

My name is Damian Kay and I am the Owner and CEO of two entities that provide telecommunications services within the Australian Telecommunication market:

- Telcoinabox – A Telecommunications Reseller (Via a Franchise model) providing “Full Service” Fixed Wire, Mobile and Internet services to approx 50 franchisees across Australia, including NQ telecom. Each Franchisee in turn provides these services to approx 10,000 Residential and Business customers across Australia.
- Universal Telecom – A Telecommunications Reseller providing “Full Service” Fixed Wire, Mobile and Internet services to approx 20,000 Residential and Business customers across Australia.

In 1997 the Australian government deregulated the Australian Telecommunications Market in Australia in order to increase competition within the Australian Telecommunications market and promote economic efficiencies in the market place.

I wish to outline one barrier in particular to the increase of competition. I will outline how this barrier is anti-competitive and do not promote the increase of competition in the Australian Telecommunications market.

Part IV of The Trade Practices Act of 1974 essentially prohibits contracts, arrangements or understandings that restrict dealings or affect competition (Section 45). It also prohibits the misuse of market power by corporations that have a substantial degree of market power in a market by elimination or substantially damaging a competitor, preventing the entry of a person into any market, or preventing a person from engaging in competitive conduct in any market (section 46). Part XIB mirrors Part IV but relates to Telecommunications.

Please keep the last line in your mind, “or preventing a person from engaging in competitive conduct in any market”.

The barrier relates specifically to:

- Local Line Rental or otherwise known as “Service and Equipment”

Local Line Rental

In short, no wholesale margin is made available on the supply of Local Line Rental by a Service Provider to the end user. A Service Provider is only able to

“Re-Bill” the Local Line Rental to the end customer. I believe that to be competitive in the Telecommunications market, Service Providers have to be able to provide a “one bill” solution to the end customer. It is no longer “competitive” to be only able to provide the end customer with Long Distance calls (National, Calls to Mobile, International) and for them to still get their Local Line Rental from Telstra.

The ‘Standard’ Local Line Rental pricing from Telstra Retail is:

Business (Business Line Complete) - \$31.77 (ex GST)  
Residential (Home Line Complete) - \$24.50 (ex GST)

The pricing above is the price that is passed through to the Service Provider and subsequently “Re-Billed” to the end customer via Telstra’s “EBill” product/service. In addition to this the Service Provider must fully support the Local Line Rental that is Re-Billed including and not limited to:

- General customer care
- Adds, Moves and Changes
- Monthly billing of the Local Line Rental
- Collection of Local Line Rental cost from end customer
- Logging of Line faults

From experience Local Line Rental accounts for approximately 25%-30% of a typical Telephone Account. Keeping this in mind, the approx costs of supporting a typical Business Line are as follows (from experience):

- Billing (Including Bill processing, Bill printing and Postage): \$2.00
- Collection (e.g. Aust Post, Bpay, Credit Cards, Credit Card): \$0.60
- Total Customer Support (Per Line Per month): \$1.50
- Bad Debt Provision (2%): \$0.60

Approximate Total Cost: \$4.70 per line per month

Telstra, even though they do not have to directly provide the above support for the Local Line Rental, still receive the full revenue for the Local Line Rental. There is no better example of a barrier that, “Prevents a person from engaging in competitive conduct in any market”.

Suggested Solution:

A “Retail minus Cost” model would provide a fair scenario for the industry as it would reflect the reduction in the costs for Telstra and the real costs to the Service Provider to provide the Local Line Rental to the end customer.

Other issues regarding Local Line Rental are many but include a number of disturbing experiences. On many occasions, Universal Telecom and Telcoinabox Service Provider customers have been told when they have phoned Telstra in frustration regarding their required Add/Move/Change order that has been delayed/put on hold/cancelled/appointment time moved etc. that, "If you had of been with Telstra we would have done it for you straight away". In most cases we have lost the customer to Telstra, and in every case the customer has refused to provide a statement of what was said as they are scared of any ramifications. The sad thing is that Service Providers just accept that this is a part of doing business in the Australian Telecommunications industry.. I regularly speak with other Service Providers in the industry and this situation is not isolated to Universal Telecom or Telcoinabox Service Providers, it is a widespread occurrence.

**Jeremy Moffat, Managing Director North Queensland Telecom.**

I operate as a service provider in North Queensland, covering Rockhampton to Port Douglas and out to Mt Isa. Having said that, we service customers in every state.

I would like to expand on Mr Damian Kay's comments and give specific examples of what I refer to as the "if you were with Telstra syndrome" that appears to be driven by Telstra Technicians and phone operators.

**Example 1**

In November 2004 Mr Fred Bauer of Bauer Chiropractic purchased a new telephone system that required him to change his lines over from PSTN to ISDN. We ordered the service on the 12<sup>th</sup> of November and were told the service would be complete no earlier than the 24<sup>th</sup> November. On the 24<sup>th</sup> November we were told it would be put back 3 more days. Mr Bauer contacted Telstra direct and vented his frustration. The operator told him "if you were with Telstra". Mr Bauer agreed to churn his lines back to Telstra. Within 5 minutes his lines were operational and we had lost a customer.

**Example 1**

In April 2005, my customer Krojack were installing a new system and found a line error and crossed lines. A Telstra technician was on site and told the customer that he couldn't fix the issue because they were not a customer of Telstra. He went on to say that if they signed an agreement with Telstra he would fix it then and there. The customer felt they had no choice and went back to Telstra in order to get their service fixed

**Example 1**

Customer Samantha Turner was put on temporary disconnection. On paying her account I requested reconnection on March 7<sup>th</sup> 2005. This service was not reconnected until 15<sup>th</sup> March. As a result, a complaint was made to the TIO by the customer who has cost North Queensland Telecom \$1000

There are many more examples of this type of behavior that directly affects our business.

These examples can be backed up with evidentiary statements from the customers.

The terms of reference for this Senate Inquiry include reference to the Trade Practices Act part XIB and XIC. Two of the examples cited represent abuse of market power on the part of Telstra.

(a) whether Part XIB of the *Trade Practices Act 1974* deals effectively with instances of the abuse of market power by participants in the Australian Telecommunications sector, and, if not, the implications of any inadequacy for participants, consumers and the competitive process;

(b) Whether Part XIC of the *Trade Practices Act 1974* allows access providers to receive a sufficient return on investment and access seekers to obtain commercially viable access to declared services in practice, and whether there are any flaws in the operation of this regime

In promoting competition, providers like NQ Telecom must be given a fair go by Telstra. We are reliant on their technicians, carry a debt for them and manage the customer. Telstra's responsibilities are to provide a service to our customers in installing lines and putting new orders through which they don't do so well at, and collecting money from providers like us which they are very good at. If we don't pay Telstra they simply cease services, however we have no recourse on Telstra not providing the services to us and our business.

The customer we have lost through reasons beyond our control as discussed above cost our company more than \$100,000 per annum