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# DAVIDSON COMMITTEE RECOMMENDATIONS

In this special issue, the Communications Law Bulletin has collated for easy reference the recommendations of the Davidson Committee of Inquiry into Telecommunications Services in Australia, October 1982.

On 23 September 1981 the then Minister for Communications, Mr I. McC. Sinclair, announced the appointment of the Terms of Reference for the Inquiry.

The Committee of Inquiry comprised Mr J.A. Davidson, Chairman; Mr W.A. Dick, Mr M.G. King and Prof. A.E. Karbowski, Members.

## NETWORKS

### Resale of leased Telecom capacity:

Unrestricted use and resale of leased Telecom capacity should be permitted. (R1)

Operation and use of networks based on leased Telecom capacity should not be subject to licensing or other form of authorisation or regulation. (R2)

Prices for leased lines should be non-discriminatory. (R3)

### Establishment of independent networks:

Independent networks should be permitted subject to ministerial authorisation. (R4)

There should be no restrictions on the use of independent networks in respect of the classes of traffic carried. (R5)

Independent networks engaging in common carrier activities should be subject to an endorsement to that effect as a condition of authorisation. (R6)

Telecom should be permitted to compete on an equitable basis with independent network operators engaged in common carrier activities. (R7)

### National communications satellite system:

Aussat should not be permitted to own local terrestrial networks. (R8)

Aussat should be permitted to operate leased terrestrial networks. (R9)

Users should be permitted to lease satellite capacity for incorporation in leased or independent networks. (R10)

No restrictions should be placed on the classes of traffic carried over, or the use of leased or independent networks using satellite capacity. (R11)

Lessees of satellite capacity should be free to choose their source of supply, installation and maintenance of earth stations and associated terminal equipment. (R12)

Pricing policies of a common carrier operator of an independent network should be non-discriminatory and in accordance with listed prices which may involve volume or period discounts. (R13)

#### **Network standards:**

Telecom networks and independent networks shall conform to approved technical standards. (R14)

#### **Cable networks (including 'CTV'):**

The environmental and planning standards and control should apply to a 'CTV' network licensee to the same extent as other "Public Purpose" Organisations. (R15)

Telecom should own and be responsible for maintenance of all cable and equipment in Telecom ducts. (R16)

#### **Interconnection:**

Interconnection should be permitted between leased Telecom networks and national terrestrial public switched networks, subject to:

(a) Compliance with appropriate technical standards:

(b) Payment of a time-based local call fee at each point of interconnection and any other appropriate facility charges. (R17)

Interconnection should be permitted between independent networks and the national terrestrial public switched network on the same basis as leased networks, provided that:

(a) Ministerial authorisation has been given for interconnection;

(b) The interconnection agreement is available on public record. (R18)

Interconnection between networks and the national terrestrial public switched networks should be at the local exchange level. (R19)

### **TERMINAL EQUIPMENT**

#### **Market structure:**

The private sector should be permitted to participate in all aspects of terminal equipment marketing. (R20)

The private sector should be permitted to participate in wiring in customers' premises. (R21)

#### **Responsibility for technical standards:**

Responsibility for technical standards for terminal equipment should be transferred from Telecom to an independent standards authority and that the Standards Association of Australia (SAA) be so designated. (R22)

#### **Licensing of technicians:**

A technician licensing authority should be established to license persons engaged in installation and maintenance of terminal equipment and wiring in customers' premises. (R23)

#### **Telecom's network interface:**

Telecom's network interface should be at a junction box at the boundary of the customer's property or on the outside of the building as appropriate. (R24)

A standard plug and socket should be required at the terminal installation point within customer premises where appropriate. (R25)

Telecom should write off the capitalised costs of wiring within customer premises. (R26)

## SERVICES

### Separation of 'system' and 'service':

Network or system providers, including Telecom, should not provide information or entertainment services unless:

- (a) The services are network-based;
- (b) The services relate to the conduct of their business. (R27)

### 'Videographic' services (including 'videotex':

Telecom should be permitted to offer public leased network capacity and 'gateway' facilities to information and 'videographic' service providers on a non-exclusive and commercial basis. (R28)

