

GULF SAVANNAH DEVELOPMENT
Submission to the Inquiry into Structure of Telstra

Telstra Inquiry
Submission No. 67.....

*Parliament of Australia: House of Representatives
Standing Committee on Communications, Information Technology & the Arts*

**INQUIRY INTO
STRUCTURE OF TELSTRA**

Submitted by

**GULF SAVANNAH DEVELOPMENT,
CAIRNS, QUEENSLAND
(Authorised by Chief Executive Officer)**



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**SUBMISSION FROM
GULF SAVANNAH DEVELOPMENT**

Inquiry into Structure of Telstra

Introduction

This submission is written in the light of the past experiences of the Gulf Savannah region and the expectations of the Gulf people in 2003 to receive a higher level of equity and improved telecommunications services for the region. The submission endeavours to address the economic and social significance restructuring of Telstra might have for the Gulf region.

Key issues under consideration:

- The structural separation of Telstra's Core network (establishing, expanding and running the network) from other businesses such as services delivery, commercial retail activities and the other Telstra activities such as offshore investments, interests in TV stations etc;
- Reducing the Commonwealth government shareholding and control in Telstra's non-network businesses

The inference is that the government will retain an interest in the core network, which would be partially public owned.

Telstra is a mammoth organisation comprising a number of components:

- Central Corporation and Board
- Telstra International
- Telstra Country Wide
- Telstra Mobile
- Bigpond
- Wholesale
- Retail
- Network and Infrastructure services
- Research
- Foxtel partnership

Provision of the telecommunications core network for Australia is an essential service that must be available to all people wherever they reside. This is an obligation to the community. It is understandable that this may be at odds with the need for the retail sections of Telstra to be profitable and highly competitive.

Outcome:

- Telstra is restructured to separate the core network functions from all other activities. How this would be done is not indicated, i.e. whether separate companies, internal restructuring etc.
- The Commonwealth sells its share in the other (non-network) retail, commercial activities and services delivery.

Gulf Savannah Region

Gulf Savannah Development (GSD) represents the shires of Carpentaria, Croydon and Etheridge in the Gulf region and networks with the Councils of Doomadgee, Kowanyama, and Mornington Island.

The Gulf covers a vast area of 186,000 square kilometres with a population of just in excess of 9,000 people. The region receives around 80,000 visitors per annum during the tourist season from April to October.

Socio-economic challenges facing the region

Historically mining and the cattle industry were the basis upon which the region grew and prospered. With mining resources (largely gold) depleted and the cattle industry subject to the vagaries of domestic and international markets, the economic status of the region declined. It is now in the process of looking at means to diversify the regional economy with tourism development and the attendant economic opportunities being considered the prime area for investment.

Globalisation is a major factor facing most rural communities and the Gulf is no exception. The ability to compete on global markets with worldwide exchange of information and capital is essential for a region to be able to survive. The revolution in new telecommunication technologies and the Internet enables the Gulf to communicate beyond the boundaries of the region but it is also speeding up the process of globalisation.

Shrinking banking services make access to electronic banking all the more important. The banks started to remove services in the Gulf well before the telecommunications networks were in place as a substitute. E-commerce is rapidly being adopted by Gulf businesses as the normal mode of conducting their trade and business and this is of particular in the tourism industry where bookings for both domestic and international customers can be made through the Internet.

From a social perspective improved telecommunications have facilitated communication links outside the region, reducing the relative isolation of the Gulf. The scope of social interaction has broadened with phone and Internet improving access for shopping, business, accessing services and recreation.

Expectation levels

GSD has concentrated on the capacity for the efficient provision of services and in doing so it is necessary to clarify customers' expectations of services and standards needed. Increasingly, rural Australians have a higher level of expectation and are becoming involved in and reliant upon IT and the Internet for business, education and social communication. It is essential that telecommunication carriers provide services on a par with those available to the more populous areas of Australia. Otherwise the digital divide, which already exists, will be further increased.

For economic and social interaction, the region has become reliant on the higher levels of access to telecommunications, satellite access to the Internet and mobile phone coverage.

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Any decline in the level of services and/or a lack of capacity to access the full array of IT services will severely disadvantage the region.

GSD recently received funding for the introduction of CDMA mobile telephony services to the key towns in the Gulf, which has considerably improved social and business communications. Rural properties also have been able to access a Telstra/IBM satellite phone/computer offer, which will extend the usage and broadband access to the Internet via satellite. However, telecommunications means a lot more to people in the bush than mobile and satellite phone access.

