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Friday, April 11, 2005

The Committee Secretary
Senate Environment, Communications, Information Technology and the Arts committee
Department of the Senate
Parliament House
Canberra ACT 2600
Australia,

Re “Inquiry into the performance of the Australian telecommunications regulatory regime”.

Thank you for this opportunity to offer the attached submission to the enquiry.

I was the coordinator between Telecom Australia (later Telstra) and Philips re the digital engineering for the Telstra telecommunications cable expansion program, a \$2.4 \$ Billion engineering and component supply contract, awarded to Philips by Telecom Australia (later Telstra). Telecom Australia did the national build.

At that time, I was personally responsible to Philips for bringing the new technologies to the government’s Melbourne and Canberra laboratories, where the digital engineering for the management of the nation’s new telecommunications, television and interactive multimedia cable system was being developed. Many Philips and DVB / ITU industrial consortium members supported the engineering program in Australia to international standards, including the EEC council. It was a world first.

This document explains how, with the formation of Foxtel, News Ltd was able to destroy the government’s digital transition program and gain total authority over government telecommunications and digital media policies and thereby use Telstra public assets to monopolize the public’s digital television cable system. No longer was Telstra’s enhanced infrastructure open to any media cartel competitor.

The two laboratories that were supporting digital engineering for open and competitive multimedia markets, (Melbourne and Canberra) were run down, the equipment involved in digital transition engineering was sold or dumped and the engineers dismissed or

transferred. Government is without any authoritative means to correct the action of News Ltd.

The world direction in electronic communications technologies is total digital integration to international standards and with seamless networks. Australia has succumbed to the media cartel monopolist objectives by allowing the installation of a digital proprietary technology on the public's infrastructure. This is to achieve a vertically monopoly on the telecommunications cable for TV. This has corrupted any opportunity for vast efficiency gains in all markets possible from digital standardization. This empowers even more authority for the media cartel over public information dispersion, the major objective of the media cartel.

With out a means to measure the activity on public service carriageways, Government does not have a regulatory regime. If it had Australia would not have a media cartel that could use the Telstra public assets to monopolize the Pay TV markets.

The intellectual property of electronic industrialists and the rights of consumers and suppliers in the Australian markets have no legal protection. Consumers are not protected from the most abusive trade practices of Foxtel and Telstra.

The media cartel already controls Australia's largest public investments. Telstra sold gives News Ltd technical, financial and, self regulated ("market forces") control of Telstra's \$60 Billion market capitalization. This has to be an irrational public economic policy of the most inefficient and abusive kind. It may be proved, one day, to be the most corruptive.

A simple corrective action is to introduce, conformance testing that can be called up to legally protect consumer markets from the major abusive practices TV and media markets must tolerate without correction. This will ensure that the public digital electronic carriageways of Telstra's infrastructure will support vastly more efficient, far more flexible commercial and consumer multi competitive markets. It will provide for Australian industries and commerce, vast efficiency gains not possible if Telstra is privatized and while Foxtel is a Telstra partner with total authority over government electronic public service policies.

In the submissions, I have proposed a reform program for government to regain authority for telecommunications, television and interactive multi media. You will also read why this issue is about a far more serious and democratically more dangerous issue than "regulations" and "privatisation of Telstra".

The reform program will be an opportunity for Telstra to dramatically improve profitability and earn funds to finance the "Page Report" program as further extension to Telstra.

Yours sincerely

Allan J Williams

Director

Telecommunication Regulations

Without the powers and resources to regulate

Overview

Australia is the only country in the world with a government that has a responsibility for the security to the public of its \$60 billion market capital public investment in a telecommunication infrastructure that is the most technically advanced system in the world. It already has over 1.5 million kilometres of optical cable in its network. It is the only infrastructure in Australia with copper phone service to almost 100% of all homes and offices. It is by far the most advanced infrastructure in the world having a fully integrated national optical / fibre digital telecommunications cable infrastructure.

This system is already capable to service over 6 million homes with telecommunications, television and multimedia services. It is the result of an expansion project developed by Telecom Australia to place Australia as a world leader in digital communications technologies and to replace in due course, the technically antiquated copper wire telephony infrastructure. The original target was to have this replacement completed by about 2006.

It is simple to show that to fully privatize Telstra and place its technologies for telecommunications, television and interactive multimedia under the authority of private “market Forces” is destructive to the opportunity for vast efficiency improvements in telecommunications and multi media services for all markets. It is simple to show that the idea of efficiency improvements by permitting telecommunications to operate as private companies in parallel is economically irrational and technically most inefficient. It is simple to show that the privatisation of telecommunications provides a media cartel more opportunities and even more powerful authority over information access and dispersion throughout societies. This is a major threat to democracy and social justice.

Almost daily, the two major public newspapers, in a consorted way, promote propaganda, misinformation and even totally false information for the privatisation of public communications infrastructures. They promote the idea that “content” marketing be an extension to the responsibilities for electronic carriageways.

But Telstra is about a far more serious matter, a matter that is already leading to undemocratic bullying tactics in high places to protect. This is about whom has the public authority over digital communications technologies. Economists would have no way of understanding this issue. But the digital software engineers of News Ltd are fully aware of its extreme value and power over communications and information access and dispersion, and its power over authority. The Telstra experience in Australia is a simple example to the world of this absolute power.

The media continued promotion to sell Telstra is about a far more serious economic and social matter than the continual extremely false propaganda about the efficiency of telecommunications. The media’s public diversion program is to steer the public away from an understanding of their rights and real values of their public assets and away from understanding the public’s potential for vast efficiency gains from the new technologies.

The concealed political media objective is about whom in the future has authority over the public and the power over markets for digital telecommunications, television and interactive multi media. It is about the authority over the deployment and privileged access and control of information in a society using the advanced digital technologies for public communications and information dispersion throughout all markets.

This is a most serious international question. It is the challenge between media cartels and governments, for authority and control over public communications and information dispersion. This comes under the simple heading, the “digital divide”, authority by the state or authority by a private monopolistic group, over public digital communications systems.

Australia has the world’s most powerful players involved in this question. The media cartel operating in Australia has already claimed this authority from government over Telstra. The media cartel is already in Australia a law of its own. Australia already has near a decade of proof that the public, the suppliers to markets, all, other than Foxtel, that are dependent on open electronic telecommunication, television and interactive multi media networks to service their markets, already have no means to protect their economics of marketing and their social rights.

These are extremely special and generous privileges, provided by government, to the media cartel controlling Telstra. This authority by a media cartel over public assets and information dispersion remains whether Telstra is public or private. The sale of Telstra is not for the benefit of shareholders, or to gain funds for new infrastructures. It is already a most generous privilege from all Australians, for the most special benefits, from its special communication and information attributes, to be under the authority of a most powerful media cartel. This abuse of market power can only be reversed by a new and firm measure from government.

In these matters today, Australian markets have no social justice or means to enforce the “Trades Practices Act”. This is because Law follows the government promoted policies from the “Hilmer report”, promoting “self regulations” and “market Forces” to manage public infrastructures. These policies omit the consumers from any involvement in trade practices. Democracy is failing because of these policies that omit the consumers’ interest and rights. The control and authority by a media cartel over the technical and the commercial management of the \$60 Billion Telstra public funded infrastructure, in a normally regulated society that protects consumer markets, would be corruption. This has to be corruption of the worst kind as, not only does it corrupt the potential for open and competitive multi media markets, it also further constrains public access to communications and information dispersion.

This is gross exploitation by an “elite club” that supports the intent of media owners to monopolize almost all the public communication and information dispersion systems. This is in complete opposition of the original program, the digital transition program, the original purpose of the major Telecom Australia’s investment into digital technologies, to maximize the efficiency of electronic communications markets and diversify media ownership and control.

Technologies are by far the fastest growing economies in the world. Digital technologies are a major sector of this economic growth with vast efficiency improvements for industry and commerce, as planned by Telecom Australia. Telstra has no where near achieved the profitability and efficiency gains that are possible from the new digital technologies that the infrastructure was engineered to achieve. Telstra’s engineering objectives have been corrupted by News Ltd’s plan that

replaced efficient engineering with a proprietary technology to monopolize the PayTV market, using the Telstra assets to do so. Telstra is not deploying its network for its originally engineered intentions. Telstra's progress is now under extreme efficiency constraints.

The communications and information efficiency for trade and commerce depends entirely on the potential of our nation to foster the public education and provide throughout our nation, the software engineering resources to understand and deploy the attributes of this revolutionary system. Conformance to international standards that are open to all markets, is the essential requirement for the successful realization and fulfillment of its planning for a far superior efficiency and diversity in telecommunications and television markets.

The international standards that are engineered to provide the management software for the vast efficient and flexible options and automated switching of traffic on electronic carriageways has been completely ignored by government and by the current Board of Telstra. This is the critical element for the achievement of vast efficiency gains re telecommunications, television and multi media services on electronic carriageways that should be open to all, for industry and for commerce, and for personal and social opportunities and experiences.

Government, has not only ignored these most valuable attributes, but also conceded to a media cartel the government responsibility for these once most valuable public resources. The Telstra Board and the government have condescended to News Ltd proposals for a proprietary digital system to control the advanced telecommunications network for digital television. Government has conceded to the media proposals that the critical and valuable institutions involved in expanding the telecommunications network engineering for the digital transition program for Australia, to international standards, be dismantled.

The objectives and success of the Telecom Australia most advanced program can only be realised by mandating a common system of standards throughout the total public telecommunications and television infrastructures and for common standards interfaces between all connected processes. This is because the system must automatically read and write about the activity and directions for all the traffic on its carriageways. At any time the "Read and Write" information, the common "language" is interfered with, the system is corrupted and the efficiency opportunities for all markets are destroyed. This "common language", the open digital "language" is the international standards, engineered for all in industry and commerce and for all manufacturers of home equipment to understand. This is to ensure maximum competition in all markets and to ensure the maximum efficiency for the production and distribution of goods and services in all markets.

News Ltd proprietary language corrupts these efficiency opportunities in all markets. Only News Ltd proprietary systems can understand the News Ltd proprietary language. The Foxtel box is a proprietary closed box. The Foxtel proprietary technology on Telstra is a closed technology. The objective is for News Ltd to lock out all competition. Only the Foxtel Box to Foxtel technology is available for Foxtel PayTV and multimedia. This corrupts the efficiency potential for all markets. This is completely in opposition to government's claim to privatize to create competition.

This perverse activity is the major contribution towards the abusive losses for all Australians, now a decade of lost opportunity, through the total neglect and respect for the advanced digital technologies and engineering. This complete disregard for the efficient management of public assets has resulted in severe damage to the

economic and social values and to the vast efficiency opportunities for our nation and for all Australians, well in excess of \$10Billion, excluding lost opportunity costs.

There seems to be no longer any understanding, by anyone outside the interests of the media, for any respect of the attributes and virtues of the brilliant engineers that managed Telecom Australia. Their tremendous insight and overview of their industry progress, and brilliant understanding of the future with the advancing digital technologies, built the huge public infrastructure across Australia, the world largest build, for the revolutionary opportunities to come, for all Australians.

The proof that government has lost all authority over Telstra, and over an efficient digital transition program, and the interests and motives for the welfare from a huge public investment for all Australians, is staring us all in the face, every day.

We must question why is it that Foxtel is the only company that advertises “Can your television do that?” when the engineered attributes for such digital television receivers are from intellectual properties, researched and engineered by a consortium of international industrial engineers for all in consumer markets? Why is it that “Foxtel” is the only company permitted to distribute digital television to the home, on the Telstra and Optus telecommunications infrastructures? Why is it that government has permitted the public assets of Telstra to be manipulated in a way that has resulted in an exclusive total monopoly of PayTV for one media cartel?

Last year the sales of analogue TVs were 1.4 million, near the peak of any year in the past. This is after near a decade of a digital transition program to phase out analogue, to free up terrestrial television spectrum, for media diversity. Other nations behind Australia’s program no longer transmit analogue TV in their major cities. The digital transition program is in utter chaos, corrupted as contrived by the media¹.

