



Isolated Children's Parents' Association of Australia (Inc)

Federal Council

'Access to Education'

TELSTRA INQUIRY
Submission No.38.....

The Secretary
House of Representatives
Communications, Information Technology
& the Arts Committee
R1, Suite 116
Parliament House
CANBERRA ACT 2600

30th January 2003

The Isolated Children's Parents' Association of Australia (Inc) (ICPA AUST) welcomes the opportunity to comment on *'the economic and social impact of structurally separating Telstra's core network from its other businesses and reducing the Commonwealth's current shareholding in Telstra's non-network businesses.'*

It is no secret that customers in Regional, Rural and Remote (RRR) areas of Australia have had misgivings associated with the sale of Telstra. They have voiced their concerns since the concept was first aired and have continued fighting a rear guard action to this present day where we now have the balance of majority Government ownership tethering on just 0.1%.

ICPA would reason that the Government of the day and their advisors have largely misunderstood this resistance from RRR customers.

The benefit of competition has presented customers in RRR areas with greatly improved services along with outstanding cost savings. The improved services have been "catch-up" measures but none the less wide reaching and very welcome. The reduction in costs has been across the board and again welcome.

Why then, one may ask, is the bush not appeased? The simple fact is that no strategy exists that will future proof access to modern and affordable communication infrastructure for RRR customers, a fact that they are acutely aware of.

RRR customers will not be bought out by some strategy offering short term and "band-aid" solutions. They will welcome them with open arms, even demand more of the same, but until they can be comfortable that their equitable future access is guaranteed, ICPA is of the opinion that their resolve will only strengthen.

ICPA is about equity of access; it is our mission. Wherever equity of access is achieved there is always an accompanying strategy of cross subsidisation. Subsidisation is not a word that enjoys popularity in competitive marketplaces so it stands to reason that while competition delivers in the retail environment it will always struggle when asked to deliver to non-performing sections of the marketplace.

RRR customers are large consumers of ICT. This is not an unreasonable statement considering the ability of affordable communications to remove the tyranny of distance. As a retail marketplace they present a fantastic environment for competition to work effectively. However, the huge cost of

infrastructure to connect this marketplace, can remove most, if not all, of the sound retail profits on offer.

ICPA would support a strategy of structural separation of Telstra as this would allow effective and simple cross subsidisation of the national ICT network. We are aware of the challenges, that such separation presents, and that recognition is about the extent of our expertise on the matter. We could offer no advice on the processes involved; however, we would comment that some form of “buyback” of the Telstra network by Government would perhaps be best accepted in RRR areas.

It makes good sense to ICPA and the lay person, that if the infrastructure was owned equitably by an identity driving the intent of national connectivity, and that equitable access to that infrastructure was offered at wholesale to all retailers (including Telstra), at a rate that ensured future access to first class infrastructure, for all Australians, then this would guarantee the cross subsidisation that will future proof RRR customers. This would provide the comfort required to fully accept competition for their retail services and enjoy the benefits resulting.

If a separate company were to own Australia’s USO network, even if the present Telstra owned this company, the distribution of the USO burden would be greatly simplified. The ongoing, maintenance, research and development, upgrading and extension of the network, budgeted appropriately, would be in the interest of the customer and national good. Presently, pressures to cut it in the corporate world are not conducive to spending in such areas, unless there will be a resulting return on investment.

Competition will never offer RRR Australians equitable access to ICT infrastructure. The simple fact is there are far too few customers mixed up with far too much dirt in RRR Australia for more than one infrastructure operator to be viable. Any form of combination of infrastructure and service provider will always be messy in private hands, so why not opt for the best of both worlds for the benefit of the Nation.

ICPA would propose the notion of a public owned communication infrastructure, wholesaling connectivity to private retail service providers, and this should be strongly considered in the Government’s quest to service the future communication needs of all Australians.

Yours sincerely

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