.

Mrs Reynolds—Thank you for taking the time to visit Dubbo.

ACTING CHAIR—It has been a pleasure to be here.

[2.29 p.m.]

FLETCHER, Mr Roger James, Owner, Manager, Director, Fletcher International Exports Pty Ltd

ACTING CHAIR—Welcome. Thank you for making yourself available today. It is very much appreciated by the committee. I remind you that the evidence given to the committee is protected by parliamentary privilege. The giving of false or misleading information to the committee may constitute a contempt of the Senate. We do not have a written submission from you. I will ask you to make a statement before we go on to discuss particular issues.

Mr Fletcher—First of all, I did not make a submission because I am usually too busy to do those things, and I think I can manage this quite comfortably by going through verbally where we come from as a company. We are a private company that came to Dubbo about 16 years ago. I have been in the meat industry and the wool industry now for about 30 years, starting from zero. We have always had a bit of a connection with Telstra or Telecom or PMG because my wife started out as a worker on the exchange at Moree and she went through to Monitus and because our business relies on communications across the world.

We buy stock in every state in Australia, we are the biggest sheep processor in Australia by far and we export to 70 countries around the world. We had an export office in Sydney 10 years ago. I made a decision at that time that I wanted to try and bring it back to Dubbo, so we looked at whether the communications could serve us with our shipping and export divisions. We export one per cent of Australia's rural exports and we do it all out of Dubbo. If you asked me to put an office back in Sydney tomorrow and gave me free rent in the best office in Sydney and \$1 million on top, I would not take it. We are quite comfortable here with what we have done.

I have just done a check on our operations. We have 42 mobile phones. We have 40 phones outside of our offices in Albany, Western Australia, and in Dubbo. They are on farms that I own, and of the outside workers only one has had a problem with a phone in the last two years—it has had a new line put in there. As I said, I have just done a check of our operations in Dubbo and in the last three years we have not had to call Telstra once. The only bargaining battle we have had with Telstra was getting broadband put on a few months ago and it is on now. As far as I am

computer literate—but I have questioned my people, and we have 700 working here in Dubbo—there is no more we can do and we are on a par with Sydney.

Interestingly, I also checked our accounts and what we are paying for our Telstra account. Our costs have dropped 25 per cent in the last three years—these are facts; my books are open to anyone—and our business has definitely not got smaller. We are in one of the most difficult countries in the world, but I would say that outside of the Middle East our communications here are on a par with those elsewhere and definitely better than America's. I have been round England and Scotland and we do not always get mobile service there. If you go to America, you have more problems. But the Middle East is better, I think; the area is flatter, the technology is newer and they have put it in. Interestingly, we made a few trips to Libya two or three years ago when they had no communications. Now they are better than us; there are mobiles everywhere. So things are going forward.

I also had the privilege of addressing Telecom about 10 years ago. Their regional staff in New South Wales asked me to come along and talk to them about R&D, about improving their side of the business and that sort of thing. I talked to them about quality control and they said they did not need it. Then, about four months ago, Telstra asked me to come back and do the same thing. The attitude of the staff today compared to 10 years ago is completely different. They are looking at R&D, they are looking at training, they see that there are too many people being put off and they are trying to get new people going forward. I like what I see happening.

We are pushers of training in our business. We have trained everyone that we have. If Telstra really have a weakness, it is probably that they have put too many people off and, now, getting the training side back on its feet is probably the biggest job they have. That is after questioning them right through. But it is like any business: a company doing a lot of R&D to keep advancing that side is no different to an electrician today—just being an electrician is nothing; they have to keep studying and going forward. That is one of the big issues.

I have only one thing to say about government and government mentalities. Unfortunately, in my business I must work hand in hand with government businesses—I am talking about rail, road transport, shipping ports, water and councils. I only wish they were going, and their costs going down, as fast as Telstra. These are facts. Have a look at Dubbo: the state government has just told them to put their water rates up by double in one hit—no discussion. Our rail freight costs have gone up 35 per cent in a couple of years, and we have gone from five trains a week to 2.5 or three.