Any subsidy to support a national 'videotex' service should be provided directly by government. (R29)

### Recorded information services:

Recorded information services now provided by Telecom should be reviewed in line with the Committee's recommendations on separation of network ownership and services provision. (R30)

Telecom should not be restricted in developing network capability for network-based information services. (R31)

### Public access telephones:

Current Telecom practice of supplying public access telephones should continue. (R32)

Local councils, Australia Post or community organisations should be free to provide public telephone services. (R33)

### 'Redphones':

Leased coin-operated telephones ('redphones' and others) should be regarded as part of the open terminal equipment market. (R34)

'Redphones' should be offered on either a sale or lease basis. (R35)

Telecommunications services offered to the public through such facilities should be so offered without resale price maintenance. (R36)

### Public telegram service:

Subject to statutory amendments, Australia Post should assume the role of principal rather than agent in the management of the public telegram service with the telegraph networks (TRESS) provided by Telecom on a leased capacity basis. (R37)

## EFFECTS ON THE AUSTRALIAN MANUFACTURING INDUSTRY

### Telecom's purchasing:

The Government's preference and offsets policies should apply to Telecom only to the same extent as they apply to the private sector. (R38)

Ministerial approval should not be required for any Telecom contracts. (R39)

Telecom should not be required to use the services of the Department of Administrative Services. (R40)

### Support for Australian manufacture:

Telecom should support the local manufacturing industry only when it is in Telecom's commercial interest or when a general government policy for industry applies. (R41)

Should Government wish to provide support to the local manufacturing industry consideration should be given to remission of duty on imports by those manufacturing companies whose salaries and wages exceed 30 per cent of total sales; alternatively, duty remission could be given to those companies whose local content exceeds two-thirds of total sales. (R42)

## Research and development:

Telecom's research, development and innovation programs should concentrate on applied not pure research and relate to network development and special transmission systems and applications. It should contract out pure research. (R43)

## Telecom's workshops:

The possibility of joint ventures with the private sector should be explored. (R44)

Workshop activity should continue so long as it is cost effective. (R45)

## TELECOM'S OPERATION POLICIES AND ORGANISATIONAL EFFECTIVENESS

### PRICING

#### Cost related pricing:

Telecom's pricing policy should:

- (a) Reflect costs to a substantial degree;
- (b) Minimise price discrimination;
- (c) Adopt timed local calls. (R46)

#### Subsidisation of services:

Cross-subsidisation should be reduced to levels which Telecom can absorb yet remain competitive. (R47)

Direct subsidy funded from sources external to Telecom should be introduced for any class of subscriber which Government wishes to assist. (R48)

#### Fixing telecommunications prices:

The Minister should not be responsible for authorising standard telephone rentals or call charges. (R49)

## ORGANISATION MANAGEMENT AND MARKETING

### Organisation:

Telecom should develop greater business orientation. (R50)

Telecom should develop management information systems to support the management structure. (R51)

A national marketing organisation should be established with both product and marketing specialisation. (R52)

Roles, responsibilities, authorities and accountabilities of headquarters management groups comprising commercial services, engineering and operations should be reviewed. (R53)

### Management development:

Telecom should develop its senior executive team with greater emphasis on marketing and business management skills and for that purpose adopt an executive recruitment policy of 10 - 20 per cent external appointments. (R54)

### Marketing:

Telecom's marketing strategies should be directed towards increased use of the network. (R55)

### Customer relations:

Telecom should accelerate the introduction of CCR (call charge recording). (R56)

Telephone information management systems (TIMS) should be actively promoted. (R57)

Telecom should not be subject to Commonwealth administrative law statutes, including:

- Ombudsman Act 1976;
- Administrative Appeals Tribunal Act 1975;
- Administrative Decisions (Judicial Review) Act 1977;
- Freedom of Information Act 1982. (R58)

Telecom should no longer have immunity from suit as now provided by s101 of the Telecommunications Act 1975. (R59)

Telecom's user group consultative machinery should be further developed. (R60)