Automation of digital carriageways for the efficient integration of all services on any carriageway is no longer possible. Television receivers for digital free to air will not receive PayTV services! Digital PayTV receivers, and the cable system, are modified in such a way that cable TV is only available for Foxtel, via Foxtel proprietary receivers! Surely all members of government must recognise that even this is already extreme wasted money and inconvenience for all consumers. This is a clear demonstration of how completely false the continued propaganda that telecommunications infrastructures can be more efficient by privatisation.

Optus, once Australian owned, is another major loss for Australians investors. As can be read from Hansard, this loss was also due to government giving way to “Market Forces” to create competition, the policies of the “Hilmer Report” that competition and private ownership of public services infrastructures is economically more efficient. News Ltd won, Optus lost, as we can read from Hansard, when Optus requested the shared use of the Telstra cable. The outcome and heavy losses for the public investments in Optus and in Telstra is clear proof of the vast waste from such irrational economic philosophies that have been steering government policies for near a decade.

All these actions of Telstra and Foxtel demonstrate the extreme power and authority of one media cartel over government and for power over management appointments to manipulate media cartel control of public assets. This power even extends to the appointment of a News Ltd Lawyer on the Board of the ABC! By these contrived processes, Foxtel partners have achieved their ambition to gain control of a publicly funded infrastructure and thereby control of all electronic media elements for total vertical monopoly of television on cable, and to achieve total authority over the

public media policies and trade practices in these markets. This has to be the most abusive cartel operation in Australia.

The government has lost all authority over the care and protection of telecommunications and media markets for the public of Australia. The government has lost all authority over the market protection of intellectual property rights of suppliers in the electronic media markets. Program suppliers no longer have flexible options and open opportunities of distribution channels or distributors to markets.

Telstra is the public nerve system for the transport of intelligence and information for all Australian industries, commerce and private affairs of individuals. It is irresponsible that this nerve system of electronic public carriageways be placed under the authority of a private media cartel, but worse, with private proprietary technologies as directed by News Ltd. Already the security of the public network is under continual threats. Privatized, the intelligence leaks would not be known. The market abuses will continue, possibly worsen, if Telstra is privatized.

The public has been submitted to a completely abusive and publicly disloyal regime that is managing Telstra for the prime tasks that Telstra be privatized and permanently under the control of a media cartel. The sale of Telstra will cement these corrupt practices.

USA has directed that digital television receivers, capable to receive both “free and PayTV”, via both cable and terrestrial services, will be supplied by any manufacturer and sold competitively in retail stores. This directive is to stimulate the digital transition program. Such a proposal from the Australian electronic industrialists, was made a decade ago, but was completely ignored, and the repeated claims and advice completely ignored ever since, by government, by the ABA, by the ACA and by the ACCC. News Ltd’s objectives for News Ltd’s proprietary technical control of Telstra prevailed over public engineering objectives that are engineered for far more efficient and flexible markets. The media cartel’s commercial trade practices and technical devices are completely contrary to the intent of the “Trade Practices Act”!

An international consortium of brilliant engineers continue with their work to research and engineer digital technologies, to provide the public of the world, and Australia, a most efficient and modern public telecommunications system. In the past, but not now, Australian engineers participated in these advanced engineering programs. No longer is Australia a participant in these international objectives. Instead, government now permits a most powerful media cartel to have total authority over telecommunications, television and interactive multi media technologies and markets, and the economics of Telstra.

Telstra is virtually without competition and is unlikely to have competition as can be observed from the table in appendix V, page 54. To try and develop competition in electronic public carriageways is completely irrational waste of energy and resources, as explained below. It is totally irrational to even suggest that the Australian public must invest at least two or three times the capital of Telstra so that Australians have equality in what economists seem to call “competition”. This irrational idea, continually expounded by newspapers, has already contributed to unbelievable waste, lost opportunity and a complete destruction of a new industry for Australians. It has destroyed the once existing businesses for Australians in digital communications technologies and engineering for open networks to international standards in international markets, including the engineering for infrastructures in China.

The rational of PayTV is the concept for the public to have, as an option, TV without

commercials. Advertising was the income for free to air services. The idea of choice between free TV with advertising, and PayTV without, is no longer an option. Foxtel has ended that policy. No longer does Foxtel need to buy Sports Rights as all free to air broadcasters that buy the rights, can be viewed via Foxtel's million or more viewers. Foxtel does not produce or broadcast educational programs. That is left as a public cost via the ABC.

Choice and options are continually and increasingly being constrained. The vast range of sub standard programs on the PayTV channels must be paid for as a bundled package, even when the only useful channels are three or four, or even when the reason is that free to air is not available due to reception problems. The real cost and values of programs are not exposed to the public. The public can only watch parliament via very small "icon like movies" via "BigPond" (same cable as Foxtel use) while Foxtel is permitted to transmit 50 –100 analogue and digital programs in normal TV quality right throughout Australia. Free to air broadcasters (those excluded from a partnership in Foxtel) are constrained to only advertising income, far from a level playing field and far from a multi competitive horizontal markets with equality of access to and for consumers!

The Australian public does not have flexible options for quality of services and choice of service providers. The extreme efficiency and flexibility available from the new digital technologies that electronic industrialists already have available for communications and open access to intelligence from anyone to anyone are being locked out of Australia's consumer markets by a media cartel. A totally new industry involving advanced digital technologies and software engineering, the software engineering for integrating telecommunications, television and interactive multi media for seamless transport across local, national and international electronic carriageways, has been removed from the Australian markets.

For government to take the advice of bankers, lawyers, economists and financial power brokers is to feed the remaining \$60 Billion public assets of Telstra to the wolves. Government and the public no longer have a public institution that independently has the knowledge and experiences of the advanced digital technologies planned for Telstra. The public no longer has a media owner willing to promote the intelligence for the public to understand the directions and attributes of advanced engineering, and the practical purpose, use and market efficiency advantages of international standards. The public and government are without the understanding of the technical nature, the attributes and revolutionary opportunities for efficiency improvements from the Telstra infrastructure. All Australians are exposed and threatened to the abusive exploitation by media monopolists of their public funds and social and economic values and the severe constraints on entrepreneurial opportunities.

For Telstra to not make any profit, after 10 years of operation, from its 50% partnership in Foxtel must be thoroughly questioned, and cross company costing, arrangements and contracts thoroughly investigated.

Foxtel is the only PayTV infrastructure in the world where government, (the public), has already provided the huge capital investment for a cable already prepared for the distribution of digital television. Government has provided Foxtel, the exclusive utilization of a fully prepared national telecommunications and television, \$60 Billion market capital infrastructure that is the PayTV carriageway system. And yet after ten years, as reported by the Financial Review, still not profitable. This has to be another

resounding proof of the gross inefficiency and mismanagement of Telstra and the Foxtel partnership.

The Financial review compares Foxtel with USA and Britain's PayTV operations. The irrational propaganda from the media continues. (Financial Review, April 9th, page 72). USA and Britain do not have a government that provided a PayTV operator with an already financed and completely engineered cable infrastructure.² Telstra's \$15 Billion book value infrastructure, was engineered and financed by the public to provide a national TV and telecommunication system on cable for all cities and major towns, originally, like phones, open for anyone to use. Even in Australia, Foxtel is the only PayTV operator that did not have to outlay many \$Billions to establish its own national networks for PayTV distribution across all cities and major towns. The public already had this infrastructure ready for any new PayTV operator and for all Free to Air operators to also use as their option.

Telstra turned away the many other PayTV companies already licenced by government to use the Telstra infrastructure, including Optus. Instead Telstra offered the already prepared public infrastructure exclusively to News Ltd. With the recent digital conversion, Foxtel has instructed Telstra how to modify the cable to a proprietary digital TV system so that it is now closed to all competitors of Foxtel. Even far worse, it proprietary technologies permanently block and destroy an efficient digital transition program for all Australians and all consumer who otherwise would have choice of digital electronic products that are engineered to international standards, manufactured by all brands to sell in all electronic retail stores!

Even with Foxtel digital conversion, government turned aside the opportunity for competition on the Telstra network, at no time since, has government supported or directed that competition exist on the National network, even for the many businesses who wished to do so. The claims to sell Telstra, to increase competition for more efficient markets, has to be hypocritical. Competitors can be added on to the telecommunications cable distribution infrastructure, now and to international digital standards, but News Ltd has more authority than government about such matters on the public infrastructure.

The propaganda to sell Telstra is about far more than a telecommunications company. It is about whom in the future has authority over the public for all the digital telecommunications, television and interactive multi media markets and the authority over the public deployment of advanced digital telecommunications, television and multimedia technologies. The sale of Telstra cements the control and authority over markets firmly with the media cartel.

The public is at real risk of completely unethical exploitation of their wealth, both public and private wealth. The Trades Practices Act offers no protection, as we do not have a public body or legal body acting for the public. "Self regulations" and "Market Forces" policies developed from the "Hilmer Report" exclude the public.

It is not possible to look at any other country for a model for regulations for Australia. No other country has such a vast and modern telecommunications infrastructure. The rest of the world will envy Australia, once Telstra is again effectively regulated under the authority of government. No one outside Australia has the knowledge or experience, or an infrastructure so advanced in the technologies, to responsibly advise Australian government how Telstra should be managed. The real danger for the public is that this could be another appointment for the objectives of the media cartel.

Government can resurrect the original advanced "digital transition" engineering plan.

Once Telstra is under the direct responsibility of government for the people, not the media cartel, Telstra will provide a vastly more efficient and an open access carriageway for telecommunications, television and interactive multimedia from anyone to anyone for all Australians. Even now, after a decade of interruption, because of Telecom Australia efficient and effective planning and engineering, far superior to any other nation, Australia could still be the first nation in the world with this opportunity.

Other countries have experienced software engineers for the management of public electronic carriageway systems to international standards who will readily install the necessary software and quickly train Australian engineers how to automate the carriageways. Australia still can become an example for any nation in the world to emulate, even after a decade of interruption in the digital transition program.

Telstra must diversify all commercial media activities that have led to severe market abuses and possibly to corruption. These are most unethical business practices and real conflicts of interest for any telecommunication operation that the Board seems to ignore and accept as normal (as promoted by the media)! Ethics in the telecommunications business is a lost practice. These sectors of business can be separated from Telstra and privatized. Foxtel will still use the Telstra infrastructure but eventually, and certainly as a directive before commercial separation, with the deployment of open international standards as mandated by the new telecommunications legislation.

A Board and management team, under the authority of government, not the media, that fully understands the advanced digital telecommunications engineering, will be able to remove the monopoly of Telstra within two years or less. Telstra, with News Ltd proprietary modifications reverted to international standards will soon regain the international respect Telecom Australia once had. It is ready now to install the "Page Report" extensions for the rural societies of Australia that can be funded from Telstra's earnings.

Australia will then be in an ideal position to enable electronic carriageways, open to a multiple number of operators and suppliers in horizontal markets. The Australian markets will be more open than ever to real competition in service operators and suppliers of television, telecommunications and interactive multi media products and services.

The best way is to quickly move forward and to draft a completely new and simple document, a regulatory framework, for all to understand. The major newspaper owners will fight this tooth and nail. This new Australian document will define the commercial and technical requirements and administrative responsibilities for the public protection of open and efficient carriageways on the telecommunications infrastructure. Conformance measuring and testing, supported by an engineering team working towards the optimum efficiency of telecommunications, for the government, for the people, for a digital telecommunications infrastructure, for a seamless integrated carriageway, open to all, is the major disciplinary and operational gap to be recovered.

The democratic objective is for government to stimulate multi competitive markets from the advanced digital technologies available for telecommunications, television and inter active multi media, using Telstra as the catalyst and the common carriageway to do so. This is in direct contrast to News Ltd's objectives.

By expecting that telecommunications infrastructures, built in parallel, will achieve efficiency improvements is totally flawed, a totally upside down policy approach. Telstra is the proof of the destructive damage to the efficiency and social rights in the development stage of new markets and new technologies, with private, not government authority, over public assets, policies and planning for the infrastructures that otherwise are the foundations to ensure the most efficient economic outcome.

