

TELSTRA WQUIRY  
Submission No. ...26.....

**McMahon, Paul (REPS)**

**From:** Ludek Rosendorf [lrosendo@postoffice.utas.edu.au]  
**Sent:** Tuesday, 28 January 2003 1:04 PM  
**To:** Committee, CITA (REPS)  
**Subject:** Inquiry into Structure of Telstra

As your Committee will, no doubt, receive many submissions -- complete with cost benefit, technical and other analyses -- from specialists in the area, I will limit myself to the only matter of a principle that is at issue.

Current situation, where Telstra is the sole owner of the communications infrastructure AND a 'value added' service provider as well, is analogous to the following: imagine that, say, Linfox or other transport company owned Australia's total road network. No matter how many other hauliers were allowed to set up in competition, the competition would always be only imaginary. (Example 1: Witness every communication company (eg AAPT, Optus) charging the same (ie. Telstra's) level of telephone line rental. Of course, what else can they do under the circumstances?; Example 2: My AAPT bill for local calls always covers calls for the month before the last - this is obviously because the AAPT has to wait until it is charged for those calls by Telstra first - SOME COMPETITION!!) Under the current regime, the AAPTs and Optuses of this world are just re-sellers, not competitors at all.

The second consideration (or, rather, the first in order of importance): The communications infrastructure (copper wires, optical fibre, local exchanges) is analogous to the road network, ie. it is an ESSENTIAL NATIONAL (= public interest) infrastructure. That implies it is NEVER in national interest for it to be in private hands. Only those with narrow sectional interests can argue otherwise.

It is for the above two reasons, ie. the national interest and in the interest of competition, that Telstra should be split into two entities: (1) value-added service provider, a peer and equal-footing competitor to companies such as Optus, AAPT etc., to become a fully private company; and (2) a fully publicly owned national communications infrastructure company which owns, maintains, does R&D and keeps upgrading the physical network, and which allows access to this network on equal terms by the above mentioned value-added service providers.

In case of imbalance in values of the respective parts, there may have to be either a further sell-off or partial buy-back to reflect the post-split value-distribution.

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Ludek Rosendorf  
60 Bramble Street  
Ridgeway Tas 7054  
Australia

Phone: +61 3 6239 1338  
Mobile: +61 438 308 207  
email: lrosendo@postoffice.utas.edu.au =====