

26 November 2008

Senate Select Committee on the National Broadband Network
PO Box 6100
Parliament House
S1.61
CANBERRA ACT 2600

Dear Committee Secretary,

Select Committee on the National Broadband Network

I refer to the public hearing held in Melbourne on 28 November 2008. At that hearing I gave an undertaking to provide comment on a submission made to the Senate Committee by Mr Kevin Morgan.

I have since taken the opportunity to familiarise myself with the views of Mr Morgan, and I strongly disagree with his conclusions.

I do not consider it necessary to traverse Mr Morgan's submission in detail. Many of the arguments he makes have been addressed by various participants in this inquiry. Most fundamentally however, I do take this opportunity to submit that Mr Morgan is very mistaken when he suggests that structural separation can not add value to fibre enabled broadband in Australia. I believe you will find most participants in the Australian communications industry today would also disagree strongly with Mr Morgan on this point. The realities of the communications industry under the current structurally integrated framework, where Telstra (reluctantly) provides key wholesale inputs and network interconnection while also aggressively competing in the retail market, are typified by delay and deterrence. Telstra lacks any incentives or inclination to ensure efficient, timely and open access, on equal terms. In my view Mr Morgan is not in touch with these realities, and has not been properly informed.

To adopt a broader perspective, it is well acknowledged that the communications industry in Australia today is characterised by an excessively dominant incumbent. It is concerning that more 10 years of competition has failed to erode Telstra's market share to the extent that would be expected under normal competitive conditions. The industry embraces competition, but it must be on a level playing field. That is the critical weakness in the Australian industry today. The current industry structure discriminates against companies such as Primus that rely on the good grace of Telstra to provide key wholesale inputs and network interconnection. That industry structure unfairly favours Telstra, and that is the reason why Telstra still maintains market power and profits far and above comparable telecommunications companies located anywhere else in the world.

The industry needs a structurally separated network operator. When competitors are on a level footing with Telstra it will foster an efficient and competitive industry, and

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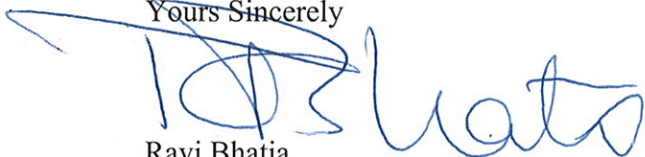
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maximise the benefits to consumers. In my view only structural separation will unshackle the industry and deliver the value that Australian consumers deserve.

Telstra may argue a concept it refers to as 'open access'. It is however telling to note the response from Mr Quilty (representing Telstra) in response to a question from Senator Nash at the public hearing held on 11 November 2008 in Canberra. Mr Quilty was asked why so many in the industry favour structural separation. Mr Quilty immediately stated, "Because it is in their interests". That is exactly the point we wish to make. It is in our interests and the interests of the competitive communications industry that the Government put in place a structure that delivers a level playing field for all. An industry structure that encourages innovation and competition, and that can deliver real value to consumers. It is an extremely worthy goal.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'R. Bhatia', with a large, sweeping flourish extending to the left.

Ravi Bhatia
CEO - Primus Telecom