Australia has a simple and straightforward way to reverse and repair this anti competitive, anti social, and what must be corruptive use of Australian public funds. It requires the immediate enforcement of a strictly disciplined but simple program.

The most difficult part for government is its interface with the powerful media cartel. However, government has a mandate that could be used, to correct the negative consequences of media domination over government agendas and over social justice, once and for all. Government will be able to complete the digital transition program in short time. Australia can still be the first to enter the new and vastly more efficient world with advanced new digital technologies. It will be an example to the world and will open new international markets for Australians.

Whether it is possible to achieve the objectives of the current regulatory regime in a way that does not require the scale and scope of regulation currently present in the sector

This reform program is introduced in more detail later in this document with the scheme and objectives set out in Appendix I, page 45

Introduction:

1 The world's largest public digital telecommunications and multi media infrastructure is not open to all users. The laws of Australia (as for any country) should be able to protect the rights of individuals for telecommunications infrastructures to be open to all. Telstra's board, the government, and the ACCC have taken no action against what must be corruptive behaviour of contrived schemes that provided the real value of Telstra exclusively for a media cartel, involving \$60 Billion Dollars of public money to monopolize the digital PayTV market. Far worse, it has interfered with the government's digital transition program and therefore destroyed the potential for vast efficiency improvements for communications and information dispersion for all in industry and commerce. (See page 10.)

2 Telstra is the world's most modern telecommunications infrastructure, built with carriageways to service digital telecommunications, television and inter active multimedia markets, already with optical cable passing most homes in all cities and major towns.³ (See page 16.)

3 Telstra's infrastructure was built to participate, for Australians, in the seamless digital transition for the new vastly efficient digital technologies and services, the first in the world to do so. This program was purposely corrupted by Foxtel to block media diversification in Australia. (See page 18.)

4 Competition in telecommunication carriageways is economically irrational and technically illogical. There is no possible way to improve the efficiency of telecommunications public infrastructures by building infrastructures in parallel expected to compete and therefore achieve lower costs for the users of an electronic transport infrastructure. (See page 26.)

5 The media in Australia have convinced government that the engineering facilities for the seamless access across all electronic transport systems to be discontinued and the engineering work for the further development of telecommunications to international standards for Australia was dismantled. (See page 29.)

6 Telstra \$60 Billion dollar market capital value (\$15 Billion book value) is now corrupted by Foxtel in such a way that the media cartel operating Foxtel has more authority over Telstra than government. (See page 32.)

7 The board of Telstra has no intentions to provide Australians with the most advanced systems in the world for telecommunications and inter active multi media. If it had, Australia would remain a respected world leader in telecommunications and interactive multi media services. (See page 33.)

8 The Fairfax Newspapers support the program to privatize Telstra and rejects any input to counter their promotions. For over the decade, at no time have they published the information, freely provided as to why and how the technologies of Telstra have been modified to provide exclusive use of Telstra for one media cartel and as to why competition in infrastructures is technically illogical and financially irrational. (See page 35.)

9 Government can re establish its public authority over media policies and the digital transition program. If this is not achieved, democracy and social justice are under threat. (See page 36.)

10 A society that has open and flexible access to the dispersion of intelligent information and communications, to entrepreneurial incentives and opportunities in the new advanced technologies and engineering are critical elements to a progressive economy and the protection of social justice. A reform program for Australians will rapidly repair these major defects and constraints and will re-empower the authority of government over public policies. (See page 38.)

Below expands on these issues with references to supporting evidence.

1 The world's largest public digital telecommunications and multi media infrastructure is not open to all users. The laws of Australia (as for any country) should be able to protect the rights of individuals for telecommunications infrastructures to be open to all. Telstra's board, the government, and the ACCC have taken no action against what must be corruptive behaviour of contrived schemes that provided the real value of Telstra exclusively for a media cartel, involving \$60 Billion Dollars of public money to monopolize the digital PayTV market. Far worse, it has interfered with the government's digital transition program and therefore destroyed the potential for vast efficiency improvements for communications and information dispersion for all in industry and commerce.

⁴ By repetition and promotion, media have convinced markets and government that the PayTV digital set top box is an exclusive subscription TV necessity. They do not explain that it is a contrived digital television receiver, a dedicated Foxtel digital television receiver that purposely will not work with Free to Air services. It is contrived not to work with any competitive services. With digital, the proprietor of the scheme is manipulating the industry to his advantage. News Ltd has convinced

the government, the consumers and retailers that it is a “set top box” essential for Foxtel PayTV, as is used by PayTV operators all over the world!

No one else in the world has a national public optical cable for digital, television, telecommunications and interactive multimedia. Foxtel does not own the cable. If Foxtel owned the Telstra telecommunications cable infrastructure, Foxtel could nominate the “box”. But this is not an infrastructure owned by Foxtel. It is an infrastructure financed and owned by the public of Australia. ⁵This infrastructure has been built at a cost of about \$800 per person with annual profits for the public of about \$200 per person. Therefore, only the public has the right to define the “box”.

Government has not defended the public’s rights.⁶ Government has irresponsibly conceded to the media cartel objectives, a device to monopolise television on the public cable. Digital television does not require a separate and unique box for subscription services. Once Telstra is sold, Australians will have permanently lost all their rights to control monopolists that are already exploiting markets. Australians have no means to control the abusive technical methods monopolists use to exploit electronic industrial engineering and intellectual property to vertically control markets and capture the control on the dispersion of information.

The “Set Top Box” is “the digital television receiver”, without the display or speakers. This receiver is an extremely critical element in the government digital transition program. Interference that uses proprietary instead of international standards with this set top box and proprietary management for this “box” on the Telstra infrastructure, corrupts open access to the Telstra infrastructure and completely corrupts the digital transition program for Australia. The media cartel well understood this. This is not the simple box in front of an analogue TV that controls the renting of a privately owned coaxial cable in front of an analogue TV. In Australia, this is a “the digital television receiver” modified for the media cartel to claim control not only access to Telstra infrastructure but also a very financially privileged use of the publicly financed national optical fibre cable. This cable was already fully prepared for telecommunications, television and interactive multi media public services.

The Board of Telstra has aborted its responsibilities for the financial and intellectual security of the public investment and its responsibilities to government for the \$60 Billion investment. Instead, the Board has supported the News Ltd proposals for the News Ltd proprietary digital “box” and proprietary management of PayTV on the Telstra infrastructure. This corrupted the telecommunications networks from the potential to engineer vast efficiency gains in telecommunications public electronic transport carriageways that are today possible with digital international standards and technologies.

The method of controlling the renting of a private cable belongs to the private cable owner. A private cable owner should be able to control their investment. The owner has the right to set the control system for the payment of cable rent. Private cable owners, as the owners of their proprietary switch (set top box) in front of an analogue TV, have done this. The set top box analogue “cable switch” is their control of the cable rent and it does not interfere with the programs delivered to the analogue TVs.

These, are in a sense, switching devices to switch off the cable to those people who

did not pay the cable rent. The cable owner would never even consider letting a customer set the standards of his switching device in front of an analogue TV. That would be irrational management on his part. Each private or public cable company has the right to switch off services if the electronic carriageway use was not paid.

In Australia, the public owns the Telstra cable, the electronic carriageways used for PayTV. Therefore the public, not News Ltd, not Foxtel, the public has the right to set the standards of a cable TV receiver. The government has not protected the public rights of ownership and technical management of the public system. Government has not provided the public with the means to set standards for an efficient digital transition programs for home equipment to use the advanced new digital technologies in an open and multi competitive market. This process is left to the manipulative “market forces” of the media to monopolise the consumer market. Government permits News Ltd to abuse these rights of the public and permits one media cartel to gain total monopoly of PayTV and information flow, using public finances to do so. This surely has to be corruption, supported by the Board of Telstra and promoted by the two major newspapers.

With analogue TV markets, the set top box-switching device never interfered with the television receiver. All switching devices still required the analogue TV after them. The “set top box” cable switching later became a channel switch as well as a cable switch for instance to control the sales of TV programs to a hotel room. This started the trends towards anti trade and anti competitive abuse. A set top box owner with this additional device not only controls the cable but also control the channels, controls the information flow to the public.

This became abusive when PayTV operators started to exploit suppliers and consumers by restricting, constraining and filtering channels, and then using bundling that further constrained consumer program values and choice. Pornography was added to their scheme as a major incentive for PayTV. Electronic industrialists recognised these anti fair trade practices and social constraints developing as for instance when News Ltd started these practices in the UK in 1985.

Industry never developed a universal technology for analogue TV subscription. Analogue transmissions and programs were complimentary, so there was no simple engineering solution that would satisfy commercial objectives without strict government controls. This was not achieved because the media owners of television entering the PayTV business already had more influence on the drafting of PayTV encryption legislation than electronic industrialists had.

The digital boxes are now extremely abusive as they are used to control consumer access to programs, via cable, satellite and terrestrial electronic carriageways, not for the public or private owners of the carriageways but for the proprietor of the box and encryption. International consortiums of electronic industrialists do not support this abusive behaviour and monopolistic control on suppliers and distribution to consumer markets. It is of special and significant interest for only media cartels.

Subscription TV and subscription multi media is not about the cable rent or use, its about buying programs from suppliers and selling them to customers. The FCC and the EEC understands that we are not talking about a switch in front of the standard analogue TV when we talk about digital television and inter active multimedia. The

FCC and the EEC have their own engineering groups to study these issues. The Australian government does not have such a facility. The equivalent engineering groups were closed down as proposed by the Federation of Australian Commercial Television Stations (FACTS). FACTS members then were able to gain more understanding and involvement with electronic industrialist new technologies and engineering than was available to government.

The media group knew how to interfere with this new threat to their existing monopolies. Government, now with out any means to compare or judge in law, for the public, the conformance of the technologies to their publicly stated policies were now losing their authority over digital telecommunications policies. This objective was obvious to the electronic industrialists, who were ignored by government departments and ministers. The media cartel had no difficulty in overruling the electronic industrial engineering objectives for open and multi competitive markets.

The FCC of USA has issued a code of practice for Digital television to be “plug-and-play” for free and subscription services via terrestrial and cable networks anywhere in USA.⁷ These standardised digital receivers will be sold in retail outlets. The FCC explains “This is crucial towards building products and developing services to help spur the digital transition”.

This was the initial policy, for Australia, the world’s first major program, that has been blocked by Foxtel. The Fairfax paper never mentioned the new directives from the FCC.

The media cartel’s contrived monopolistic schemes and promotion of propaganda to support their objective, removed the digital transition program off the government agenda. This contrived scheme is the cause of the extremely slow take up of digital television in Australia. Their program aborted Australia’s 1995 plan for digital transition and media diversification. Last year, retailers in Australia sold about 1.4 million analogue television receivers, as many as ever per year, now an antique and obsolete industry except for Australia. Berlin, and most other German cities where digital started after Australia, no longer transmits PAL television.

Following a special study as a directive from the mayor, the city of Philadelphia has adopted a policy of one public network to remove the conflicts of interest and waste⁸ by private radio networks in competition. Philadelphia will be the special example for USA to provide safety, security and new opportunities from the new digital radio systems for sophisticated education, personal experiences and competitive commercial opportunities not possible with parallel builds of privately competing infrastructures.

I attach here a news release from the ITU as follows:

“Press Report WTSA-04 9

PRESS REPORT ON THE WORLD TELECOMMUNICATION
STANDARDIZATION ASSEMBLY: MAIN HIGHLIGHTS

New Study Group on next-generation networks

Next-generation networks represent the future evolution of current fixed and mobile networks. The fundamental difference between NGN and today's network is the switch from current 'circuit-switched' networks to 'packet-based' systems such as those using Internet Protocol (IP)¹⁰. NGN is expected to give fixed line and mobile users completely seamless communication and to offer unrestricted access by users to different service providers in a multi-service, multi-protocol, multi-vendor environment. The need for global standards for NGN is therefore critical as most operators expect to move to an IP infrastructure."

This was the objective of Telecom Australia with the near \$6 Billion upgrade build of a national optical fibre cable to the curb.

