

TOWARDS A WORLD CLASS COMMUNICATIONS INFRASTRUCTURE FOR AUSTRALIAN CONSUMERS

THE HON. MICHAEL LEE, MINISTER FOR COMMUNICATIONS AND THE ARTS, GAVE THE OPENING ADDRESS TO THE AUSTRALIAN TELECOMMUNICATIONS USERS GROUP CONFERENCE IN MELBOURNE ON 3 MAY 1994. SELECTIONS FROM THE ADDRESS ARE REPRODUCED BELOW.

I am delighted to be opening ATUG 94 on behalf of the Prime Minister, and am pleased to be able to address this industry's most important annual conference.

Since assuming responsibility for this dynamic portfolio only five months ago, I have had to deal with a number of significant issues facing the industry. As a result, there are many familiar faces in the audience today.

ATUG's themes for this conference are well chosen. Consumers are recognising the advantages to be taken from the emergence of the new communications opportunities, and interest in converging technologies and the so-called 'information superhighway' is growing.

As I review the daily press clippings, I am interested to see the considerable media attention now given to these issues. In fact, I was amused to hear a commentator say the other day that there is almost certainly going to be some 'drive by shootings' experienced by participants on the superhighway!!

IRISH ROAD DIRECTIONS

Turning to the issues of building and managing a world class telecommunications system, it's important to remember that what counts is ensuring that infrastructure serves and benefits the country. We should never forget that infrastructure exists to supply services in response to the needs of consumers - and it is only by meeting the needs of consumers that the industry will strengthen and grow.

While the lure of the 'hi-tech' infrastructure is exciting - almost seductive - to many in the industry, we should not let ourselves be tempted to believe that chasing the technology dream is an end in itself.

THE BENEFITS OF THE REFORMS

It was essentially this feature - the focus on consumer needs - that under-

pinned the Government's major reform of the telecommunications industry in 1990.

The Government had two key objectives in reforming this industry - one from the consumer perspective and the other from industry.

The first was to improve the quality of telecommunications and services and to reduce costs to consumers - both residential and business;

The second objective was to improve the competitiveness of the Australian economy through a more efficient telecommunications sector. And at the same time, to facilitate industry capable of succeeding internationally.

The Government views of competition as the way to achieve both these objectives, and has also put in place a range of competitive and consumer safeguards to enable the benefits of the reforms to be spread across and shared by the Australian community.

Looking back at the first two years of competition in this industry, there is no doubt that considerable benefits to both consumers and the industry have been realised.

There has also been enormous progress in the related fields of broadcasting and radio communications.

I am now in the 'happy' position of having both satellite pay TV licences A and B issued. There has also been a great deal of interest in licences for cable-based services, particularly in light of Telecom's recent announcement to invest over \$700 million in a hybrid coaxial and optical fibre cable network over the next few years. New investment of this type will create not only significant employment, but also flow-on opportunities to cable manufacturing, electronic and service industries.

The early introduction of satellite digital technology in particular provides enormous opportunities for the Australian communications industry.

Licenses A and B have now agreed a digital standard which I will be declaring shortly. It will be a matter for industry to pursue manufacturing and development opportunities both locally and in the Asia-Pacific markets.

In radiocommunications, the newly established Spectrum Management Agency is providing greater consumer focus. No doubt, you would all be aware that a couple of weeks ago, in conjunction with the SMA, I announced that 196 MDS licences will be auctioned commencing in July 1994. In addition to conducting that process, the SMA will shortly complete its review of apparatus licensing.

While on the subject of pay TV, I believe that these types of services will also provide the catalyst for the infrastructure investment that will lead to growth in broadband and interactive services in this country.

Many of you would have noted Bill Gates' recent announcement of his intention to build a broadband SUPERSKYWAY using satellite. This type of announcement should change the focus of the technology debate, as it becomes more apparent that a combination of satellite, cable and wireless technologies will be used in the long term to deliver services.

SERVICE PROVIDERS

One of the essential groups in this dynamic industry is the service provider sector. I am advised that there is research suggesting that this sector has achieved significant growth over the past year, and I am pleased with the initiatives service providers have introduced.

Developments in this area vindicate the Government's resale policy. Of course, I recognise the fundamental importance of interconnection to service providers, and the power of carriers to set anti-competitive rates. I welcome

AUSTEL's investigations in this area and trust the carriers will respond appropriately to its recommendations.

