

3 February 2003

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

Attention: Mr Paul McMahon

Dear Mr McMahon

Primus' Submission to the Inquiry into the Structure of Telstra

Thank you for your letter to Mr Greg Wilson, Managing Director, Primus Telecom inviting Primus to make a submission to the House of Representatives Standing Committee Inquiry into the structure of Telstra.

Primus is an interested party in this inquiry as we believe that the issue of structural reform of the telecommunications industry is a vital issue that needs to be properly and comprehensively examined if Australia is to see a long term and sustainable competitive telecommunications industry. Therefore for the purpose of Primus' main submission to the inquiry, Primus as a key member of the Competitive Carriers Coalition (CCC), supports the submission prepared by ACIL Tasman Pty Ltd.

In addition to the ACIL Tasman submission Primus makes the following key points.

First and foremost Primus contends that the existing regulatory regime has been, and will continue to be ineffective in addressing Telstra's market power and dominance which largely stems from its highly vertically and horizontally integrated structure. The Government's recent legislative amendments passed in December last year whilst a step in the right direction, do not however address these underlying structural issues. The current regime of "behavioural regulation" treats the symptoms but does not change incentives. Primus therefore believes that for competition to be fully effective in this industry it is critical that structural issues be addressed as a matter of priority.

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Structural separation of Telstra can take many forms and is a complex issue in itself. Further to that Primus believes that any analysis of structural separation must be undertaken in the context of a wider and broad ranging review of current regulatory arrangements as they apply to telecommunications.

There are several alternative remedies for regulatory and structural reform of which structural separation of the incumbent carrier is but one. Others include virtual separation or ring fencing, anti-trust or divestiture powers and reverse onus of proof provisions, in particular relating to horizontal integration issues such as bundling of services by dominant carriers. Ultimately the best regulatory regime may include one or several these options. To conduct a review of structural separation without considering the wider implications of regulatory and structural reform runs the risk of arriving at sub-optimal policy settings.

Therefore, whilst Primus welcomes this inquiry as being a move in the right direction to address structural issues in the industry, the time frame imposed upon the committee will not allow proper justice to be done to the issue given its complexity. However Primus does believe it is within the committee's scope to recommend that structural separation be considered as part of a broader and more comprehensive review of regulatory and structural arrangements in the Australian telecommunications industry.

Primus intends to appear before the committee as part of the Competitive Carriers Coalition and will be pleased to answer any questions the committee should have at that time.

Thank you for the opportunity to contribute to this important issue.

Yours sincerely

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