The policy advisers to government for "economic rationalisation", policies and programs, based on the "Hilmer Report" of 1995, would not be expected to understand what this statement means. Nor would they know of the efforts of the many consortiums of brilliant young engineers, involved in the ten to twenty years' programs of capital-intensive research for the advanced digital technologies. International electronic industrialists coordinate these long-term investment programs. These teams also involve government representation and public universities research foundations as coordinated via supportive governments (but, now, not supported by Australia. Instead, Foxtel has this authority for Australian markets).

Australia was the first in the world to have a publicly financed national optical cable infrastructure for digital telecommunications, television and inter active multimedia services to the home. Already prepared for "packet based" switching on optical fibre backbone and optical fibre to the curb, this huge program was admired internationally.

But now, the Telstra telecommunications system for digital television has been modified so that a consumer must have this digital Foxtel box to receive subscription television. This contrived arrangement is an exclusive privilege permitted by government to the media cartel, so the media cartel can lock out all public access to all competitors and to lock out all competitors access to the public via any digital telecommunications infrastructures without special submissive arrangements with Foxtel (News Ltd). This is totally opposite to trade liberalisation.

Whether the Universal Service Obligation is effectively ensuring that all Australians have access to reasonable telecommunications services and in particular, whether the USO needs to be amended in order to ensure that all Australians receive access to adequate telecommunications services reflective of changes in technology requirements;

This is an abusive market malpractice to remove from the markets, choice, flexible and far more efficient options and access to information.¹¹ Telstra and the media cartel are totally undisciplined. Once Telstra is sold, worse practices will follow. The public is denied access to the telecommunications cable networks for anything that may appear to be in competition with the media cartel objectives.

Foxtel has claimed the control of the Telstra and Singtel cables, control on who can supply entertainment or news products via cable and satellite television, control on what customers are offered to buy and control on what the total bundled price is going to be. This is not for each product, each television or multi media program, (the value of each product is not disclosed), but in a “no choice” bundle of 30 or more different products or nothing. Telstra should be renting the public telecommunications carriageways that connect suppliers to customers for the delivery of TV products and any other electronic products from any wishful supplier to any wishful user in the same way as telephones lines are rented for anyone to be connected to anyone.

Telstra rents the telephone, with few exceptions, to all consumers and enterprises. Some people use the Internet to buy for instance from e-bay auctions. Telstra has no right to control where and how a telephone line user can buy goods. Telstra has no right to control the distribution channels of e-bay. But Telstra does have the right to switch off services if the public electronic carriageway rental and use is not paid.

The current behaviour of Telstra is most abusive for family choice and values, particularly for the less well off households who are denied any privileges from the new technologies. These practices are totally antisocial and remove choice and flexible options for any member in any room in any house or mobile situation. Proprietary set top boxes or proprietary mobile phones should not exist. No one should be compelled by government decree that a new telephone or another TV must be purchased or rented to change program or service suppliers or view programs in a different room or location.

These are abusive devices for the public and program suppliers to be denied access to any market alternative distribution source or market distribution channel unless by special arrangement not from Telstra nor Singtel, the cable owners, but from Foxtel as controlled by the media cartel. An open market concept, that should apply and be respected and protected by government, applies for any public spectrum used for telecommunication, television and interactive multi media public carriageway.

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;

No longer is Telstra in support of international standards essential to complete the digital transition program for the next generation, essential if Australia is to support open telecommunications and multi competitive horizontal markets. Once Telstra is sold, there is no way for Australia to have an opportunity for any company to share in local and international markets the revolutionary, more flexible and far more efficient telecommunications, television and interactive multi media technologies. The Telstra infrastructure has been modified so that it will only support the media cartel’s marketing and financial objectives, no matter who is the next owner. Singtel remain legally unprotected. Chaos and disorder prevail!

In Australia the problem is far more serious than the UK experience where News Ltd gained the total monopoly of PayTV in 1985. This was not a monopoly of a public financed telecommunications cable. Britain (like Sweden and most other countries)

has not built a public cable for telecommunications, television and interactive multi media that is engineered to replace copper wires. The government (the people of Australia) financed Telstra's new most advanced national telecommunications cable system. Telstra and Singtel are not one of the thousands of privately owned cable companies just for analogue TV that are now trying to include telephony as we see in USA or Taiwan. The PayTV operations in the UK did not have any involvement in telecommunications. In Australia, the media cartel use the major public Telstra / Singtel inter dependent national and international public telecommunications network, as their sole right and privilege, with both Telstra and Singtel publicly financed and both with majority shareholdings by governments.

The selling of Telstra without exposing these severe constraints and market abusive practices to the public, must be the worst sort of corporate governance behaviour while the public has no support or understanding of this marketing abuse and waste of opportunity with the public's huge investments in Telstra.

The World Trade Organisation comments that: *"Governments have a responsibility to the public to ensure that private agents cannot frustrate market opportunities by rendering markets incontestable"* - World Trade report 2004 –

Australians have had to tolerate this abuse for a decade. The Board of Telstra permits and promotes that Telstra public investment remain a tool for a media cartel to vertically monopolise PayTV and television distribution and multimedia via cable and promotes its privatisation to ensure such a tool is cemented in place for a media cartel. Telstra is a medium for a media cartel to frustrate market opportunities by rendering markets incontestable.

2 Telstra is the world's most modern telecommunications infrastructure, built with carriageways to service digital telecommunications, television and inter active multimedia markets, already with optical cable passing most homes in all cities and major towns.¹²

By 1995 -7, Telecom Australia was the worlds first, the most advanced, the world's largest and most modern foundation with digital electronic carriageways and engineering to service the emerging markets of digital telecommunications, television and interactive multimedia.

The Telecom Australia planning and investments in digital technologies and engineering was based on its task to maximize the efficient use of the electromagnetic spectrum for telecommunications, television and inter active multimedia service for all Australians.

Telstra already has optical cable to within 500 metres of over 60% of Australian households. Telstra has over 1.6 million kilometres of optical fibre cable, making it the largest totally integrated telecommunications system in the world. The "Page Report" clearly defines a program to extend this infrastructure to rural communities for about \$350 per person in Australia. Telstra could recover this cost over three or four years. This is a low price to provide equality of services to all Australians for all flexible service and supply options re telecommunications, television and multimedia services, up to a choice of hundreds of TV programs, including HDTV. These flexible options are listed in the "Page Report".

The "Estens Report" did not mention that the Telstra infrastructure was originally built with a plan to eventually (2005 - 2010) provide almost all homes in Australia with telecommunications service, from anyone to anyone, for all services from telephones and e-mails to inter active multi media up to HDTV standards. The "Estens Report" describes the higher bandwidth of the Internet being available in the remote locations as though this is the measure of equality with urban services. This "Estens Report" evaluates services that are less than **candlepower** relative to the capability of the Telstra network. For instance, hundreds of TV programs to the home at the same time, either for entertainment or inter active learning that is currently the exclusive privilege of, and publicly subsidized for, Foxtel. This is way beyond the capability of what the "Estens Report" states as "broadband".

Interactive multi media requires two transport carriageways, one for the transport of forward media and the other for the return transport of the personal response. Systems to international standards are available to do this on satellite, terrestrial and cable carriageways. These systems are yet to be added to the nations electronic communications infrastructures as international standards common to all domestic equipment sold in stores. In the meantime the only international standard common to all in Australia for a return path for interactive multimedia, is the plain old telephone.

This is the only return path connection for almost everyone available today. Telstra has provided a proprietary return path available exclusively to Foxtel for interactive multi media services for the "Foxtel Box". This is another Foxtel monopoly, a special privilege to the media cartel owners of Foxtel that should not exist, an abusive action permitted by the Board and management of Telstra. This is another inefficient waste in the deployment of public telecommunications assets and another constraints on home systems and digital flexibility. It is another action by the Telstra Board that reduces the nations economic efficiency and further corrodes the digital transition program.

Interactive multi media could and should be available now from anyone to anyone, equal or better than those provided by Foxtel at a much reduced cost. Australia requires an engineering group responsible to the public, to the government, under the authority of government, to continue the efficient and effective integration for open networks for the future. This work will include carriageways via satellite, via cable, and via terrestrial public spectrum, to continue the excellent work of Telecom Australia that has been corrupted by the media cartel's authority over telecommunications. This will be the group to re establish for government, with open research, not privately contractual research.

Privately contractual research by public universities leaves the opportunity for monopolists to use public funds to develop proprietary technologies for monopolistic purposes. Open participation from local and international industrialists and forums will permit the Telecom Australia planning to continue the on going implementation for open access to all and multi competitive markets for all. ("The Page Report"). Australia will then begin to benefit by the vast efficiency gains this program will generate.

Whether the current regulatory environment provides participants with adequate certainty to promote investment, most particularly in infrastructure such as optical fibre cable networks

The commitments to infrastructure expansions and build can be efficiently developed by open and contractual arrangements with private industries. This will enable the efficient development and implementation of the digital transition program for the

people. The economic benefits to all in industry and commerce will be extremely substantial.

The integrated cable with telecommunications is the major asset of Telstra, of far more value than the "mobile phone" services that seem almost to be the only and almost daily repeated diversion from the real assets of Telstra. The commercial data services, inter city, inter national interchange services, for support and inter links for the small mobile operators (see chart Appendix V, page 54), services to the commercial television operators, and the huge Foxtel traffic. These activities are excluded from any public evaluation of Telstra and excluded from any Fairfax comment on Telstra. This is gross distortion of values. The Foxtel traffic alone on the Telstra carriageway would be near 80 - 90% of Telstra total traffic on the Telstra and Optus networks. The public subsidization of Foxtel needs to be studied, calculated and the public informed. This study will expose the real benefactors with the sale of Telstra.¹³

To expect remote communities to be limited to telephony and e-mails, as implied in the "Estens Report" is total ignorance of the engineering expectations for a modern telecommunications infrastructure. This is another deceitful process where government and the public are being misled and ill informed. It is a propaganda program to hide the real purpose for the privatization of Telstra - that is to be a private infrastructure for the objectives of a media cartel who already have an exclusive and special privileged control of the Telstra investments.

The public's loss of opportunity, over near a decade, would have already earned more than the capital for Telstra to spend the \$7 Billion as the extension described in the "Page Report"

Whether consumer protection safe guards in the current regime provide effective and comprehensive protection for users of services

Consumers are not protected. On the contrary, they are abused in many ways. The ACCC has not made any attempt to correct this anti competitive and abusive market behaviour, even when they have had all the data and means, regularly supplied to them over a decade, to apply corrective action.

Part XIB of the Trade Practices Act is completely ignored in providing market protection for consumers, for the public assets of Telstra and for the market opportunities for Singtel. A government department or agency with engineering skills and conformance testing is a simple method to ensure government has the authority and the power to enforce the Act. This is the requirement for regulating the activity on roads, the public carriageways. Telecommunications also requires similar methods to regulate activity on its electronic public carriageways.

The Optus cable is also almost exclusively dedicated solely to one media cartel, corrupted by the same technical contrived process as Telstra. This is a result of the history of Optus, and a program contrived between News Ltd and Telstra, as can be read in Hansard, that had already crippled Optus before the later taken over by Singtel.

3 Telstra's infrastructure was built to participate, for Australians, in the seamless digital transition for the new vastly efficient digital technologies and services, the first in the world to do so. This program was purposely corrupted

by Foxtel to block media diversification in Australia and governments digital transition program.

Telstra once had a policy to support and use international standards to make Telstra compatible, world wide, with standards as set by the International Telecommunications Union (ITU). This group which is part of the United Nations, defines digital networks: "A network evolved from the telephony integrated digital network that provides end to end digital connectivity to support a wide array of services, to which users have access by a limited set of standard multi purpose interfaces."

One of the prerequisites of this global seamless network is the establishment of international standards to make sure that digital services for software engineering, for seamless and automated switching, have inter operable capabilities with consumer products competitively supplied in open markets. For the realisation of vast efficiency gains with a digital telecommunications infrastructure, international standards must apply throughout the total network. Telstra has had a full understanding of this and engineered for this. (See Telstra Classroom, website, "The story of interactive telecommunications", section 6, page 1, 3rd and 4th paragraph. This clearly describes Telstra's future market service expectations for all Australians, but now corrupted).

