

SUBMISSION TO THE SENATE COMMITTEE INQUIRY INTO COMPETITION IN THE TELECOMMUNICATIONS INDUSTRY

These are private opinions informed, however, by a graduate diploma in administration which included units of macro and micro economics and theory of markets

In my opinion

- Governments have been too ready to follow American models on the assumption that they must be better than home-grown solutions. In fact Australian practice had often been best in the world particularly for our peculiar conditions
- Australia differs from America, UK and Europe in having a dispersed population and an expectation that every Australian should have equal services as far as is practicable. We love our bushmen.
- For this reason an American or European telecommunications system in which profit making enterprises compete to provide services are not applicable to Australia. Our former publicly owned system was superior: nowhere else in the world did 20 million people – the population of a large city – provide a telephone service over so large a continent. We used advanced systems for the time, including radio and later satellite. Australians are the world experts in long distance communication by telephone, by road and by air. We need not look to others to show us how to design a telecommunications system.
- Services to remote locations can never be profitable and must be subsidised by city services, particularly the Melbourne-Sydney link – there are hardly two comparable cities in the world so closely linked. Australians generally accept this, when they think about it at all. Everybody must know similarly that when the Royal Flying Doctor Service operates an expensive aircraft and crew to bring someone in from the bush we all pay in the end, and no one resents that.
- For this reason telecommunications *in Australia* could be seen as a public good. It can never be a source of commercial profit as it is in other countries if community service is expected.
- The aim of the old publicly owned system was to provide a telephone for every Australian. Telstra's mission is to make a profit for the shareholders. We should not be surprised that public telephones have all but disappeared but profitable mobile services have expanded – in my town of perhaps 3,000 people I know of only one public phone.
- Telstra has pursued profit by changing to NextG mobile service. This provides a higher level of service (for those within range) for which a higher price can be charged. I have had to replace a perfectly good telephone with another one at Telstra's whim (where is the competition in this?) but I can not afford internet service by phone.
- I would be only too happy to have 12MB/s broadband to replace my present nominal 516kB which performs at about 460kB/s but there is no profit in this for Telstra.
- For all these reasons privatising Telstra was a major mistake. It was inevitable that sooner or later the public would have to buy the system back into public ownership. The increased price has to be borne now to avoid compounding the mistake in the future. The Australian telephone system is not like wharves, supermarkets or even toll roads because there is no alternative outside the heavy traffic areas.
- The alternative of forcing a private company by regulation and supervision to provide community service is a nonsense: it replaces the beauracracy that ran the system with a new one to administer community service regulations. Trying to make a company do something it does not want to do will never be as good as doing the thing yourself.

All of this persuades me that structural separation of the system and returning the network to public ownership is the only long term solution to the Australian problem. Competition in the fixed network is a myth.

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