So I look at it as being a case of 'the sooner the better'. But I see one big complexity: the money should be going back into the infrastructure that is lagging in this country. We are under massive pressure in industry getting our freight to airports, and with water supplies and electricity. There is no doubt that electricity will be a problem, that we will run short in the next year or two. It has happened in Queensland and it has happened in our plant in Western Australia, where we have had to close down at times. If you have 700 people and you have to put them off it costs \$500 a minute while they stand there. Having said that, I will take any questions you might have.

ACTING CHAIR—Can you clarify for me what you said about Telstra service as far as broadband is concerned?

Mr Fletcher—We are on broadband now; we have everything at Dubbo that is equivalent to Sydney, according to my guys. One of the great things today is that we do not have to send samples anywhere in the world—that was a huge cost. Today, we can take colour photos and flick them across the world in a minute. When I first started we had telexes; then we went to faxes and now we use emails. The only problem with emails is that you get too many of them.

ACTING CHAIR—If I can play the devil’s advocate a little, Mr Fletcher, what is your response if I say to you: of course you get good service from Telstra—you are a big customer.

Mr Fletcher—I probably could argue that, because I also own quite a few properties and I have not gone pushing Telstra. As I have said, the only time I pushed Telstra was to get broadband; otherwise, I have never spoken to them in my life. I have never spoken to any political party about this. What I am talking about is non-political because I do not have any issue whatsoever. But I have dealt with government organisations over a lot of years and I have probably had more experience than anyone in this room with half-baked government businesses. I say that because I was an apprentice at council abattoirs; that is where I started my business. They were council-government abattoirs. There were about 40 of them in Australia. Do you know how many are left today? Zero. Why? Because they cannot compete with private enterprise. It was the best thing that ever happened because the industry could then go ahead. Otherwise, they were propped up by governments, and private enterprise did not want to build abattoirs because there was no chance of doing it.

Senator CONROY—What would be your turnover?

Mr Fletcher—That is off the record—being a private company we do not have to say things.

Senator CONROY—Okay. It would not fall into the category of ‘struggling small business’, though?

Mr Fletcher—I will put it this way: it is a private business; I started with nothing.

Senator CONROY—Clearly an absolute success story.

Mr Fletcher—I accept that, but I have never pushed the barrow of my position with Telstra.

Senator CONROY—Do you think Telstra would not have noticed a business with your sort of turnover?

Mr Fletcher—They would not know.

Senator CONROY—I am not sure if you heard any of the earlier evidence today from a lot of the small businesses that have been struggling with their relationship with Telstra, as well as from some of the individuals who have described their difficulties.

Mr Fletcher—I heard some of it.

Senator CONROY—Have you never experienced anything like that?

Mr Fletcher—I have told you what my situation was.

Senator CONROY—You are not aware of people who have had those sorts of experiences?

Mr Fletcher—I have heard a lot in the media and that sort of thing. Unfortunately, we always hear the bad things about change, and all people do not like change. I can tell you that, if my business does not change over the next three years, I am going backwards, because we must go forward to compete with the world. My biggest problem is that we are in a business that is not essential to people. People do not have to eat lamb, they do not have to buy wool and they do not have to buy finished skins or by-products that we have; they can buy chicken, they can buy fish and they can buy artificial meats. We have to stay competitive.

Our infrastructure is the biggest issue that we have in this country today. We are falling behind. It is absolutely paramount that we keep up. I see it when we cannot get our containers on ships and when we cannot get through the CBD of Sydney because there are no through lines. These are major problems that need major fixing. We are running electricity in New South Wales, Queensland and Western Australia right to the brink. Nothing has been done about water supply in the last 10 or 15 years. We will not discuss rail. I wish the other industries had gone ahead as fast as Telstra. I remind everybody that I came off the land. We were on party lines. When I was droving up in Queensland there were no telephones whatsoever. There was only two-way radio and some of it was virtually morse code. We have come a long way in the last 25 years, and I wish the roads had come along at the same pace.

Senator CONROY—I am interested in your statement that you have everything that the city has in broadband. Does that mean you have the ability for voice over the internet?

Mr Fletcher—I do not know that one. I cannot answer that.

Senator CONROY—I appreciate that. If you are able to come back to the committee with the answer to that, we would be interested.

Mr Fletcher—Yes. I will do that.