The Government regards service providers as an important component of the pre-1997 arrangements and is naturally interested in facilitating growth in the sector.

To that end, AUSTEL has been requested to undertake a study of the service provider market to determine whether it is evolving in line with the government's policy objectives.

I am confident that the AUSTEL study will inform the Government of the true nature and extent of development in the resale market, and will facilitate discussion of further initiatives to promote and support that sector.

THE FUTURE FOR TELECOMMUNICATIONS

I would like to now turn to the future of this industry. As you all know, 1997 is a pivotal year for the Australian communications industry. So, 1994 - mid point of the transition period - is an important time to examine the recent past and to consider what the communications environment might look like in the future.

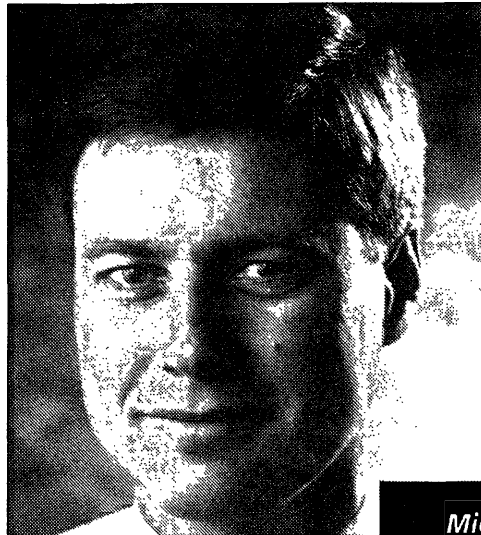
While this country can now claim to be among the world leaders in communications reform, we cannot be complacent. The industry must constantly be working to preserve its advantages.

The Government is certainly playing its part in this process. In anticipation of the pre 1997 review, my department is looking at the extraordinary technological and market developments.

Last August, the Government established the Communications Futures Project within the Bureau of Transport and Communications Economics, to undertake a wide ranging study of the implications of emerging information and communications services and technologies. It is already produced a number of stimulating papers and I look forward to its recommendations on a framework for the analysis of emerging communications services.

In response to the Prime Minister's election undertaking, the Broadband Services Expert Group was established

last December to examine the technical, economic and commercial preconditions for the widespread delivery of broadband services. I have met with the Expert Group and am encouraged by the vast number of submissions its has received to date. I expect to receive the



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Group's interim report shortly and its final report at the end of the year.

THE PRE-1997 REVIEW

Now, I would imagine that most observers must wonder about the utility of so many reviews. However, the various reviews will provide very important platforms from which the pre 1997 review of telecommunications industry arrangements can be conducted. This review will be one of the most fundamental steps in ensuring that industry arrangements are appropriate in a competitive environment.

I can now confirm that additional resources to conduct the review have been finalised with the Department of Finance. I am currently looking at the specific parameters of the review, and expect to announce fuller details shortly.

In the meantime, I can today give you some idea of the issues to be addressed in the review.

Quite clearly, the review will comprise a fundamental review of policy. It will examine what the Government's goals in communications should be, and establish the extent of Government involvement and regulation.

Underpinning this approach is the strong preference that the Government's

role should be minimal to protect consumers and facilitate the development of sustainable competition.

It will be important to ensure that the policy developed during the review is flexible - to ensure the rapid technological, structural and commercial changes which will occur in the industry can be accommodated.

An essential premise in approaching this review is that the regime which is in place after 1997 will be more liberal and simple than is currently the case.

I want to emphasise that this is NOT a review about whether the current limits on the number of fixed and mobile carriers should end. That has already been decided, and under the section 70 Agreements between the Commonwealth and Optus and Vodafone, they automatically cease on 30 June 1997.

It is my strong view that this review should be wide ranging - all aspects of current regulatory regime for telecommunications will be open to scrutiny.

Consistent with this, the review can also be expected to examine the much broader issues like law enforcement, foreign investment, censorship, and trade. Importantly, in light of my other portfolio responsibility, issues relating to the arts will also be considered.

I believe that such a broad perspective is essential if we are really to come to terms with the issue of convergence and the increasing pervasiveness of information and communications technology. I am sure it is no coincidence that this is the particular focus of ATUG 94.

I know that many of you were hoping or expecting me to announce the specific details of the review today.