A quotation from Telecom Australia history states the essential issue, "However, as a major participant in the international committee developing the standards, Australia will be at the forefront of decision making". Foxtel aborted Telstra and the government's participation and support for the international standards and their work towards vastly improved efficiency in telecommunications. The Telstra objective, and now with no government understanding of their intent, from then on was to comply with a media cartel objectives, and to sacrifice vast efficiency gains and flexibility in electronic telecommunications and media markets for Australians.

To introduce the digital transition program to Australia, during the 90's, local and intentional electronic industrialist organised teams of up to twenty engineers at a time to visit Australia. The team members were the more specialist engineers from different companies of the international electronic industrial consortium, from France, Belgium, Italy, Germany, the Netherlands, UK and USA (and observers from China). They generously united, world wide, to come as, a coordinated team, to demonstrate digital systems to government, to broadcasters and to retailers.

Moving all the equipment and setting up in Sydney at Darling Harbour and then to Canberra. These several visits cost many millions of dollars, to bring complete digital broadcasting systems from different countries, through customs, with transmission equipment linked to telecommunications, and with HDTV cameras. Live demonstrations were made of all the technical issues, free and subscription, inter operability, inter activity, backward compatibility, telephony, that were researched, invented, developed and put into production by the consortium of over 250 international consumer electronic industrialists.

Systems are engineered from studio to home receiver by the consortium. The demonstrations were on air, via Terrestrial channels, via the new Telstra home service cable, from Sydney to Melbourne, via Optus trunking cable from Sydney to Adelaide, and on satellite, and in mobile vans crossing the Sydney Harbour Bridge.

Optus gave free satellite time for days on end, normally \$30,000 dollars an hour. Demonstrations included both free and subscription, for standard and HDTV and how these digital technologies interface with digital telecommunications. For hours on end links connected the systems to Europe and USA, to show compatibility and inter operability with these circuits, mainly for broadcasters. Many Australian engineers were shown working installations in overseas networks, working to international standards.

Many brilliant young engineers participate in these worldwide consorted research teams. These engineers work towards an international common inter operable and seamless digital package for all brands, for all people, for free, pay and subscription. Their work is not for media cartels to modify to monopolise consumer markets (the digital divide). Monopolists employ their own engineers to do that.

In mid 90's, the international consortium of electronic industrialists, with the financial support of the EEC and with council members, visited the Australian government and invited the Australian government to become a member of the international consortium. Their prime mission is for one worldwide inter-operable seamless package of digital standards. This is an international consortium that has produced a common language for equipment to talk to each other, to read and write operational instructions, to automate systems throughout, from source to home equipment, for telecommunications, television and interactive multi media to realise outstanding efficiency gains in all markets. Members of government listened to their lectures and attended conferences. But this was not an objective for media companies. FACTS persuaded the Minister and Standards Australia that government membership to this international consortium was not necessary.

When the Telstra cable, built to these new international standards, was near ready for commercial applications, News Ltd engineers from London, modified the Telstra public cable to install News Ltd proprietary system as they did in the UK on the BSB (BskyB) satellite PayTV system in 1985. The government of Australia ignored international industry advice re the damage that the acceptance of the News Ltd modifications will cause for the digital transition program. Government ignored their advice re the corruption of an efficient system on the Telstra infrastructure.

With the reversal of interest in international standards by Australian government and its departments, the consortium of international electronic industrialists has agreed not to spend any more money for the Australian program. The reason is that Australia's policies are now in direct conflict with the "one package" of international standards for worldwide open carriageways using digital technologies for telecommunications, television and inter active multi media in all consumer markets. Australia is on the "exploitation by monopolists" side of the digital divide. Australia no longer has a national market opportunity for the addition of efficient internationally developed consumer products and applications for open telecommunication, TV and multi media markets.

Whether the current regulatory regime promotes the emergence of innovative technologies

The consequences of policy flaws, leaving the responsibility of standards to "Market Forces" and "Self Regulations", of the Australian governments that permit these

private monopolies to develop, are well understood by the FCC. USA inherited the problems from birth, and from negative experiences, strictly regulate for these and associated problems and private owners conflicts of interest. These conflicts and problems are well understood in those countries that have public research and universities with the knowledge and experiences of the standards and software engineering. But we no longer have this support for the interest of the public by the government of Australia. Europe and especially China pay particular attention to these issues with the new digital technologies. Australia was once a pioneer, way ahead of China two decades ago, actually supplying China during the period of the Telecom Australia cable build, but these engineering activities have been aborted in Australia since News Ltd partnership with Telstra in Foxtel. Australia does not have an open and competitive market to engineer management services for all suppliers wishing to use the public Telstra infrastructure. In Australia only Foxtel is permitted to supply the markets.

Digital television has a system that analogue television never had. Digital transmission channels are analogue channels (Radio Frequency, RF) and therefore are complimentary with the channel tuner of the receiver. The programs, or better described as the products, are digitally modulated on the RF transmission as discrete products. The digital channel can be transmitting several discrete products (phone calls, e-mails, even several movies) at the same time on one carriageway. Some can be free, some can be “one off payment” and some can be subscription, any or all options for the delivery of discrete electronic products via any satellite, cable or terrestrial channel, together or one at a time on any one of the hundreds of carriageways.

This flexibility is a special attribute of the digital system for every one to use, customers and suppliers. The digital free and subscription system does not control the channel or the cable. It controls the products that can be transported one at a time or together on the one carriageway, on any carriageway. The system controls each discrete product as it is transported on the carriageways from supplier to customer, automatically, over the most efficient carriageway available.

Post digital transition, the one integrated telecommunications infrastructure will provide the complete system for each supplier of products in their electronic form to be delivered directly or via a distributor of choice to any one, many, or all, as any option, free, pay, or subscription.

The supplier manages the payment directly with customers just as they do in the physical world of goods and services. All suppliers want the same potential to use the electronic vastly extended load capacity of cable carriageways to deliver their large electronic loads to customers the same way they use physical carriageways (the highways) to deliver large loads, too large for the postman.

The Board of Telstra, with a most important responsibility to government, perhaps the most important, not to the media, has permitted this to be an exclusive privilege for one media cartel. This is a most dishonourable disservice to the public of Australia that should be corrected by a responsible government forth with.

All suppliers in all markets expect to have carriageways openly available from their suppliers of choice and carriageways to any of their customers who are willing to

purchase their products. Each customer buys products directly from the supplier of choice. This is the system in our physical world of goods and services in a multi competitive market. This is engineered to be the digital system in the electronic world of multi competitive markets.

It is irrational to allow Telstra to market “content” and to control markets and product choice and options, an irrational idea internationally promoted by the media. Telstra should be providing and maximising the efficiencies of electronic carriageways. This is the concern of Singtel. This is what Optus expected (prior to its collapse and takeover by Singtel) when it asked government to share Telstra cable and was told to deal directly with Telstra, and then to be blocked by the “market forces” of News Ltd (now a media cartel.) The private discussions and processes as how this was achieved can be read from Hansard.

The FCC places such processes on their website and promotes to the public these issues for the public to examine as do the EEC. The FCC has mandated that no one will do business in USA the News Ltd way. The UK realises the problem after experiencing how abusive PayTV has become, so financed the BBC for about 30 free to air digital TV services to compete with News Ltd’s monopoly that had to be tolerated for near a decade.

The UK television broadcasters and program producers, in the late 80’s were severely constrained because of News Ltd proprietary system, permitted by the UK government, for one company to monopolise subscription TV. (“Market forces” at work). The Australian experience is far worse. With this experience the same astute company has not only monopolised PayTV but also financially and technically controlled the Australian public’s telecommunications investments to do so.

Government would never be able to allow one private company to make these “self regulations” and “market forces” (economic rationalisation) for only one private heavy transport company. One company would never be permitted the extreme privilege for the exclusive use of Australian national highways for his heavy transport fleet. The public can see traffic on the physical carriageways. The public cannot see the traffic on electronic carriageways. But this is what has happened with Telstra’s public carriageways. This is blind man’s bluff!

This preferential and most generous privilege to one Telstra partner in Foxtel, could only come about when the Board and the management of Telstra have no understanding whatsoever of the telecommunications technologies and the industry engineering objectives, the objectives of the institution for which they are responsible. Alternatively it could be a board and management where the media cartel have more authority than government for the appointments and directives, a board and management subservient to News Ltd and the cartel partners objectives.

The 1990’s Hilmer studies in preparation for “Hilmer Report” omitted to explain the two “market forces” in society. One is from those who contribute to expand the intellect, health and wealth in societies for mutual or shared gain. The other is from those that have a prime objective of accumulating power and wealth for a privileged few at any cost to others. Public information and access to intelligence are constrained. These are the private monopolists in our societies.

This is not an efficient capitalistic multi competitive market. This is a monopolist market, a process that gives capitalism a bad name. The consequences are completely economically and socially irrational and remain uncorrected. (Appendix VI, Page 55).

It would be near impossible to do more damage to market access, investment waste, fair trade, social values and ugly environments re telecommunications than we have achieved in the last decade in Australia. The differential of services between rural and urban societies is wider than ever. This should not be in Australia, our country claiming about world's best economy. These consequences, visible to all every day, should be ample evidence as to the reasons why Telstra should not be sold but is re established firmly under government authority.

Government, by listening to media propaganda have committed Australia to a multiple number of parallel infrastructures for mobile phones, with each, like Telstra with Foxtel, a vertical monopoly on each infrastructure, each with no horizontal market competition for the phone itself. A Telstra phone cannot be used to connect directly to spectrum operated and owned by Optus. This is utterly irrational and destroys the competition at the market place level. The proof of who has power and authority is that, with the world best and by far the most flexible telecommunications infrastructure in the world, Australia consumers have no choice in PayTV or free to air via cable (with a cable use fee of course).

The Government (Telecom Australia / Telstra) has already spent near \$6 Billion of public funds to extend telecommunications to include a most modern cable telecommunication system. Australia by late 90's was world leader in these technologies for consumer markets. (Compare this expenditure with Alcatel's total world sales, below!)

UTS and DVB are the two main forums for worldwide international standards for seamless electronic carriageways for open and competitive markets. Applications on open carriageways allow everyone, with common standard (international standards) to buy any brand of home equipment and to have the opportunity of the experiences described next.

Whether the current regulatory regime promotes the emergence of innovative technologies

Note that the services described below are services to operate, competitively over a modern fully integrated "seamless" telecommunications infrastructure. One integrated telecommunications infrastructure is the most efficient way to provide the means for competition in suppliers and operators for consumer services and electronic content suppliers to markets and an efficient multi competitive market.

**Paris, March 8, 2005:
"Alcatel and Microsoft create an industry-leading solution for IP Television**

Collaboration agreement to accelerate innovation and adoption of Next-Generation Television services by broadband service providers, world-wide*

Paris, France, and Redmond, Washington - February 22 2005 - Alcatel

(Paris: CGEP.PA and NYSE: ALA) and Microsoft Corp. (Nasdaq: MSFT) today announced a global collaboration agreement designed to rapidly accelerate the availability of Internet Protocol Television (IPTV) services for broadband operators world-wide. Alcatel and Microsoft expect that this precedent-setting agreement between a leading provider of Triple Play (voice, data, video) solutions and a leading provider of software solutions will help expand the quickly-growing ecosystem of IPTV industry partners and enable telecommunication providers to take advantage of global economies of scale fueled by large-scale IPTV deployments planned across the globe.

As a result of this agreement, Alcatel and Microsoft will develop an integrated IPTV delivery solution. The integrated solution builds upon Alcatel's leadership in broadband, IP networking, development, and integration of end-to-end multimedia and video solutions, and Microsoft's leadership in TV software solutions and connected-entertainment experiences across consumer devices. The Alcatel/Microsoft® integrated solution can help IPTV service providers reduce deployment costs and shorten time-to-market for IPTV services as they transition to mass-market deployments of IPTV.