Ready access to information technology will play a key role in the future economic development of the Gulf Savannah region. Better communications will lead to more competitive businesses, a stronger community and economy and facilitate investment, which will lead to employment. Internet access is becoming increasingly important socially, economically and politically for the region and enabling remote communities to participate at a far greater level than previously on a national stage. Hence it will be necessary to ensure that access to new technology is broadly facilitated and equitable.

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a) The efficient provision of services to end-users, including businesses and residential customers in regional, rural and remote Australia:

The optimum word here is 'efficient'. Cost is also another factor to be considered.

Historical perspective

Until the introduction of Networking the Nation, telephone services to the region were abysmal, with a high level of distrust of the principal carrier, Telstra. Breakdowns for lengthy periods were a common occurrence; maintenance and repairs could take several weeks. Customers claimed they had their line operational for only one month in eight; others that it could take from 3 to 18 months to have a new service installed.

Where urban residents had the luxury of tone dialling and broadband services, rural and remote Australia were generally decades behind in technology

Current Situation

Most customers throughout the region are supplied by landlines. . While Networking the Nation projects are improving the situation, there remains much to be done to get communications in the region into the 21st century.

CDMA mobile coverage is now available in the main towns but not along the highway where in fact it is most needed. Broadband satellite access to the Internet is available to consumers at a reasonable rate, outside the area serviced by CDMA. Satellite phone coverage is available at a cost to consumers that is inequitable with landline access in metropolitan areas.

Due to the fact that there is limited repair staff based in the area and in some instances extensive travel is necessary, installation and repair times are outside the limits set by the Telstra Customer Service Agreement terms.

Complaints/concerns

There are still complaints regarding several issues. These range from the amount of time taken for new services to be installed, for maintenance and repair work being carried out to the lack of speed when downloading from the Internet (in towns where access to broadband is not subsidised). There are subscribers who experience line dropouts as well as experiencing crossed lines where there are multiple users on the lines. Many lines have to contend with loud noise as well as cutting in and out while talking.

Some parts of the region have experienced a decline in services with long delays to affect repairs. Telephone technicians are no longer based in the region. Breakdown, maintenance and repair services are difficult to provide and during the wet season some isolated areas must wait several weeks for telephone repairs. The Telstra policy of outsourcing work has reportedly created delays in installation of new services and repairs.

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Several contractors are now required to undertake the work previously completed by a Telstra technician. In rural and remote areas, getting coordination between the Telstra line layers and contractual installation people creates delays.

There is a need for Telstra Call Centre Staff to have a better knowledge of geography in order to have a basic understanding of the area people are calling from. A regular complaint is "they have no idea of where we are or how far away we are from the closest maintenance centre".

There are apparent inequities in concessional tariffs of telephone services throughout the Gulf region. Some areas have access to untimed local calls while others do not. Some areas have "local call" access to the nearest major service centre, while others do not. Some parts of the Gulf are more isolated than others, however, the entire region is disadvantaged by distance and the lack of services. In this regard, there is a need to explore options for improving equity of supply and service throughout the region, irrespective of location.

If Telstra were restructured, a key concern in such instances would be the accountability for improving the level of service and maintenance, given the land line systems are aging.

Issues of relevance to the Inquiry

a) The efficiency of the service provision to the Gulf end-users is still not satisfactory.

b) Bulk of users are on fixed landline access. There is a need to maintain this older network in areas subject to floods, fires and cyclones, at least until a viable alternative technology is available and that would appear to be a long way off.

c) Structural reorganisation would need to avoid any potential threat to ongoing improvement and investment in the regional telecommunications infrastructure, network and services. Telecommunications is an essential service and any deterioration would see:

- Negative impacts on the regional economic development
- Alienation of small communities having adverse social impacts
- Raising the level of risk in emergency services, safety and security

d) Telstra currently is a Universal Service Provider with obligations to the community. It is essential for a high level of public accountability to the community to be maintained if rural, remote regions are to continue to see the gradual improvement to their telecommunications services. It will also be necessary to ensure that these regions can access advances in new technology at reasonable and affordable costs. Options:

- Strengthen the Universal Service Obligation and the Customer Service Guarantee;
- Ensure Telstra expands its investment in the core network in rural areas.

e) There could be advantages in separating the public provision of infrastructure and networks from other Telstra non-network interests such as offshore investments, TV

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stations. -Poor corporate, commercial decisions, not all that uncommon in recent years, could adversely impact on the capacity of the carrier to provide the necessary core network for the nation.

f) There is also a need for competition and transparency in the telecommunications industry. There will be a need for ongoing safeguards- regulatory and legislative - to guarantee quality service delivery, access by Telstra competitors to the network and affordability, although the current regulatory environment is cumbersome and some would say ineffective.

