

Australian telecommunications: reform and prospects

Kim Beazley outlines the Government's blueprint for reform of the telecommunications industry and argues the industry is well placed to exploit growing international markets

The Hawke Government's vision for Australian industry is to create a structure which not only provides employment, but gives us the best opportunity to exploit the developing international market.

In the telecommunications sector our goal is to build a strong, outward looking, telecommunications industry. We want to create an industry which will survive and prosper in a global market. How well we position ourselves in telecommunications will have a vital bearing on our trading prospects into the 21st century. Our goal should also be the creation of an environment which will provide the best price and the best service to the Australian consumer.

The strategy consists of a number of historically significant steps:

- the establishment by the end of 1991 of a private sector competitor to a merged Telecom/OTC;
- the introduction, as soon as practicable in 1991, of full resale of domestic and international telecommunications capacity;
- the issuing of three public mobile telephone services licences;
- full competition in the provision of public access cordless telephone services;
- consideration of further public mobile telephone services in 1995; and
- the end of the duopoly in 1997.

The government also wished to maintain Telecom and OTC in full public ownership and to ensure maximum possible Australian ownership in the industry. And it aimed at removing government imposed constraints on Telecom and OTC which limited their ability to respond effectively to competition

without serving the broader national interest.

Progress of reform

While those involved in the process of implementation are optimistic about achieving the goals we have set, there seems to be a degree of pessimism in some quarters about the Government's ability to manage change, and about the industry's prospects generally. It is important to address these concerns at an early stage of the reforms.

The Government already has the legislative means to give effect to the major elements of its new policies. The passage of the AUSSAT Amendment Act late last year means that parts of the AUSSAT Act 1984 which prohibited its conversion to a public company and which limited the number of shareholders have now been repealed.

The Amendment Act also enables AUSSAT to compete with OTC and Telecom across the full range of services in the international and domestic markets. As a consequence there are no longer any legal

constraints on the privatisation of AUSSAT or constraints against it competing across the board with Telecom and OTC.

Obviously the Government is moving to put in place a comprehensive new framework and this will be subject to the normal parliamentary process, but I want to dispel any notion that our entire policy package is dependent on the legislation currently in preparation. The fundamental legislation is already in place and the Government's resolve to see its policies implemented is firm.

Potential bidders

The Government has received more than 30 expressions of interest from prospective bidders. Many of the world's leading telecommunications enterprises have shown interest, as well as major Australian industrial and financial companies.

Some commentators have been quick to point to the players who have decided not to proceed further. The decisions by these players not to proceed did not come as a surprise to the Government. It was expected. A more substantive comment, however, would be to focus on the formidable list of those remaining.

There are sufficient, strong potential bidders still very interested in the process; sufficient for the Government to be confident that a viable and effective competitor to Telecom/OTC will be selected.

Although we are not selling our national telecommunications operator, these bidders recognise the opportunities that investing in Australia will present. They are making the judgment that involvement in the develop-

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ment of network competition in Australia will ultimately pay high dividends.

Considerable progress has also been made on the new regulatory framework. In discussions on the draft bill, I think it will help to bear in mind the basic principles underlying the Government's approach to the drafting process:

- The Government's decision that there will only be two carriers until 1997 has focused the drafting process on the need to develop a viable second network alternative to Telecom/OTC. This principle is fundamental to the approach taken on a range of regulatory issues.

- A secondary focus has been to ensure that there is no 'roll-back' of current rights. The intention is to further liberalise the industry, not restrict it. This means that no one will be prevented from doing anything that they are currently legally able to do.

- Particular effort has been spent on precise definitions to ensure clarity and certainty. However, not everything can be spelt out in legislation and mechanisms such as carrier licences will give necessary flexibility.

- In addition, attention has been paid to making the bill as technology neutral as possible.

Merger of Telecom and OTC

Work is also progressing on the merger of Telecom and OTC. There are two aspects to this. One is the legislative framework, drafting of which is proceeding broadly in parallel with the telecommunications bill, and the associated legal issues such as powers and immunities, on which we have sought consultancy advice. The other is being undertaken by the interim board as it deals with the challenge of creating a new corporate entity and making it work.

