



Price controls on Telstra

by Julie Martinsen, Regulatory Policy Branch, Department of Communications and the Arts

On 1 August, 1995, the Government announced its intention to continue to impose price controls on Telstra at least until the end of 1998.

Price controls have been imposed on Telstra since 1989 to encourage improvements in Telstra's efficiency and productivity, while ensuring that the benefits of competition are shared by customers. Telstra's current price control arrangements expire on 31 December 1995.

The Government's decision to continue to control Telstra's prices was based on the findings of a review of the current arrangements and in the context of the new post-1997 regulatory policies.

The review found that the price caps have benefited customers by protecting them from large price increases and encouraging competition. The current CPI-X price control arrangements delivered real benefits to customers in the vicinity of \$480m in 1992/93 and around \$440m in 1993/94.

Telstra reduced international prices in 92/93 by 11.6% and in 94/95 by 8.7%, reduced STD prices in 92/93 by 4% and in 94/95 by 5.5%, and reduced mobile prices, on average, by 8.7% in 92/93 and by 7.1% in 93/94. Telstra's charge for in-place connections has not risen since July 1991 and the price of local calls has not increased since 1992.

The review considered that telecommunications reforms, in terms of the overall benefits to the economy, are among the more significant microeconomic reforms undertaken in Australia. It also concluded, however, that the rate of price reductions has not been as fast as it could have

been. Under the new controls, therefore, a more stringent overall price cap of 'CPI-7.5%' per annum will apply to the basket of Telstra's main services. The basket includes connections; rentals; international, STD and local calls; international and domestic leased lines and cellular mobile telephone services. Calls to mobile phones have now also been specifically included in this basket of services. While this new cap may not result in actual price reductions for each individual service included in the basket, it will mean that the price of these services as a group must fall.

Individual caps of 'CPI-1%' on Telstra's main residential services have also been introduced. This means that the price of residential services such as local, STD and IDD calls, connections and rental charges, must fall in real terms.

Telstra will also be prevented from increasing its charges for local calls, whether they are made at 25 cents from a home phone or at 40 cents from a public payphone, until at least 1999.

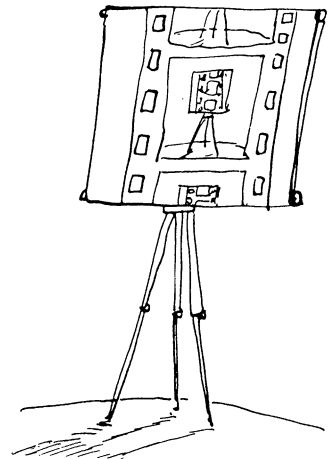
Any proposal to introduce charges for directory assistance will remain notifiable to the Minister and disallowable. Changes to Telstra's tariffs for service provider connection to the network will also remain notifiable and disallowable until 1 July, 1997.

AUSTEL will continue to administer the price control arrangements. The Government has asked AUSTEL to monitor the impact of price movements on a series of expenditure baskets that are representative of different sectors of the community, such as low income earners and families, and to include its findings in the report. □

Film spending up, production down

SPENDING ON Australian feature films and TV drama has increased while feature film production has declined since 1993/94, according to a recent Australian Film Commission (AFC) survey.

The number of feature films produced in 94/95 dropped to 20 from the 31 titles produced in 93/94. According to the survey, this decline was largely due to a reduction in the budgets of feature films funded by private sources. Most privately funded films in 94/95 were in the lower budget ranges. At the same time, the AFC only funded one feature film in



94/95 while the Australian Film Finance Corporation contracted two fewer feature films than in 93/94.

Meanwhile, mini-series more than doubled in production value from \$33 million to \$69 million, with four adult dramas and eight children's productions made. Seventeen serials and series worth \$98 million started principal photography in 94/95. These included 14 Australian series produced by independent producers.

The number of foreign series and serials shot in Australia increased from one title in 93/94 to three titles in 94/95. The increased spending on Australian feature films was made up of \$257 million on production (all within Australia) and \$30 million on post production. □