However, as I regard this is as the most significant event in the future of telecommunications development in this country, and given that my short association with the portfolio has been spent addressing some other major telecommunications issues, I would prefer to now devote some time considering this in detail.

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I will also be looking to my department to report to me on the outcomes of this conference for consideration in the process. I hope to be in a position to announce these details shortly after the Budget.

There is one aspect of the review about which I would like to comment. The future role of AUSTEL as the specialist industry regulator is of particular concern to me.

It is quite clear that in the post Hilmer era, the role of specialist indus-

try regulators, like AUSTEL, will have to be scrutinised. This is particularly the case in my portfolio, where there are a number of such bodies - for example, the ABA, the SMA, and of course, the overarching role of the Trade Practices Commission.

In conclusion, I would like to reiterate that the Government has devoted considerable attention and resources to all parts of the communications sector in recognition of its vital economic and social role. I am confident that this will be further reflected in the upcoming

review.

I have not yet had the opportunity of observing the very impressive array of exhibits here, but this conference and the sheer size of the exhibition is a clear indication of the significance of the sector in Australia.

It is an exciting time to be involved in this industry and I look forward to being the first Communications Minister in recent times to address more than one ATUG conference !

I wish ATUG every success with this event.



CONVERGENCE AND CULTURE

ADDRESS BY BRIAN JOHNS, ABA CHAIRMAN, TO THE ATUG CONFERENCE, 2 MAY 1994, MELBOURNE

The conference program demonstrates the reality of convergence. The fact is that we no longer know where to draw the boundaries around telecommunications and broadcasting industries, let alone computing and entertainment.

It seems to me that we must now talk about the communications sector. For this gathering, convergence and culture (C&C) is a much used cliché. When the term C&C was coined in the late 1970s it stood for computers and communications.

Nowadays we might be tempted to say it stands for *confusion and change*. It definitely does not stand for certainty and control. In providing this update on the ABA and recent developments in broadcast regulation, I need to focus on the two 'c' words for the 1990s, convergence and culture.

Convergence is an overloaded word. Fundamentally, it means change: not just technology change and market change, but social, business and community change and reconstruction. It also reminds us of our integration into the world of Asia and the Pacific and the emergence of borderless markets.

Regulators, like technologists, like to be definitive and espouse black and white views about the meaning of life. Unfortunately, the old view of regulating as the speed governor controlling the pace of the industry engine does not work any more.

We are all finding it difficult to codify new rules for the convergence of industries and markets. Culture, the style and content of our communications industries, certainly cannot be codified: it can only be celebrated and encouraged.

Last week I returned from a visit to the United States, the United Kingdom, and Asia. I found widely different, conflicting, views about what might happen. That is not surprising.

What did strike me, though, was the widely divergent views about what is happening now, and about how to interpret current developments. I came home with a great sense of the pace at which things are happening. The timeframes for the deployment of new technologies are not in the future: It is all happening much faster than the schedules we tend to be working to here. Business alignments are changing just as quickly. The outcomes and opportunities for Australia are not pre-determined - that is the old technocratic view - but will depend on how we seize the moment.

Back, way back, in the 1970s, Marshall McLuhan told us that the medium was the message. In the 1980s, the popular debates about pay TV and broadcasting continued in this McLuhan mould and the obsession with delivery techniques, glossing over the crucial software technologies producing creative material and user applications.

But, McLuhan's crucial contribution was the profound insight that technical

tools and the way they are used and owned, affect our perceptions of reality and of ourselves as a community. Scientists know that the relationship between observer and observed is not neutral and the same is true of the message and the medium. The danger today, however, is that we will continue to focus too much on the media for delivery - whether satellite, mds, or fibre - and not enough on the substance, the content.

Australia's old Broadcasting Act, dating back to 1942 and much amended, was inflexible, rigidly prescriptive and horribly complex. It was a lawyer's dream. The Act regulated broadcast content through the surrogate of licensing and controlling the delivery technologies.

Today that is not viable and that is the revolutionary aspect of the new 1992 Broadcasting Services Act and the way in which the ABA is now asked to address its central regulatory challenge. In the new Act, the Parliament has, for the first time, spelled out its expectations of broadcasting regulation. These state the objectives of broadcasting policy and regulation as being:

- promoting the availability of a diverse range of radio and television services offering entertainment, education and information;
- facilitating the development of a broadcasting industry that is efficient, competitive and responsive to audience needs;