

Chapter 1

Background to the inquiry

1.1 The Senate referred this inquiry to the Committee on 14 March 2005 for report by 23 June 2005. On 21 June 2005 the Senate granted the Committee an extension of time to report to 9 August 2005.

1.2 The full terms of reference for this inquiry are set out on page xi. In brief, the Committee was asked to examine whether the current telecommunications regulatory regime promotes competition, encourages investment in the sector and protects consumers to the fullest extent practicable, and to make recommendations for legislative amendments to rectify any identified weaknesses.

Conduct of the inquiry

1.3 In accordance with its usual practice, the Committee advertised details of the inquiry in *The Australian* (16 March 2005). The Committee also wrote directly to a range of organisations and individuals to invite submissions, and received 52 written submissions and numerous supplementary submissions, as listed at Appendix 1. Documents tabled in public hearings are also listed in Appendix 1.

1.4 In order to explore the issues in more detail, the Committee held public hearings in Canberra on 11 April, 9 May and 20 June 2005, Sydney on 13 April 2005, Perth on 29 April 2005 and Melbourne on 4 May 2005. In order to ensure that regional perspectives were explored, the Committee also held public hearings in Dubbo on 14 April 2005 and Townsville on 21 April 2005. A list of those who gave evidence at these hearings is at Appendix 2.

Outline of the report

1.5 The terms of reference for this inquiry were far-reaching. With the move from a government-owned monopoly service provider to a duopoly during the 1990s, a move towards open competition since 1997 and great technological change, there have been significant changes in the past two decades. There have also been numerous reviews of various aspects of telecommunications regulation and service provision, including the Productivity Commission's 2001 report.¹

1.6 Thus the report begins in Chapter 2 with a description of the current telecommunications environment, giving a brief outline of the current regulatory regime and the need for a review. Key themes that emerged during the inquiry, including the recognition of telecommunications not only in terms of its economic

1 Productivity Commission, *Telecommunications Competition Regulation*, Report No. 16, 2001.

benefits but its social implications, the pending full privatisation of Telstra, services in rural and regional areas and investment in infrastructure, are outlined.

1.7 Chapter 3 discusses competition issues in more detail. The current regulatory regime under Part XIB of the *Trade Practices Act 1974* (TPA) is outlined. The 2004 competition notice issued by the ACCC against Telstra is considered with an analysis of concerns raised about that process. Issues raised about Telstra's relationship with its wholesale customers are then discussed in some depth, including consideration of competitors' capacity to roll out infrastructure, aggressive pricing practices, 'churning' customers and other concerns.

1.8 Chapter 4 addresses Part XIC of the TPA which deals with the telecommunications access regime. Following an outline of the key elements of the legislative scheme, the chapter considers particular concerns that were raised during the inquiry, including declaration of services, inherent delays in the regime, regulatory gaming, impediments to access other than price, pricing issues and regulatory 'safe harbours'.

1.9 In Chapter 5 the Committee considers a wide range of consumer issues in some detail, including complaints about the Universal Service Obligation (USO), the Customer Service Guarantee, the operation of industry codes and standards, and dispute resolution, including through the Telecommunications Industry Ombudsman (TIO). Other issues relating to low income customers, remote indigenous communities and the Emergency Call Service are also discussed.

1.10 Finally, Chapter 6 presents the Committee's conclusions and recommendations for a blueprint for the future. Possible means of achieving greater transparency in Telstra's operations are discussed, followed by a brief examination of the Australian Competition and Consumer Commission's (ACCC) powers and resources. Concerns about the competition regime and the access regime under the TPA are discussed. The chapter concludes with discussion of the future of the USO and other consumer protection mechanisms.

Acknowledgements

1.11 The Committee wishes to express its appreciation for the cooperation of all witnesses to its inquiry, whether by making submissions, by personal attendance at a hearing or, as in many cases, by giving both oral and written evidence. In particular, the Committee thanks those who travelled some extensive distances to attend its public hearings in regional areas.

Note on references in this report

1.12 References in this report are to individual submissions as received by the Committee rather than a bound volume of submissions. References to *Committee Hansard* are to the proof Hansard: page numbers may vary between the proof and the official Hansard transcript.