Alcatel and Microsoft believe that consumers around the world can benefit from receiving unique, personalised services through multiple devices, including the television. On-demand video streaming applications, interactive TV, video and voice communications, photo, music and home video sharing, and online gaming, all delivered seamlessly, are just a few examples of the services that consumers could receive through their multimedia-connected home networks.

As part of the agreement, the two companies plan to pursue a series of joint initiatives, including:

- Developing and customising new applications to meet the unique needs of different cultures and markets around the world,
- Enhancing application and network resilience for better reliability in large-scale deployments,
- Integration of content, security and digital rights management to ensure secure delivery of high-quality content, to and throughout the home,
- Managing quality of service through intelligent video packet handling, and
- End-to-end integration of management systems for the application platforms and all components of the network including the home network.

"We are excited to cooperate with Microsoft and benefit from its leadership in TV software delivery platforms and innovative consumer experiences delivered across devices in the multimedia-connected home," said Serge Tchuruk, Chairman and Chief Executive Officer of Alcatel. "We are committed to integrate the current Alcatel video solutions with Microsoft TV IPTV Edition, resulting in a market-leading integrated offering."

About the Microsoft TV Platform

The Microsoft TV platform is a family of software solutions that help network operators create and deliver new digital TV services that delight consumers. Designed to help cable providers and telecommunications companies derive more value from their digital video and network infrastructure investments, the Microsoft TV family supports a full range of services including interactive program guides, digital video recording, high-definition TV, on-demand programming and Internet Protocol TV (IPTV) services. The Microsoft TV platform works across a full range of set-top boxes and TV devices. More information about Microsoft TV can be found at <http://www.microsoft.com/tv>.

About Alcatel's Triple Play Solutions

Alcatel's User Centric Broadband Solutions deliver both Triple Play applications for the consumer market and managed communications applications for the business market. The Triple Play solution leverages the universal broadband access, specifically designed to support wire-speed triple play, the service aware edge and the service delivery platform, based on the Open Media Suite. In addition, Alcatel assists service providers with professional services such as service package design, application customization to the local needs and integrating components from the world's most extensive ecosystem of industrial partners covering all aspects of a service delivery chain from content supplier to consumers.

About Microsoft

Founded in 1975, Microsoft (Nasdaq "MSFT") is the worldwide leader in software, services and solutions that help people and businesses realize their full potential. Microsoft is a registered trademark of Microsoft Corp. in the United States and/or other countries. The names of actual companies and products mentioned herein may be the trademarks of their respective owners. **RHK names Alcatel as the market leader in optical networking for the fourth year running.**

Paris, March 8, 2005 - Alcatel (Paris: CGEP.PA and NYSE: ALA) today announced that RHK has reconfirmed the company's #1 position in the USD 9.8 billion worldwide optical networking market for the fourth consecutive year with a 15.6% market share.

Metro products, such as Optical Multi-Service Nodes (OMSN) and the 1696 Metro Span WDM, were the primary drivers of Alcatel's strong results, as Alcatel customers build out their Triple Play, enterprise data and 3G mobile networks. The significant success of Alcatel's newest optical products - including the Alcatel 1678 Metro Core Connect and the 1626 Light Manager - along with an increasing business from vertical markets, in particular the transport and energy sectors, were important contributors.

"Ethernet service delivery, broadband adoption and 3G deployments have been playing an increasing role in the optical networking market over 2004," stated Dana Cooperson, Group Director, Optical Networks at RHK. "Alcatel offers a wide range of solutions to address these market demands and the

market has rewarded them with the number one position."

"Alcatel's confirmed its #1 position in a very challenging market environment thanks to the ability to help its customers achieve new revenue streams through advanced service offers such as Triple Play, 3G mobile and security-related applications," said Romano Valussi, President of Alcatel's optical network activities. "Alcatel's optical networking solutions enable operators to simplify their network operations, to focus on time-to-market and other key business activities, as well as to optimise bandwidth for minimal cost of transported information."

About Alcatel

Alcatel provides communications solutions to telecommunication carriers, Internet service providers and enterprises for delivery of voice, data and video applications to their customers or employees. Alcatel brings its leading position in fixed and mobile broadband networks; applications and services, to help its partners and customers build a user-centric broadband world. With sales of EURO 12.3 billion in 2004, Alcatel operates in more than 130 countries.

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This diversity of multi competitive services in horizontal markets, open to all, is in direct conflict with News Ltd monopoly. News Ltd technical modifications have replaced the international standards by a private proprietary system as specified by News Ltd on the Telstra infrastructure. These "seamless" (IPTV) services for all carriageways to international standards are not possible while Foxtel partners manage the Telstra technical policies and promote the idea for the "Foxtel Digital Box" to interrupt the home connections to an "open" range of services. This severely constrains Telstra's potential for expanding digital traffic on the telecommunications carriageways and for generating new carriageway traffic income from the new open, flexible and competitive markets. Australia was ready for these new services for all markets a decade ago, a decade of lost opportunity for new business on the Telstra infrastructure. All Private networks have this problem of market conflict and marketing constraints with technical applications while they support proprietary standards on their allocated spectrum.

Australia Law and regulations should have prevented this abuse of the Telstra infrastructure in Australia but it has completely failed. Conformance testing to standards, is one simple tool, a measurable tool, to regain the essential requirement to maintain law and order and vast efficiency improvements. This simple tool has been

removed from the Australian public so that legal arguments rely on “self regulation rules” that omit the public.

The impact that the potential privatisation of Telstra would have on the effectiveness of the current regulatory regime;

Telstra now is near world last to apply advanced digital technologies and inter active multimedia. News Ltd has achieved a selfish objective of ensuring the cable for TV and inter active multi media will be only available for News Ltd partners objectives. News Ltd has already claimed this \$60 billion infrastructure to service a private cartel. Already the current regulatory regime has not applied its power to correct the illegitimate activities of Telstra as directed by the partners in Foxtel. There is little chance of any improvement, but more likely even more damage to consumer markets if Telstra is privatised. Telstra privatised would never permit Telstra to be open to all competition. This is in complete opposition to News Ltd global objectives.

It is an historically proved fact that common standards for trade and commerce and throughout infrastructures for information flow, money flow and goods flow is far more efficient when common standards apply throughout.

4 Competition in telecommunication carriageways is economically irrational and technically illogical. There is no possible way to improve the efficiency of telecommunications public infrastructures by building infrastructures in parallel expected to compete and therefore achieve lower costs for the users of an electronic transport infrastructure.

History has ample proof that the most efficient telecommunications system is one totally integrated public infrastructure, owned and operated by a government agency to service the nation. Digital communications, using the new advanced open international digital standards, provides the means for dramatic efficiency improvements and most flexible extension of service from telephony to interactive HDTV. (See “Brief History of Telecommunications in USA”, appendix II, page 48).

The idea of “competition” must be more precisely explained to the public and to governments. The media will not explain this. The wealth of any nation is dependent on focussed education and training in the skills for exploiting opportunities to compete in local, national and international markets. Public infrastructures are essential for information flow, goods flow and money flow. These are the essential social services to ensure that open and competitive trade can develop and prosper. The promotion that the build of digital telecommunications infrastructures in parallel creates competition has resulted in grossly wasteful and irrational behaviour. This is propaganda working for the worst of outcomes, the authority over the public for a private monopoly of electronic communications.¹⁴

The world leading edge plan from the advanced digital technologies is for one person or more, at will to be connected by an existing electronic communications carriageway to any other person or group, willing to be connected, whether they be in a fixed location or mobile situation. The purpose is to provide the most efficient carriageway for information or inter active communication exchange.

The objective of the public electronic carriageway infrastructure is to maximize the

interoperability, flexibility and efficiency of electronic carriageways to support the competitive markets of telephony, television and interactive multimedia devices and their markets. The system will allow anyone, either at a fixed location or in mobile situation, to be connected by phone, fax, radio, TV or computers of any make and of any brand, that conforms to the Australian regulations. It will provide electronic carriageways for any new electronic devices that are available or will be available in the future that conform to the Australian regulations.

To create more carriageways in parallel, as anyone's option, reduces the efficiency in the use of the public's electromagnetic spectrum. For each carriageway, a completely independent carriageway that is added in parallel, the number of parallel systems exponentially reduces the efficiency. To build separate system in parallel to service the same community, promoted as the means to introduce competition and claimed as a means to improve efficiency is therefore technically and economically irrational. Carriageways are not commodities to be marketed. Carriageways provide maximum efficiencies and flexibility for the traffic using the carriageways.

The costs to be recovered when two or more telecommunications carriageway infrastructures are built in parallel are multiplied by the number of infrastructures. The costs to be recovered when two or more operators share one carriageway infrastructure is divided by the number of service providers sharing the one infrastructure. A mobile phone or a TV receiver that works on all infrastructures and communications networks to international standards is much cheaper to manufacture and commission than phones or TVs engineered for each independent proprietary infrastructure.

The costs dramatically increase when economists also propose to governments that spectrum should be divided into parts and auctioned to private competitors. In Australia, we already have, in some areas, four or five operators in parallel. Each bought public spectrum parts from Government for \$50 to \$150 million dollars or more to establish a proprietary service area and then each new owner or investor built independent infrastructures using independent proprietary standards to service the same area.

Several of the earlier investors that purchase most expensive auctioned spectrum as a private investment for PayTV have long since failed. No operator could ever possibly compete with Telstra's privileges to News Ltd for the exclusive use of the public financed and fully prepared infrastructure for television.¹⁵

Government "auction" public spectrum to collect funds indirectly from the public for communications and then allow licenced operators to use proprietary digital technologies to lock out competitors from the use of their monopolised spectrum. This process exponentially expands the inefficiencies. Private and proprietary investors aim only for high-density markets.

One public infrastructure to international standards shared with many competitive service operators is the most efficient way. One integrated infrastructure to international digital standards will permit vastly more efficient, flexible and enhanced services with open access available to all. It has taken a decade of utter waste to prove this. And still the media almost daily irrationally promote competition and privatisation of public infrastructure.

Government policies used to promote competition in infrastructures are irrational capital waste. Telstra could never be efficient if privatised. The digital divide between the urban and the rural, the rich and the poor is at our own back door.

Perhaps government should finance one open, not Foxtel channel, an open channel on the Telstra cable and terrestrial spectrum to international standards, for full time explanations from intelligent resources and industry experiences in the planning, the successful outcomes and options for the future problems to be solved for Australians. The government could use these carriageways to access the public to also sell government electronic products that the commercial media will not support. This will prove that open carriageways are possible for competition in markets on the Telstra infrastructure.

It is no longer satisfactory to expect the commercial media to provide Australians with the necessary public intelligence needed for efficient consumer environments. This will prove that “Open Channels” to international standards that use terrestrial and cable home receivers of any brand from any electronic retailer are available to competitors of Telstra and Foxtel, independently of Foxtel.

The build of, as claimed “competition” in parallel, means all homes must have available a telecommunications infrastructure duplicated as many times as there are “competitors” if each user in each room of every home was to have free and flexible options to choose which infrastructure to use for best price (?). The costs and inconvenience to connect each infrastructure as an independent access throughout each and every home and office are enormous, quite irrational.

This idea of competition is, technically most illogical and financially, irrational and socially irresponsible. How could such irrational ideas overpower logic? It seems the only means has been by the continuous efforts of newspaper proprietors buying articles from economists that they could publish. And these media articles that most politician and the public read, continue almost daily. There is no pluralism in Australia re the media monopolistic interests, in their interests to completely monopolize all public communications systems. Opposing articles are never published.

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;

The international body of electronic industrialist have engineered and provided the world with a completely opposite concept, one vastly more efficient infrastructure that operates completely automatically, the management systems for the traffic on the carriageways, to service multi competitive markets for all commercial and consumer markets, locally, nationally and internationally.

In the United States the survival of private ownership of public telecommunications infrastructures is managed by strict Federal price control regulations. The FCC chairman, Mr Collin Powell and his predecessors repeatedly claim and target for optimum efficiency by the acceptance of strict regulations and price control of single infrastructure monopolies, where possible, in each market area. The federal

government will allow private monopolies to exist in each market to ensure costs are kept to a minimum (see history of the FCC, appendix I ,page 45). Even so, legal costs for disputes continue add infinitum. Special instruction force telecom companies to build in remote areas an equality of service. Some cities in USA are already making telecommunications a public responsibility, due to worsening constraints by private ownership.