Telecom should continue its consultancy services only in support of sales; in the area of project and system design consultancy it should encourage and facilitate the growth of private sector capabilities. (R61)

Telecom should improve the availability of information on tariffs, service charges and system developments. (R62)

#### STAFFING AND INDUSTRIAL RELATIONS

##### Personnel policies:

Personnel policies and procedures in relation to Telecom's staff recruitment, training, promotion, appeals, transfers, discipline and dismissal should be determined by the board of Telecom; existing statutory regulations of these matters under the Telecommunications Act 1975 should be repealed. (R63)

##### Chief executive:

The board of Telecom should appoint its chief executive and top aide and fix their terms and conditions of employment; to give effect to this recommendation:

(a) The relevant statutory appointment provisions of the Telecommunications Act 1975 should be repealed;

(b) Telecom's top executive appointment should not be subject to the provisions of the Remuneration Tribunal Act 1973. (R64)

##### Co-ordination with other areas of Commonwealth employment:

Telecom should not be subject to industrial co-ordination procedures

imposed by Government through its industrial co-ordination committee. (R65)

Government policies in relation to employment and industrial relations should be communicated by the Minister direct to Telecom's board of directors. (R66)

Telecom should not be subject to Government direction on staffing levels. (R67)

Telecom should not be subject to general statutes regulating Commonwealth employment, and in particular:

Commonwealth Employees (Employment Provisions) Act 1977;  
Public Service Amendment Act 1978;  
Commonwealth Employees (Redeployment and Retirement) Act 1979. (R68)

##### Staff benefit and superannuation schemes:

Telecom should not be subject to general Commonwealth statutes providing for employee benefits and entitlements, and in particular:

Superannuation Act 1922 and Superannuation Act 1976;  
Long Service Leave (Commonwealth Employees) Act 1976;  
Compensation (Commonwealth Government Employees) Act 1971;  
Maternity Leave (Commonwealth Employees) Act 1973. (R69)

Telecom should establish its own superannuation scheme under a separate trust deed and be free to adjust its retirement benefits scheme to match those generally applicable in industry. (R70)

The Government, not Telecom, should meet the cost of any benefits guaranteed by the Government which are not covered in Telecom's retirement benefits scheme. (R71)

##### Consultative Council:

Statutory provisions relating to the Telecommunications Consultative Council should be repealed. (R72)

## FINANCE

### Financial objectives:

The statute should impose on Telecom a financial objective that Telecom should generate sufficient profit after interest, dividend and tax which together with loans will finance the assets required to meet the demand for its services. (R73)

The minimum interest cover (the ratio of operating profit before interest and tax to interest liability) should not be less than two. (R74)

### Financial controls:

Telecom's borrowings should not be subject to Loan Council approvals. (R75)

Telecom's loan raisings should not be guaranteed by Government. (R76)

Telecom should have the same freedom as private enterprise to borrow overseas and to engage in a range of commercial financing methods (including lease-back agreements) appropriate to its requirements. (R77)

Telecom should prepare annually a three-year financial plan. (R78)

### Taxation:

Telecom should pay all taxes, rates and charges under any law of the Commonwealth, a State or a Territory and should not be classed as a public authority for the purposes of the Income Tax Assessment Act 1936. (R79)

### Depreciation practices:

Telecom's depreciation provision should reflect the current cost and life of capital assets. (R80)

### Investment analysis:

Capital projects should be subject to investment appraisal related to the cost of financing. (R81)

### Product costing:

Telecom's product costing systems should be reviewed taking into account the alternative primary product costing system suggested by the Committee's consultants. (R82)

### Management accounting systems:

Telecom should develop delegated profit responsibility and accountability centres. (R83)

## CAPITAL WORKS AND NETWORK MAINTENANCE

### Network development:

Telecom's currently planned program for introduction of axe digital exchanges should be accelerated. (R84)

### Use of contractors:

Telecom should review its present policies on use of its own workforce for capital works and adopt a target of 50 per cent use of contractors. (R85)

### Rural services:

Telecom's rural conversion program should be accelerated. (R86)

### Use of other public sector resources:

Telecom should not be subject to the Lands Acquisition Act 1955 and in consequence:

