

# Communications

Update

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**Since *CU* last reported on telecommunications pricing in August 1993, the effects of the Telecom-Optus duopoly, particularly for consumers, have become increasingly apparent.**

Overall, there is little doubt that consumers have benefited. AUSTEL has estimated that in 1992-93, consumers saved \$300 million as a result of Telecom's price cuts. Its average prices for STD calls have fallen by 4 per cent, for international calls by 11 per cent, and for mobile calls by 9 per cent.

*CU*'s analysis of current telecommunications charges bears out the conclusion that there has been a general drop in charges borne by telecommunications consumers. Bargains are to be had, particularly over the more heavily patronised routes such as those between major cities - but for obvious reasons, it is business rather than domestic consumers who reap the benefits here.

Any analysis of telecommunications costs is hampered by the severely restricted information available. Much information is regarded by the carriers as commercial-in-confidence; other information requires the agreement of both carriers before it can be released, a cumbersome and time-consuming process. It is very difficult to obtain reliable data on the extent to which people in various parts of Australia now have access to a choice of carriers, and it is virtually impossible to show this accurately in graphic form, for example on a map, because even within heavily populated areas there are pockets where choice is not yet available.

Detailed analysis of specific segments of the market, based on the information *CU* has been able to obtain, shows that significant numbers of consumers have yet to

benefit from competition, and for some - and not necessarily just those in remote areas - technological shortcomings mean it could be some time before competition has a universal effect.

Last year we commented that the Government's approach to introducing competition by protecting the weaker competitor might result in postponing direct consumer benefits, such as lower access costs and usage charges.

During 1994 legislative changes and AUSTEL's practices have reinforced the primacy of competition as the vehicle for delivering consumer benefits. An interesting case has been the disallowance of Telecom's 'reachout' tariff. Introduced on a trial basis early in 1994, this offered outer metropolitan residents flat rate (untimed) calls over a 75 kilometre radius - a fixed rate for all calls, including local calls, originating from selected zones. After several modifications, this tariff has been disallowed, on competition policy grounds.

From AUSTEL's perspective the tariff is objectionable because it bundles local calls, where Optus cannot compete, with short-haul long distance calls, and in a way which makes it difficult for Optus customers to take advantage of the cheaper short-haul rate. Bundling also means that to get access to the flat rate customers have to pay more for local calls, and the price at 37 cents per call is discriminatory, with likely predatory effect.

For AUSTEL the short term gains to consumers cannot be assumed to continue in the absence of sustainable competition. The primary issue is whether the tariff is anti-competitive. For discriminatory pricing to be allowable in the community interest, it must first pass the competition test. □