Australia should not emulate the inefficient systems and complex problems and legal battles that continue in USA markets.

States such as Philadelphia, following a study as instructed by the Mayor of Philadelphia, now recognise that City ownership and control of electronic public communication services in the digital environment are far more efficient and flexible than private networks. This was because they found from a study as directed by the Mayor, that privately owned networks placed too many constraints on their customers and on efficient markets.

To have what economists promote as “competition to create lower prices”, it seems they expect Australia to support four or five infrastructures equivalent or greater than Telstra. Would any government really expect communities (or international money suppliers) to spend \$60 billion at book value or \$300 billion at market capitalization values to build what is irresponsibly claimed “competition”? This is unbelievable waste and grossly inefficient deployment of capital and energy and abuse of consumers, a completely irrational concept.

About four years of the government portion of the Telstra profits would finance the extension of the Telecom Australia digital transition program to the rural areas of Australia, a cable program that completes the proposal as outlined in the “Page Report”

The Telstra Annual Report, June 2004, on page 296 of the Financial Report, note 3) states:

“We own 80% of equity in Foxtel Cable Television Pty Ltd. This entity is disclosed as a joint venture entity as the outside equity shareholders have participating rights that prevent us from dominating the decision making of the Board of Directors. Effective power is restricted to 50% and we have joint control”

It seems unbelievable that our government Lawyers should have permitted the board of Telstra to enter into such a private agreement that involves a huge public funded program, \$A60 Billion of public assets. These “inside agreements” must be studied further and made public by the Board.

5 The media in Australia have convinced government that the engineering facilities for the seamless access across all electronic transport systems be discontinued and the engineering work for the further development of telecommunications to international standards for Australia was dismantled.

Whether there are any structural issues in the Australian telecommunications sector inhibiting the effectiveness of the current regulatory regime

Television operators do not want governments interfering with their powerful proprietary tools and technologies used by the privileged television monopolists. One interference source for them is an institution experienced with the technologies. Therefore, when government closed the facilities that educate the community and keep government informed about the attributes and applications re the new advanced digital technologies and software management engineering, one major source of interference was removed.

The research laboratories involved in digital engineering for Telstra and the government's digital transition program were dismantled. (One was in the government laboratories in Canberra and one within Telecom Australia in Melbourne). Australia no longer has an education institution, as an avenue for learning, experiencing and advising governments on the schemes that Telstra should be adopting. Government has no independent engineering department to advise on the future potential for digital telecommunications, television and multi media technologies, software management, systems and automation in telecommunications and interactive multimedia applications.

By not having a technical department responsible for conformance testing of infrastructures, operations and consumer equipment to international standards, government has no measurable means to discipline market behaviour.

Road transport infrastructure, a public carriageway infrastructure, is strictly regulated by measurable means to government nominated and regulated standards. Otherwise chaos prevails.

Telecommunications infrastructure, a public carriageway infrastructure, should not be an exception. Because it is, government telecommunications policies are chaotic and irrational. The intention of the media to persuade government to dismantle the conformance testing laboratories was for the special purpose to destroy government regulatory ability on Telstra and Foxtel in particular. The re establishments of conformance testing and mandatory regulations for the use of international standards are the top priorities of government if market abuse is to be corrected and the re establishment of the digital transition program for a vast improvement in efficiencies is to be realized.

Over 250 international electronic industrialists and universities are members of a consortium (including Governments), that support seamless international standards for the digital transition program. An invitation to the Australian Government to be an official member and participate in their programs was declined. Government should join as an official member. The DVB, ITU and EBU are the main international bodies working towards continuous efficiency of telecommunications and multi media.

Australian government has no means for Australian engineers, working for the public, not the media, to participate and contribute to their international objectives for an international seamless telecommunications infrastructure. The Australian government has no official publicly focussed interface with their objectives to be available and understood by all Australians. The media ensure that open market objectives are not publicly disclosed and do not publish articles to support the developments of new technologies and how markets can be far more efficient by their use, and how they should be used, even when freely offered. The dispersion of intelligent information to the general public in Australia is a real problem.

Australia once had world respected electronic industrial research laboratories involved with digital TV and telecommunications engineering with research shared between industry and public universities.

Government was persuaded to close the public research resources and conformance testing of consumer electronic technologies as this could be managed by the commercial TV organisation, FACTS. New members were appointed to the board and management of Telstra. The manager of these advanced engineering activities of Telstra, Dr Leith Campbell was placed instead, in charge of an Australian CRC program in Perth. No longer did Australians have a worldwide respected team involvement in advanced digital engineering and management software to international standards to achieve the vastly improved efficiencies now available for the operations of telecommunications, television and interactive multi media transport carriageways on the public Telstra and Optus infrastructures.

This ignores that technology is by far the fastest growing economy in the world. Digital electronic communications and multimedia is a major sector of that economy, but disrespected in Australia.

The Telstra cable was under its first trials of digital television to the home when Government announced that Telstra would partner with News Ltd for exclusive use of this huge build for PayTV. Within six months, engineers from News Ltd, UK, with experience in achieving the monopoly of PayTV in the UK, (1985) were instructing Telstra how to modify the Telstra cable for News Ltd proprietary scheme.

From this point on, the engineering responsibilities to Telstra for the well-advanced cable was under the direction of News Ltd engineers. There were no longer any plans for digital transition to international standards. The supporting private engineering laboratories in Australia, working on the digital program for Telstra, closed down to move to other international markets including China.

As can be read and studied from Hansard, the News Ltd pressure, via Foxtel, on Telstra was the catalyst of several most damaging influences on Australia and the Australian economy.

a) Optus was not granted permission following their request to Telstra to share the Telstra underground telecommunications cable. Optus, to participate in the Australian markets had no option than to build its cable in parallel.

a) To achieve the market underground reach already achieved by Telstra, Optus negotiated with energy supply companies to suspend their cable on poles, similar to the ugly system in USA and Taiwan.

c) It appears from ¹⁶Hansard, that the board of Telsta committed Telstra to a contract with News Ltd via Foxtel, with penalty clauses, to have channels in operation to two million homes with in a stated time period. Telstra then requested that the cable housings from the contracted supplier be modified for above ground build to ensure pace was maintained ahead of Optus. That was the end of the planned underground system.

c) Consumers and householders continued complaining to their local councils, State Government and Federal Governments, re the ugliness being built on their frontage. They were ignored. Government could not stop the progressive ugliness in front of millions of homes, streets and shopping centres. Future generations, not News Ltd, will have to pay the costs to rebuild these as underground systems, hopefully integrated with the underground energy supply systems. (The underground build requirement is in the legislation)¹⁷.

d) “Self regulation” and “market forces” prevailed over social concerns and democratic principles. Our sound public foundation was already crumbling under the weight of media pressures. This demonstrated that the consumers of Australia have no way of democratically correcting abusive damage to their environment and to their social values.

e) Optus, discovering that the Telstra cable was also a telecommunications cable, had to re modify their cable build to match the Telstra cable telecommunications potential. This was costly to Optus.

f) By this time, with News Ltd proprietary system and exclusive use of the telecommunications cable, earlier investors in PayTV had no hope of survival. The Government ignored the many submissions from electronic industrialists, Ch 7 and others that the Government was committing the Australian markets to these consequences. Let “market forces” decide, was their response. (The policies being implemented from the Hilmer report.)¹⁸ Many \$Billions of investor’s funds were lost.

Australia is the only country in the world that has a publicly financed national optical fibre underground (but now mostly above ground) cable system to pass about six million homes and prepared for digital telecommunications, television and inter active multimedia. The future expectation with this build was to connect optical cable to the home, from the already built cable to the curb, to replace the antiquated copper-wire telephone system.

Most countries that had PayTV long before Australia are committed to thousands of independent private coaxial cable systems. It will be many years before these countries could match Australia’s opportunities with a nationally integrated modern telecommunications and television cable system that passes about 60% or more homes (except for the ugliness).

6 Telstra \$60 billion dollar market capital value (\$15 Billion book value) is now corrupted by Foxtel in such a way that the media cartel operating Foxtel has more authority over Telstra than government.

Telecom Australia was the world’s most respected telecommunications institution, well recognised by international technical journals, and well respected in international technical forums. It was most profitable and efficient for all Australians. The early admirers from China soon lost interest once they observed that the digital transition plan was aborted.¹⁹

Markets are dynamic. It took from 1982 until 1992 for a digital telecommunications optical cable network for Telecom Australia to develop from a laboratory research program involving many international electronic companies, in Australia and around

the world, to collectively produce the plans and build program for the cable network infrastructure across Australia. This solid foundation built the worlds first modern national system prepared for the new digital telecommunications and television services for the next 5 or 6 decades. Within six months after its first advanced phase was completed, this solid foundation fell to the “market forces” of the media cartel to be used only for their objectives.

The cartel is too big to regulate, says the ACCC²⁰. It continues! The sale of Telstra is a national and natural monopoly for the astute and powerful cartel and would mean that any diversification of media following the sale of Telstra would be virtually impossible. Deregulation replaced by “Self regulation” has already damaged Australia’s telecommunications and television policies, economically, socially and intellectually.

With a decade of adverse experiences of Telstra against the trade and social abuse of consumers and consumer markets, at no time has the authority of government the power over the media cartel to correct the abuse. A special opportunity to do so was the conversion of Foxtel to digital. But even at this very critical stage, government neglected its responsibility to the public when it had a most simple opportunity to re start the digital transition program. Even then, with all the advice from the industrialists, Government is not acting out the responsibility of government as a caretaker of public assets and development of vastly more efficient and competitive markets.

Even now, under the authority of the Chairman of Telstra who has publicly announced that he is responsible for the sale of Telsta, there is no initiative what so ever to protect the assets for efficient deployment for the public funds. The abusive behaviour to support a media cartel that has destroyed competition in consumer markets and achieved the permanent destruction of an efficient digital transition program for Australia continues unchecked.

7 The Board of Telstra has no intentions to provide Australians with the most advanced systems in the world for telecommunications and inter active multi media. If it had, Australia would remain a respected world leader in telecommunications and interactive multi media services.

Any Board of a telecommunications company or a cable TV company would never permit the infrastructure to be exposed and committed exclusively to a third party proprietary technology. But Telstra has permitted this with digital television. This has to be completely unsound and irresponsible management. It surely has to be corruption.

The Board's continued condescending to the proposals to modify Telstra technical and commercial policies, as instructed by News Ltd has permitted News Ltd to use Telstra as a tool to monopolize digital PayTV. Foxtel had achieved even more power over government and is able to use Telstra to totally constrain competitors access to digital television and multi media markets via the Telstra public service infrastructure.

The fact that the chairman is promoting the sale of Telstra is enough proof of his disinterest in the values of Telstra for the public of Australia and equality of telecommunications services for all throughout Australia. It proves that Telstra’s

actions that have led to the destruction of an efficient government digital transition program are not a consideration of the Telstra Board and its management team.

The Board's single objective is to privatize Telstra. Already it denies any value and support for the "Page Report" proposal, an indication of the lack of focus to service all communities in Australia with equality. It certainly is not targeted for vastly increased profitability and efficiency gains readily achievable by the deployment of international standards.

Telstra's telecommunications cable is a public service network, like roads. Government would never be able to allow one private company to make the "self regulations" and "market forces" rationalisation for one private heavy transport company to have legal and financial privileges for the exclusive use of Australian highways.

The board of Telstra's objectives, rather than provide an infrastructure to enable competition in telecommunications and multi media markets, is to close access to all for TV and multimedia services. This is to ensure that TV and multi media on the Telstra cable is an exclusive monopoly for the media cartel members operating Foxtel. The opportunity for Telstra to earn income from the many wishful users of cable for high speed Internet (including TV for example), for television and multi media, for the many suppliers and educators, for the new consumer markets, are being stifled. Instead, the Board of Telstra has most generously used public funds to develop and support a media monopoly and promoting its privatisation. This will put telecommunications technologies and media dispersion policies completely outside the authority of government.