For competition in the area of service delivery, Telstra competitors need equitable access to the networks. The current process of negotiation and arbitration is time consuming. There would be a need to ensure that a fully privatised Telstra was not able to use its size to prevent/overcharge competitors' access to the Telstra network.

b) Telstra's ability to continue to provide a full array of telecommunications and advanced data services:

It is in this retail area of operations, provision of telecommunications and data services, that Telstra is in competition with other service providers, although still holding by far the major slice of the market.

In responding to this question we have considered:

- o Cost of provision of a service and the profit margin for the provider and the logistics of providing a service to remote areas balanced with the potential increase in productivity of a community and the long term benefits for rural Australia
- o The rural/urban disparity exists and we are looking for greater parity between urban and rural users to increase the competitive advantage for rural businesses and producers
- o The long term benefits for the Australian economy and a basis for regional development
- o Issues of equity which raise a range of social justice concerns such as -
 - Education - access to broadband can reduce the disparity between urban and rural/remote area students
 - Provision of health services and professional advice and counselling;
 - Access to justice and legal advice;
 - Business development and competition;
 - Governance and easier access to democratic processes - recent years have demonstrated the influence of rural and remote areas and there is a need for constituents to have ready access to policy directions and decisions

Access to computers and the Internet, and the ability to effectively use this technology are becoming increasingly important for full participation in economic, political and social life. Access to online technologies is a necessary requirement for ensuring equity in access to the information economy, to enable governments to achieve electronic service delivery objectives and allow Australians to capitalise on the opportunities for economic growth offered by the information economy.

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While Australian Internet use overall is increasing very rapidly, disparities in online access do exist. People on low incomes, without tertiary education, living in rural and remote areas, those of Aboriginal and Torres Strait Islander heritage, with disabilities, with a language background other than English, aged over 55 are less likely to use the Internet. The Australian Bureau of Statistics (ABS) data at August 2000 shows 67% of Australian households are not connected to the Internet. Australian adult Internet users tend to be younger, male, earning in excess of \$75,000, employed, and living in metropolitan areas.

For those unconnected Australians, barriers include set-up and access costs. The digital divide already exists and will continue to grow unless measures are taken to make access to the Internet easier for disadvantaged groups.

Access to broadband services is a crucial issue for the Gulf region.

- Access to broadband ADSL for health, education, and governance and for SME's is essential. Without such a facility the remote areas will continue to lag behind the more populated regions in basic communication services. The following are examples of areas that GSD considers to be deserving of attention:
 - Rural remote regions are disadvantaged in health services and access to broadband facilities can enable a range of clinical and diagnostic determinations without the patient having to travel vast distances
 - Similarly education services are of a lower standard in the remote regions and much can be achieved through access to Internet, video conferencing etc.
 - The Queensland Government has a virtual school (<http://education.qld.gov.au/virtualschool/html/administration.htm>). This program has the capacity to deliver broad curriculum across Queensland regardless of the school size and location however it requires significant bandwidth to operate effectively. This has the potential to offer the Gulf region access to education that has not been available in the past.
 - Another example of innovation broadband application use is the South Australian School of the Air who used \$325,000 from the Networking the Nation program to pilot a virtual classroom to service 20 of the most isolated families in the state. The School of the Air uses laptop computers connected via satellite to allow students to interact and work collaboratively on projects through features including a virtual whiteboard and virtual "breakout rooms" for smaller group work. This service has also had flow-on benefits to the community; Parents have become Internet literate while helping their children and have able to interact with others in their geographically dispersed community through the Internet.
 - Audiographics applications: use of Internet can provide opportunities for cross-cultural education (Galiwin'ku, Elcho

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Island), a remote community on Elcho Island in north-east Arnhem Land where cultural traditions are intact. Audiographics enables interaction between the learners and an educator, who can be located at some distance from the community. The technology uses software that is relatively uncomplicated and requires only a computer, modem, and phone line at each end of the link.

This technology could be used in training and apprenticeships in remote locations overcoming the need for participants to leave the community for further training and skills development, thus having very considerable potential.

- GSD is looking at the development of e-government and e-democracy processes for the Gulf to overcome the tyranny of distance and enable citizens to participate more fully in governance. This is a worldwide trend and GSD is keen to ensure that the Gulf communities can be an active participator in the process.
- Community access. GSD is aware of the existing programs to facilitate access by the wider community, however in many outback areas, language and skills difficulties currently preclude use of services by many people.

The high cost of the broadband service is currently restricting the take up of the service through the Gulf, except where supply has been subsidised under NtN. The high costs need to be addressed to make it more accessible for the regions.