Senator CONROY—As you have probably heard, there is only fibre or sufficient capacity to the CBD, whereas Sydney would have fibre all over the CBD, with VOIP accessible.

Mr Fletcher—We have fibre to Western Australia. When we built the plant down there they took it on straight away and put a fibre cable right through.

Senator CONROY—For a \$350 million business, I would put fibre on for you, Mr Fletcher, I promise you. I would be knocking down your door to fibre you up.

Mr Fletcher—It is not my business.

Senator CONROY—The business is called Fletcher International Exports. You are listed as owner and managing director.

Mr Fletcher—That is correct, but it is not my business; it is our business—that is, all my employees' business. I have a responsibility to them and also to all the farmers that we buy livestock off. If we are inefficient, or our links in the chain are inefficient, they are the ones I have to pass the money back to. If our costs go up 20c a head somewhere down the line, either I have to do research and development to improve efficiency by more than 20c or I have to take it back off the farmers somewhere. The farmer can breed livestock and make a profit. The biggest problem I have in business is, if he cannot breed livestock, I then own abattoirs and woollen mills with all the good communications but no livestock to process. Therefore, they are worthless. A farmer can still have a farm and, if there were no sheep in Australia, he could run cattle, he could grow wheat, he could take it into tourism or he could send his farm back to the government as forest. But we cannot do that.

Senator CONROY—You mentioned that you talked to Telstra about 10 years ago and that they had a pretty bad culture and bad attitude. I think that would be a way to describe it. You say you spoke to them recently.

Mr Fletcher—I was just enlightened of the change.

Senator CONROY—Telstra 10 years ago was pretty much a government monopoly.

Mr Fletcher—That is correct.

Senator CONROY—Now it has been forced to face up to a bit of competition even though for most of that 10 years it has been a government monopoly. Do you put it down to the ownership or the fact that there is competition in the market?

Mr Fletcher—I think it is because there is competition in the market and also because they realise that they have to get on with the job. When I addressed them 10 years ago—and that was when they could see the red of the eyes of the competitors coming in and the monopoly breaking up—they thought nothing could change. They thought, 'We don't need these things.' I could not believe the change in the attitude of those people. Even their minds were thinking younger.

Senator CONROY—I am sure you have read—and I think, from the tenor of your discussion, that you would support this—that the privatisation will take place after 1 July, at some time over the next 12 months. The issue then will be: how do you manage a private sector monopoly? I am sure you have dealt with some monopolistic behaviour in your business experience. What we are trying to look at today—as we did last week and will into next week—is what sort of regulatory framework is needed to try to deal with what has been referred to as the 600-pound gorilla in the marketplace and whether it is stamping out its competitors along the way or making life difficult so that they fall over. Do you have any thoughts on what is necessary to constrain a private sector monopoly?

Mr Fletcher—In my business a lot of these infrastructure costs are owned by monopolies. Do you know who the monopolies are? They are the government or the council or the state government. Their costs have increased faster than those of private industry.

Senator CONROY—That is what monopolies do; they monopoly price.

Mr Fletcher—That is correct, but in private enterprise there is a better chance of doing something. The electricity entity owns all the electricity lines but I have nowhere to manoeuvre there. Take state roads: they do not want to put any extra weights on the roads, yet we cart containers 10,000 kilometres, and for a few kilometres we cannot get extra weight and compete with the rest of the world. The rest of the world is going to 40-foot containers but our state government does not want to know about it. So monopolies in government do not help you one little bit.

Senator CONROY—As I said, the expectation is that the legislation will pass in the Senate, so this committee, under its terms of reference, is trying to work out what we need to ensure that we get the best outcome for people like you and many small businesses. It is about trying to ensure that a private sector monopoly is not able to extract those monopoly prices.

Mr Fletcher—One thing about the communications set-up is that it will keep changing and I think, at the end of the day, Telstra will not be that important. They will have competition from outside their monopoly. With satellites and the communications we have got we do not have to make phone calls. We could cut back on all sorts of things today. Unfortunately I am not a strong enough manager to make some of my guys make fewer phone calls!

Senator CONROY—Do you think some of the changing technology will naturally erode the monopoly position of Telstra?