(a) should handle its own property matters independently of the Department of Administrative Services;

(b) should not use Commonwealth powers of compulsory acquisition. (R87)

Telecom should use private sector property management resources. (R88)

Telecom should be subject to Local Government property and planning controls. (R89)

Telecom should manage its own building works and services. (R90)

## IMPLEMENTATION

### TELECOM AUSTRALIA LIMITED

#### Incorporation:

The Australian Telecommunications Commission should be abolished and replaced by an incorporated company - 'Telecom Australia Limited' - owned 100 per cent by the Commonwealth Government. (R91)

#### Company memorandum and articles of association:

The Memorandum and Articles of Association of Telecom Australia Limited should be developed along the lines of the draft documentation included in Appendix B to Volume 1 of this Report. The Company:

(a) should have all necessary powers to provide telecommunications systems in Australia in accordance with relevant statutory authorisations;

(b) may enter joint ventures or partnerships as well as form or participate in the formation of subsidiary companies which have as an object the operation of telecommunications systems:

(c) should place with its board of directors full responsibility for management of the business of the company. (R92)

#### Transfer of Telecom's staff, assets and liabilities:

All Telecom staff should be transferred without loss of existing rights, benefits and entitlements. (R93)

An appropriate initial equity structure of the company should be established by the conversion to shareholder funds of part of the existing Telecom debt to the Commonwealth: a one-to-one relationship should be established between the company's debt capital and shareholders' funds. (R94)

#### Relationship with the Commonwealth:

The Commonwealth's relationship with the company should be one of shareholder to company. (R95)

Statutory powers of ministerial direction should not extend to the company's telecommunications prices, company management or staffing, purchasing policies or contracts for goods and services. (R96)

Telecom's staff and assets associated with the marketing of terminal equipment should be transferred to a separate organisation ('Telequip'); wiring in customers' premises should be reorganised in such a way as to permit effective private sector participation in that field. (R97)

## NEW TELECOMMUNICATIONS ACT

#### Legislative proposals:

The Telecommunications Act 1975 and Wireless Telegraphy Act 1905 be replaced by a new telecommunications act along the lines of model legislation included in Appendix C of the Committee's Report. (R98)

#### Advisory council:

A national Telecommunications Advisory Council be established. (R99)

## TRANSITIONAL ARRANGEMENTS

#### Legislative timetable:

Enactment of the new telecommunications legislation should have first priority. (R100)

#### Role of Advisory Council:

The proposed National Telecommunications Advisory Council should assist Government by supervising implementation. (R101)

### Telecom's existing standards:

Telecom's existing standards for telecommunications equipment should be adopted by the standards authority as 'interim' standards to be published within one year. (R102)

### Timing of liberalisation:

Liberalisation of the terminal equipment market not occur until:

(a) 'interim' standards are published by the standards authority;

(b) the Technician Licensing Board has commenced operations;

(c) Telecom staff, assets and liabilities have been transferred to Telecom Australia Limited or the proposed independent telecommunications equipment company;

(d) Telecom writes off internal household wiring and offers subscribers the option of purchase or rental of existing telephone handsets;

(e) standards are available for standard terminating plug and socket configurations at terminal installation point and for a standard terminating junction box for a network interface external to subscriber premises. (R103)

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### LICENCE RENEWAL SEMINAR

Broadcasting inquiries which don't have a "tang of the field of battle" but provide for public participation in broadcasting regulation are the common goal of licensees and interested individuals and groups. The problem is how to achieve this aim.

The Australian Communications Law Association and the Australian Film and Television School held a seminar on licence renewal hearings in Sydney on October 25.

Speakers at the short seminar included Mr Ray Watterson, Mr Steve Keen, Mr A.B. Shand QC, Australian Broadcasting Tribunal Chairman Mr David Jones and Mr Mark Armstrong. An edited excerpt of the transcript of the taped proceedings appears in the November 1982 issue of Media Information Australia. A cassette of the seminar is available from the Australian Communications Law Association, C/- Faculty of Law, University of New South Wales, P.O. Box 1, Kensington 2033.

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