Impact of Telstra restructuring

There would be a need to ensure:

- Equity and commercial choice for the consumer
- Access by all providers to the network to enable real market competition
- Open, transparent system of access

Telstra's capacity to deliver retail services should not be hindered if the core network function with the attendant community obligations, public responsibility and accountability is a separate company or independent sector of Telstra. Whether it is a separate company, an independent section of Telstra with a separate Board or some different structure is an unknown.

A competitive retail arm may in fact be more innovative and be of ongoing benefit to the consumer. The cost of expanding existing technology and delivering new technology to regional areas will need to be considered. It is in this area that the government may need to look at subsidies, provided from a rolling trust fund created with part of the proceeds of the sale of the retail arm of Telstra.

c) Ongoing investment in new network infrastructure

Investment in expansion and maintenance of the core network should be viewed as being provision of an essential service for all Australians.

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Any divestment of the Telstra retail sector should include provision for regulations and charges for providers to access the network to accommodate future network development costs.

d) The wider telecommunications industry

It is our expectation that provision of services to end-users would provide the following:

- Access to mobile telephony along the main highways to provide enhanced safety and ease of communication for travellers. This has application for a wide range of users -local residents, tourists, emergency services, land management (fire control) etc
- Cheaper satellite phone equipment and service to:
 - Enable remote area residents to compete in business,
 - Have access to a wide range of education opportunities
 - Facilitate property management, fire management
 - Provide added security and safety and
 - Reduce the level of disadvantage they currently experience.
- A reliable public phone network. This is particularly relevant in the Gulf where many residents do not own home phones or mobiles and rely on the public system. This is a social justice issue particularly in indigenous communities
- Extension of the optic fibre network across the region to provide reliability of services and programs
- The capacity to deliver a wide range of services on a par with urban areas, such as:
 - New connections – streamlined process, reduce the impact of regulations on rural subscribers
 - Fault location and repairs – minimal delays and quality controls
 - Sales and special offers
 - Technical advice readily available
- Accountability to the subscriber,
- Face to face contact and employment of local trained and accredited personnel as the first means of contact

Technology introduction –

- There is a need to ensure rural areas keep pace with the introduction of new technology as far as possible. . However this requirement should not discourage service providers from introducing new technology to Australia if the cost of extension to rural areas would be prohibitive. Hence there is a need for an independent body comprising rural representatives to monitor the introduction and dispersal of new initiatives.
- Affordable access to telephony services – now and in the future – there needs to be a safeguard – i.e. the watchdog – an independent monitoring authority like the ACCC

e) The telecommunications regulatory regime

Current situation

Rural and remote area services can be delayed as a result of regulations. Government legislation has hindered Telstra personnel in carrying out new phone line installations and general maintenance in the Gulf region. Rural and remote areas do not have ready access to people holding Austel tickets therefore the legislation needs to be lifted in these areas to give customers adequate access to telecommunication services.

There are 3 issues that need to be addressed in the Gulf region to enable access to adequate telecommunication services: -

- Telstra personnel need to be able to carry out repairs on commander systems in rural and remote areas. The current regulation in place means that customers have to pay anything from \$1500-\$2000 to get someone to repair their equipment when Telstra could carry out the repairs without this additional cost.
- Telstra personnel need to be able to carry out all aspects of new line installation, not as it is now. Currently Telstra can only go to the property boundary and the first point of entry to the building. An Austel ticketed person then handles work from the boundary line to the house and all further work required inside.
- A stock of spare parts needs to be left at a point in rural and remote areas to enable customers to carry out certain repairs themselves (i.e. replacing handsets). Appropriate mechanisms need to be in place to enable basic repairs to be carried out in these areas

When Telstra personnel, locally employed, are fully trained and accredited in all aspects of this work it makes sense that regulations need to be reviewed to enable people living in rural and remote areas a similar standard of service that other areas take for granted.

These regulations relating to service provision and service inadequacies need to be sorted out prior to any proposed restructuring of Telstra.

Another area of the regulatory regime relates to access by competitors to the core network. This needs to be transparent and equitable. The negotiation and arbitration process is reported as being time consuming and cumbersome.

Regulations may be required to require the provision of services to remote, regional areas. The core network provision should be protected as being an essential service. It will also be necessary to ensure that new innovations in IT are available and affordable for regional consumers.

f) Telstra's shareholder value and its shareholders

No comment

g) The Commonwealth Budget

Need to ensure:

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- Adequate provision for network expansion and maintenance to be funded from sale of retail arm of Telstra
- Enable R&D to investigate alternative communication means to the network that may need to be under government aegis
- Adequate means to ensure regional areas have affordable access to new telecommunications technology and innovations, through a Trust fund arrangement set up with the sale of the retail arm of Telstra.

C. [Signature]
11/21/03