Mr Fletcher—I do. I see that as a vital issue. All the people west of us are very important clients and we have a big enterprise in Western Australia so we deal with a lot of remote areas. They will definitely need some support in holding that together. I think the technology advance will help them faster than any bricks you put in front of it to stop it. That is where you will see the benefit.

Senator CONROY—This committee has had representations from all of Telstra's competitors who deal with different types of technologies. They are screaming that Telstra is abusing its market power and that Telstra is using its position in the market to keep them down and to take advantage of them. I am sure you did not pay any attention to this because it was big in this area but not big in general terms, but the very day before Optus were to announce a major reduction in price for broadband services—after they had spent two years negotiating with Telstra Wholesale—Telstra Retail announced a major reduction in price. That gives you one example of the Optus argument.

What this committee is grappling with is trying to find a way to make sure those competitive juices start flowing. I agree with you: the technology will erode some of this over time. But some of the companies are saying to us that while it may happen over time they might not be around over time because of the behaviour of Telstra towards them right now. Optus will survive because they have deep pockets. But a lot of the other people who have appeared before us have said that they do not have deep pockets and cannot fight this behaviour by Telstra in the marketplace. 'They're killing us. They're offering \$2.95 broadband for six months at the moment. Just because they know we have gone into a particular rural centre, they are offering cheaper rates for sign ups and free modems.' That is the sort of stuff that is happening. They do not have pockets deep enough to compete with what they believe is an abuse of market power.

What we are struggling with is how to avoid those abuses of market power and to get those competitive juices—which clearly you are a supporter of—flowing.

Mr Fletcher—I understand that and that is a big issue. But that is no different to petrol sellers today being able to squeeze someone out or the major supermarkets being able to squeeze people out. It is something we have to work with. We are a nation of only 20 million people. We are not like America, which has 270 people and 50 major supermarkets which are competing. Right across the board it is a major issue. We are in a very competitive world. I see that there are some difficulties in it. But I cannot see how you can get around it better than we are. You have to put some places in.

Senator CONROY—That is what we are looking at doing. We are trying to put those things in.

Mr Fletcher—You have to put some good places in that can do that. But at the end of the day Telstra is not going to be the same value of company that it used to be.

Senator CONROY—That is right. That is part of the debate at the moment. Telstra are claiming to be a \$5 company and they are basically just a utility which is going to be under competitive pressure over time.

Mr Fletcher—That is right. We will not use the phones so they will not be able to gather the money. There will be all sorts of systems there that change it. That is already happening.

Senator CONROY—One of the telecommunications experts said to us yesterday that at the moment voice is 70 per cent of revenue. In 10 years times he thinks it will be 10 per cent of revenue because other services are expanding and voice is contracting naturally.

Mr Fletcher—We see that. We have to stay competitive with the rest of the world, too. We are a large country. We are spread over a large area. We are probably different to some countries in Europe where the people are more congested and it is simple. But it has done a lot to develop Australia, too.

Senator CONROY—A lot of the complaints from earlier witnesses here in Dubbo were about the fact that that they are not getting access to the best technology as quickly as others. For a \$300 million company, probably a phone call, and not even one from the managing director, is enough to get Telstra paying attention. Do you have any suggestions for those smaller businesses in Dubbo that have been struggling to get upgrades of broadband and sufficient capacity?

Mr Fletcher—We all know that the roads were developed in Sydney in the first place and for us to expect to have exactly the same things as Sydney in this spot is a bit much. We only have had broadband put on in the last few months.

Senator CONROY—There have been companies here that gave testimony this morning that have been trying for years. They are a bit smaller than you.

Mr Fletcher—But broadband has only come into this area in the last little bit. I talked to Telstra at that meeting that I went to. They said, and I have to be careful here—

Senator CONROY—You have dropped yourself in it; do not drop them in it.

