

# Comment

## T2 - Judgement Day

The Senate has cast its vote on the second package of Telstra privatisation legislation. A further 16.6 per cent of the company will be floated, bringing total private shareholdings to 49.9 per cent.

Like the T1 legislation, T2 got through the upper house by the narrowest of margins but dragged with it a bundle of Senator-friendly provisions and funding commitments. T1's package included a customer service "guarantee" that didn't work and had to be amended almost before it started, a guarantee of untimed local voice calls for business and untimed local data calls for residential customers which were happening anyway, and a \$50 million-a-year Regional Telecommunications Infrastructure Fund which provided more than its share of electoral opportunities for an incumbent government.

T2 makes T1 look like an analogue weakling. There's amendments to the *Telecommunications Act* of the kind the non-Telstra industry forces have been screaming for, to enable the ACCC "to respond more quickly and effectively to anti-competitive conduct" and to get more information from telephone companies to help with interconnect negotiations. There's welcome and overdue amendments to the Customer Service Guarantee, requiring phone companies to tell their customers more about their rights under the scheme and to pay up automatically when standards are breached.

Then there's an upgrade in the universal service obligation, promised in the election campaign, to require not just voice telephony but a digital data service of at least 64 kbps to be made available on demand throughout Australia. Those who can't get the service by land line (copper) will be entitled to a 50 per cent subsidy towards the cost of satellite reception equipment. And there's the long-promised power for the Australian Communications Authority (ACA) to direct phone companies to fix "systemic service problems", with the possibility of huge fines if they don't.

And then there's the "social bonus". Bucketloads of it. The media package explaining it reads like a budget speech from the 1970s. The new government program acronyms are like an open day at the European Commission: BITS (Building Information Technology Strengths) gets \$158 million, BARN (Building Additional Rural Networks) gets \$70 million and, no doubt the work of a subversive bureaucrat with an eye for a far-from-extinct Tasmanian, TIGERS (Trials in Innovative Government Electronic Regional Services) gets \$10 million.

The National Heritage Trust gets \$250 million; \$150 million goes to upgrade infrastructure to facilitate the extension of untimed local calls to all calling zones; \$120 million will be spent on new transmission facilities to get SBS TV transmitted to another 30 communities and the SBS a New Media Unit. There'll be money for local government to get online, for more points-of-presence so that every Australian can get untimed local call access to the Internet, for mobile phone towers on major highways and, for Tasmania, Tasmania, Tasmania. There is a Launceston Broadband Project; computers and Internet links for Tasmanian schools; a Tasmanian Environment Tourism Employment

and Training Initiative; and a home for Netwatch, the national community education program to promote "safe Internet content", plus the recent online content laws. Tasmania got \$2 million in the 1999/2000 budget and it's getting another \$3 million as part of this package.

The Apple Isle is to become the Intelligent Island. Hopefully some of it will rub off on the mob who live on the pile of rocks to its north.

The odd thing about this semi-Termination of Telstra's public structure is that the only loser seems to be Telstra itself. The non-Telstra industry which likes to go to Canberra for a bit of informal regulation sees the company still on the Ministerial leash. The people in the bush who want more money spent on telecommunications infrastructure get a motza. Those who want Telstra to stay in public hands have the government still holding a majority of the shares.

Inside the company, they get the same unhelpfully conflicting messages - compete, but don't win by too much.

Significantly, the media release announcing the passage of the legislation made no mention of the central argument which is supposed to justify privatisation - that the company would be more efficiently run.

The government said, instead, that Australians "will get another opportunity to share in the ownership of Telstra", the reduction in Commonwealth debt "will lead to a lower interest burden on taxpayers and a more robust Commonwealth budgetary position" and "the nation's telecommunications, information technology and broadcasting infrastructure will be significantly improved".

In fact, most Australians will lose the share they already have in a sixth of the company. Public debt interest payments will fall but so too will dividend receipts. The "infrastructure" could have been funded from the budget surplus.

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# Telstra price controls

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	1996 - July 1999	July 1999 - June 2001
General price cap on main services	CPI - 7.5%  Connections; line rentals; local, trunk and international calls; leased line, analogue and mobile services	CPI - 5.5%  Connections; line rentals; local, trunk and international calls; domestic and international leased lines; digital mobiles
Sub-caps	CPI - 1%  On standard prices on the following fixed-line residential services: connections; line rentals; trunk calls and international calls	CPI cap on basic access services  Line rentals and local call services (the charge for these services as a group must not raise in real terms each year)
		CPI cap on basket of connection services
		CPI - 1% on basket of fixed-line services consumed by residential consumers: connections; line rentals; local, trunk and international call services  Revenue weights set at the average for bottom 50% of Telstra's pre-selected residential consumers by bill size
Other protections	Telstra required to obtain the prior consent of the ACCC where it wished to increase a charge subject to price control by more than the change in CPI in a given year  Local call parity provision: revenue-weighted average untimed local call from residential and business lines in non-metropolitan Australia is not to exceed the same applying in metropolitan Australia in the previous year  Prohibition on local call charges rising above 25 cents (residential/business phones) and 40 cents (public payphones)  Directory assistance charges subject to Ministerial notification and disallowance	Line rental charge safeguard:  If Telstra wishes to increase a line rental charge for residential consumers by more than change in the CPI, and that service is used by one or more of bottom 10% of Telstra's pre-selected customers, the ACCC must give consent;  To give consent, the ACCC must be satisfied that Telstra will make available products or arrangements to ensure that the average telephone bill for the bottom 10% of customers does not increase in real terms  No change  Prohibition on local call charges rising above 25 cents (residential/business phones) and 40 cents (public payphones), except in the case of voluntary discount plans  No change

big business users, dominant and aspirant telcos alike - to take a leap in the dark on Telstra's pricing, in the hope that lifting or substantially loosening price controls would accelerate competition (whatever the interim effect on consumers).

Instead, the government, nervously nudging its privatisation legislation through the upper house, appears to have managed to keep at least one beady eye steadfastly on the voting consumer - and gone some way to ensuring that Telstra's pricing policy fits the bill.

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## Comment

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Indeed it would make good economic sense if it's as good an investment as the government is claiming.

There's some genuinely valuable new interventions in the telecommunications market made possible with this new legislation and some extraordinarily useful activity is likely to be funded by government under the range of new and expanded programs.

But it seems an oddly interventionist supplement to be taking with the medicine of faith in the necessity of full privatisation to maximise the quality, affordability and competitiveness of telecommunications services in Australia.

Intelligent Island? There must be one out there somewhere.

**Jock Given**