This work is not simply about a new name and some existing structures now glued together, it is about making a new organisation which will be far more than the sum of its parts.

What will give us the best shot at international markets is a structure for our carriers that will make them full players across the board in both domestic and international telecommunications. That means eliminating the artificial lines of division we have been drawing for too long between domestic and international telecommunications.

Resale

AUSTEL has also been busy in the current implementation phase. Working to particularly short deadlines it has produced a report on resale which has been a valuable

input to the Government's consideration of this issue. It has laid the groundwork for Australia to have the most liberal regime in the world.

AUSTEL recommends that no restrictions be placed upon persons who wish to resell capacity or services acquired from one of the two licensed carriers. Except for meeting certain technical requirements, resellers would be free to do what they wanted with the services they acquired from the carriers.

There would be no restriction on the types of services resellers could provide, the markets they could serve, the facilities they could incorporate into their services or the commercial conditions they could impose on their customers.

AUSTEL is also conducting an extensive review of interconnect and equal access which seems set to make Australia a world leader in this area too. It is a basic question of whether you still dial zero to get STD, or whether Australia gets into the business of asking consumers to pre-subscribe to one of the two carriers for STD and international services. I understand that AUSTEL's work in this area may provide Australia with the smoothest transition to network competition yet seen in the world, avoiding the unequal nature of the United Kingdom's transition from monopoly to competition and the consumer confusion which followed the introduction of competition in the United States.

In addition, AUSTEL is assuming responsibility from Telecom, at my direction, for telephone numbering, an issue of increasing commercial importance.

Industry potential

Let me turn now to the prospects for Australia's telecommunications industry. There is an enormous opportunity for Australia to service the growing telecommunications needs of the Asia-Pacific region.

We hold this view because of the strong base from which we are starting. Australia has the highest telephone penetration rate in the Asia-Pacific region and is in the upper middle ranking of OCED countries in this regard. We have the cheapest international calls in the world. We have state-of-the-art satellite coverage for a range of communications and broadcasting services. Moreover we have one of the highest take up rates of technology in the world.

Australia's telecommunications infrastructure provides an excellent platform for growth, one which will be shared between the existing and new carrier through comprehensive interconnect arrangements and the sale of AUSSAT satellite facilities. Telecom's optical fibre transmission network

on major trunk routes and progressively in the local loop, OTC's investment in INTELSAT and the Pac Rim cable system and AUSSAT's technical expertise in satellite operation are all examples of our world-class infrastructure. We also have an excellent and growing services infrastructure, in areas such as network engineering skills, network management and consultancy.

In the equipment sector we have an existing industry which is already worth \$US3 billion per annum, with prospects for exports of up to \$US1 billion by 1996. Industry research and development expenditure in this area is ahead of most other Australian manufacturers. Australia can and should be used as a test-bed for new telecommunications technologies.

Asian Focus

The final factor which boosts Australia's telecommunications prospects is our location in the Asia-Pacific region. This is a region where the total telecommunications market is expected to grow to US\$178 billion by 1995, with an annual growth rate of nearly 10 per cent. It is a region where international call traffic within the region and to other parts of the world is expected to grow more than 25 per cent per annum in real terms. There are opportunities in developing both domestic and international networks with privatisation foreshadowed in Korea and Singapore, and recently announced network development plans in the largest market, China. This is also a region where Australia has experienced export success in telecommunications.

If the industry is already so strong, why is the Government implementing such major changes? The future of the telecommunications industry is very much a global rather than a national one. That means more than exports, important though they are. It means adapting to the increasing interdependence of markets and production throughout the world, that is, globalisation.

This does not mean a takeover of our domestic industry. There is room enough for both a strong, export-oriented Australian-based industry as well as international expertise and capital. In an industry of global markets we need both.

Kim Beazley is the Federal Minister for Transport and Communications. This an edited version of an address to the Communication & Media Law Association in Sydney on 4 March 1991.