Mr Fletcher—In the meeting, they more or less said, ‘Yes, we’ve got technology now so that instead of us having to go out three kilometres’—or five or whatever it was—‘we can now go 30 or 50 kilometres. But training our technicians to pick that up is the biggest problem we have. Taking these people through to that bracket is a problem.’ We see the same in our industry. We have gone along and tried to pick up as much technology as we could. Every time we pick that up it is a bonus back to the farmers because we can afford to do it. What we have tried to do inside our business is get to the point where inflation is not causing a problem with what we are processing. Otherwise, I keep having to take it off the farmers and they end up with no money. Unfortunately, I see a lot of government mentality in action: ‘Oh, no! Costs go up three per cent a year. We will just put three per cent on’—although it is usually five. That means we are going backwards in that costing side of it. I look at Telstra as the only entity that has really turned it around the other way.

Senator CONROY—I think if you looked all around the world you would find that phone prices have plummeted.

Mr Fletcher—Absolutely.

Senator CONROY—So I think the technology that has been coming in, which has been fantastic, has been a big driver in those falling prices. I probably have only one other suggestion for you as to how to drive the cost of a telco that you mentioned—I think you talked about seeing a 25 per cent fall. Give your Telstra friends a ring and tell them Optus have just knocked on your door. See if you can get a better deal.

Mr Fletcher—Of course. I have my guys, and they do not go to sleep doing deals.

Senator CONROY—You have already done it—that is great.

Mr Fletcher—One area where you could probably have a little bit of meat to push the things forward is that Telstra does spend so much money on R&D each year, and that is probably the biggest bonus. It is a bonus of taking the things out to the further western parts of the country and that type of thing. If you are going to just hit them over the head and say, ‘You’ve got to have these equally good in Sydney and Tibooburra,’ you are not going to have it, because their roads are never going to be up to that standard and the technicians are not there. But if they can fix it up from satellite and do a lot of things there are ways of going forward.

Senator CONROY—Thanks for that. If you could follow up on that voice-over issue and let us know whether you can get that.

Mr Fletcher—I will make a phone call before I leave here.

ACTING CHAIR—Thank you, Mr Fletcher, for coming along today. I know that you have more than 700 employees and perhaps thousands of suppliers, clients and other business associates, so your experience is interesting. Australia is a big country and conditions vary across the place. Telstra is a big company, and I am sure the conditions and the ability of people vary

across the place as well. It is good to hear from somebody who is satisfied with Telstra's service and who sees a good future in them, because we tend to get the bad stories.

Mr Fletcher—On that, we also have another business. It is in Albany, Western Australia, yet all the exports come back through Dubbo. We have been able to manage our communications on both sides. We have videoconferencing and the whole lot, and it is good enough that we have only got to go over there every two or three months. It is a plant that processes the same amount as Dubbo, but they have been able to be linked together. When I set up the businesses years ago I was told that once I go to more than one abattoir—and we now have another one—we would go backwards, but communications can now let you run the abattoirs nearly as one. That is one of the great things that has happened. I think it is one of the great achievements in this country.

ACTING CHAIR—Our concern is to make sure that, as far as is humanly possible, other customers of Telstra are as happy as you are with their service. Perhaps if we run it under private enterprise rules it might be better. Certainly, Australia's biggest monopoly—the government, as you said—does run on private enterprise rules: every three years we go to the people.

Mr Fletcher—Unfortunately, you do not make 10-year plans.

ACTING CHAIR—Unfortunately, that is part of the scheme. Yes, we cannot do it.

Mr Fletcher—If I could just finish up on one issue—I have also run a thing here in Dubbo where we have brought the community together to look at Dubbo's infrastructure problems. I have headed that over the last six months. We are looking at the whole human side and at infrastructure. We could come back to the government with the problems. We are not really talking about Dubbo; it is about the region. We look at things like having a decent road over the Blue Mountains. That would be massive, and that is what we want out of Telstra. It will be sold and we need that money. It will change Sydney dramatically. They will get a bigger benefit than we will, because people will at least be able to get out of the bottleneck.

ACTING CHAIR—Thank you very much, Mr Fletcher. We have now come to the end of our listed program and, as I mentioned earlier, the committee has allowed some time to hear from anyone who would like to make a short statement about matters that are relevant to the inquiry. At the moment, no-one has registered an interested so, I ask: would anyone here like to speak? As no-one wishes to speak, that concludes today's proceedings. I thank all the witnesses for their comments.

Committee adjourned at 3.00 p.m.