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To: Committee, CITA (REPS)
Subject: Inquiry into Structure of Telstra

TELSTRA INQUIRY
Submission No. 44

I believe the infrastructure of the phone system is a natural monopoly, much as are roads. As such, a commercial monopoly seems to me totally contrary to the interests of consumers, and of Australia.

I believe Telstra should be split into an infrastructure division, either government owned or under strict supervision and control as a semi-autonomous profit making organisation. This infrastructure division would be required to operate in a transparent manner with regard to pricing and costs, and be subject to government audit. It would be required to make the "last mile" copper connection available to any organisation or business able to meet its published technical standards. Pricing of these services would be via a publically available schedule and published quantity discounts. The organisation would be expected to produce a reasonable profit for capital expenditure needs and future expansion. Quality of service requirements would be part of the terms required of the organisation.

The major portion of Telstra (directories, Mobile, value added services, etc.) could be sold to the public if that is what the government desires. These services are not a natural monopoly, and it should be possible for competitors to provide equivalent services.

Addressing the terms of reference:

>The efficient provision of services to end-users, including businesses
>and

residential customers in regional, rural and remote Australia; Addressed by quality of service terms, and direct subsidy for uneconomical services if required. As the infrastructure organisation would not be involved with loss making overseas investments, Australian service should be better.

>Telstra's ability to continue to provide a full array of telecommunications and advanced data services;

A purely commercial Telstra would have a vested interest in investments aimed at providing new services.

>Ongoing investment in new network infrastructure;

Built into the quality of service requirements, and funded by fees designed to provide a reasonable rate of return. The infrastructure is by nature a monopoly after all.

>The wider telecommunications industry;

Guaranteed levels of service without fights should help companies decide to invest.

>The telecommunications regulatory regime;

No longer a fight between Telstra and the regulator

>Telstra's shareholder value and its shareholders; and

Given the changes in shareholder value, I do not believe predictions in this area are of any merit.

>The Commonwealth Budget.

The infrastructure organisation would be expected to be self funding from its fees, and should have no impact on the budget. However, the Commonwealth would be directly responsible for subsidising unprofitable services to remote areas, or would need to direct the infrastructure organisation on cross subsidies. If cross subsidies were involved, other organisations may have an easier time setting up alternatives to the "last mile" connection, via methods like groups of wireless networks.

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