²¹This preferential and most generous privilege to one Telstra partner in Foxtel, could only come about when the board and the management of Telstra have no understanding whatsoever of the telecommunications technologies and the industry objectives, the objectives of the institution for which they are responsible. Alternatively it could be a board and management where the media cartel have become more influential than Government for the appointments that will be subservient to News Ltd and the cartel partners objectives. Either way it is a grossly irresponsible management of public monies.

The Board of Telstra takes no action to inform the public owners and the government of this intolerable use and commitments with public assets. Who will own what if Telstra is sold? The public is completely without essential information about their rights and expectations of their investments in Telstra.

With such market communications power and with the private means to control the software on the telecommunications infrastructure for a proprietary technology, it would be extremely difficult for any Government to discipline the security of information. The damage to date has been devastating and undisciplined. It is time now for Government to serve the people, not the media cartel, repair the damage, and provide the basis for a sound future for Australians.

The Financial Review exposes the irrational and superficial simple-minded political and undemocratic attitudes and influences in Canberra re greed, money and power with shameful disrespect for the values of a telecommunication foundation and for the concerns of Australian citizens.

“Push, shove and schmooze...

Frantic jostling for the Telstra tart” (Jan 22 – 23, 2005, Page 18).

8 The Fairfax Newspapers support the program to privatize Telstra and rejects any input to counter their promotions. For over the decade, at no time have they published the information, freely provided as to why and how the technologies of Telstra have been modified to provide exclusive use of Telstra for one media cartel and as to why competition in infrastructures is technically illogical and financially irrational.

Fairfax does not publish the above references to international technology trends, in spite of the fact they have been freely provided. Instead, like many media publications, economists are generously paid to submit articles, supporting competition in telecommunication infrastructure and the privatisation of Telstra.

From reading newspapers, economists and lawyers seem to have far more knowledge of telecommunications than electronic industrialists, who invented and developed the technologies and systems. Media and government departments completely ignore the engineering contributions for an efficient economy and developments of open and multi competitive markets.

Fairfax completely omits any explanation to the public of the most special engineering attributes of the public infrastructure. It omits any comments or criticism of the severe constraints by Foxtel on the deployment of telecommunications cable, as though the cable does not exist. Instead Fairfax promotes almost daily, the sale of Telstra.

The Financial review frequently compares Foxtel with USA and Britain PayTV operations. This comparison continues the irrational propaganda from the media. (Financial Review, April 9th, page 72). This article is full of completely false information re the history of Optus and the history of PayTV. And yet the public has no way of publicly responding to such misleading information that continues daily. Responses to correct these false and misleading claims are never published.

It appears now, few outside the key media owners in Australia, understood Telecom Australia’s engineering insight and sophistication of their long-term plan. The Australian media were the loudest critics that Telecom Australia was a monopoly that should be privatised. They had other objectives.²²

The media completely distort this issue with irrational claims of “structural separation” and quoting, as Fairfax does, over and over, British Telecom. The British telecom has not built a national cable system for telecommunications, television and interactive multi media. News Ltd blocked that possibility in 1985. UK is only now starting a recovery program, by providing the BBC with about 30 free to air interactive TV services to international standards. Even now with near a decade of lost opportunity, Australia is well over a decade of time ahead of British Telecoms, and most of the world, for the build of a telecommunication infrastructure.

Of special concern is that almost all public statements re Telstra omit the Telstra major optical fibre cable and its advanced capabilities for services to the home. It is not respected and is not publicly promoted, as a public owned asset built for open enhanced multi media services to all from all. Foxtel has blocked this original

program from the public. Neither the "Estens Report" nor the "Page Report" explains or queries the Telstra telecommunication cable and its monopolization by Foxtel to gain the monopoly of PayTV markets and to destroy open competitive markets.

Once conforming to open international standards, the Telstra infrastructure will be capable of spectacular efficiency gains for all services, throughout the home, from neighbour to neighbour, from city to city, from nation to nation. Seamless and secure interchange of information and communications, from any operator to any person, home, farm, business, factory, automobile, boat, ship or aircraft for all public telecommunications, television and inter active multi media services in a most efficient way, all automatically.

Government administration and regulatory systems for electronic goods movements (electronic trade and commerce) will parallel the requirements for physical goods movements (physical trade and commerce).

²³The Hilmer study turned trade policies up side down. The Hilmer report proposed liberal regulatory policies that have resulted in constrained competition and monopolisation of markets. To reverse this abusive and democratically dangerous trend, Australia government must apply strict regulatory policies in order to revert to liberal trade and an open system for communications and information exchange.

No longer is it satisfactory to rely on the commercial media for intelligence to the public for the public debates, evaluations and solutions to the major problems emerging for urgent attention. The government conflicts with media private objectives are so obvious with telecommunications. Even the government ability to intelligently communicate with the public is at even higher risk if Telstra is sold. Government should not permanently dislocate itself from the "always available" options with public owned and operated distribution channels for information dispersion. **The sale of Telstra is a risk too far.**

Australians must have far more freedom of access to education and professional knowledge, skills and experiences, especially the sophisticated skills that are leading the world most advanced technologies and markets. Many of the new technologies ignored by Australia are already critical to advance to a far more efficient and socially acceptable and comfortable lifestyle for future generations.

9 Government can re establish its public authority over media policies and the digital transition program. If this is not achieved, democracy and social justice are under threat.

It was as long ago as 1982 that a consortium of international electronic industrialists committed to a long term investment to provide, to the world, a revolutionary concept that would dramatically improve the efficiencies for all industries and commerce.

This was the beginning of a revolutionary approach to digital electronics. The industrialists agreed to share the research costs by allocating special parts of the plan to different industrialists. Each worked on his allocated part, which also involved, internationally, public university research centres of competence. All members agreed on a long-term plan to phase out analogue and incompatible digital programs to be replaced by the new digital plan. It was agreed that the planning would be under committees that controlled the stepped phases from research, prototype trials,

technical evaluation, commercial evaluation and release to markets. This was the beginning of an open market digital concept that now includes all interactive multimedia.

It was well understood by their consortium that the technical and commercial evaluations would have to include governments, internationally. By 1992 the first of products were in the market place for digital applications on international satellite systems. This program originally included digital audio, digital video and digital television. Their program is now converging telephony and interactive television, the Internet and the web. All members of this group agreed to standardise with one common platform and share in a pool for patents and intellectual property.

Over 250 international electronic industrialists and universities are members of this consortium (including governments), that support this program. An invitation to the Australian government to participate was declined. Some private members join to find opportunities to interfere. FACTS claimed at the time that they and Telstra would represent the Australian government.

The Australian private industry laboratories included a small group of Australian engineers who invented and engineered the automatic electronic tuning system used today in every analogue and digital television and VCR in the world. These engineers assisted Telecom Australia in the planning and engineering of the world largest and most modern cable system.

The Minister was persuaded to close the public research resources and conformance testing. New members were appointed to the board and management of Telstra. The cable was under its first trials of digital television to the home when government announced that Telstra would partner with News Ltd in Foxtel for exclusive television use of this huge new telecommunications network.

From this point on, the engineering responsibilities to Telstra for the well-advanced cable was under the direction of News Ltd engineers, not Telstra. The supporting engineering laboratories in Australia, working on the digital program, closed down to move to other international markets including China.

Markets are dynamic. It took from 1982 until 1992 for a digital telecommunications optical cable network for Telecom Australia to develop from a laboratory research program involving many international electronic companies, in Australia and around the world, to collectively produce the plans and build a national telecommunications optical cable for Australia.

This solid foundation built the worlds first modern national system prepared for the new digital telecommunications and television home services for the next 5 or 6 decades. Within six months after its first advanced phase was completed, this solid foundation fell to the “market forces” of the media especially for one objective, control of television markets. The early Telecom Australia admirers from China and elsewhere soon lost interest once they observed that the digital transition plan was aborted.

It seems even worse again when this is the consequence following governments’ political statement to the public that claimed “diversification” of media ownership and

control. Foxtel control on Telstra has been the means for one media cartel in Australia to become the most powerful of almost a duopoly pair in media in Australia, and take from government all authority for telecommunications technical, financial, legal and social policies

Members of Parliament have been falsely informed that most nations are privatising Telecommunications. Of the 25 organisations for Economic Cooperation and Development (OECD) countries, only a few have a fully privatised national telecom operator.²⁴ Non have anywhere near an infrastructure so near ready for digital transition as Australia. Non have a fully integrated system to service nationally, telecommunications, television and inter active multimedia markets.

²⁵The government is able to quickly reclaim its authority over telecommunications and media policies in Australia. The government can soon set up, via universities, the talented engineers to provide advanced digital technical engineering support and conformance testing for Telstra's telecommunication public investment in electronic carriageways. With this re establishment of engineering practices, government will have authority over telecommunications and technologies, and will have the power and the authority to legally discipline markets and protect the consumers and suppliers in the new advanced and dramatically more efficient digital telecommunications, television and interactive multimedia markets.

10 A society that has open and flexible access to the dispersion of intelligent information and communications, to incentives and opportunities in the new advanced technologies and engineering are critical elements to a progressive economy and the protection of social justice. A reform program for Australians will rapidly repair these major defects and constraints and will re-empower the authority of government over public policies.

For an efficient digital consumer market, retailers should be selling one digital TV or one computer that can be used for all multi media service from any or all suppliers, free, pay, interactive, multi storage or time shift. TV, free and pay, interactive multi media services should be available by the most efficient public electronic carriageway system, whether it be an Optus satellite, a Telstra cable, a terrestrial TV channel or via a mobile phone.

Australia was to be the first in the world to have these opportunities. It has not become a reality. The electronic carriageways are not available to all in the markets. Telstra blocked its realization. No corrective action has been taken.

Telecommunications television and inter active multi media impacts on all involved in trade and commerce, in public and in private affairs. Telstra now is a most essential public service infrastructure for all²⁶. No longer is it a telecommunications infrastructure. It is there to service a far wider range of services for a far wider range of market interest and opportunities. It is central to the economical developments of Australia. It is a central Australian institution. It is far too complex for any one private company to manage and to develop for the future. No other nation has yet Australia's opportunities.

It has in the past used, and again now, requires a coordinated program involving the best of the relevant skills and talents within our nation to develop and build a firm foundation for the future Australians. This was once understood. The Government's

political focus on “economic rationalisation” with policies that promoted "privatisation of public infrastructure" and "deregulation" that was replaced by “self regulations”, a commercially promoted policy that omitted suppliers and consumer interests, put this program out of focus. Responsible Governments that build sound foundations and efficient infrastructures to service and support horizontal multi competitive markets, communities and families uphold Australian democratic ideals.

This is in contrast to current policies that allow self regulations to apply abusive trade practices into consumer markets and allow privatisation of public infrastructures for the establishment of anti competitive vertical privately controlled monopolies (market forces) as we have with Telstra, exploiting public funds to do so.

The evolution of the telephone has proved that it works most efficiently as one public integrated network with open access to all. The new digital technologies for telecommunications, television and multimedia public services involve extremely sophisticated software engineering, to provide very flexible, seamless and a most efficient extension of the plain old telephone network which it should soon replace. It is one complete package.

The telecommunications public infrastructure is a strategic and most complex resource for a nation. It is an essential institution to service private and business requirements of individuals and to service local, national and international organisations. Like public roadways it is vital to the economy. Like public roadways, it is a natural monopoly. Therefore, it should not be outside the full control or public ownership of Government. A remedy is to revert to a sound institution that is legally, financially, economically and socially responsible to the public and controlled by Government.²⁷

The reform of telecommunications is essential if the vastly improved efficiency gains for the economy, from a digital transition program, are to be realised. It requires government to re establish authority over telecommunications and media policies.

Two steps will work in parallel.

Government sets up a department for digital electronic engineering in telecommunications, television and multi media carriageway and transport systems. This engineering department will be responsible to government for conformance testing to international standards.

Government mandates that all public telecommunications systems, processes and consumer products conform to international standards as directed and supervised by the telecommunications commission. This body will report to government, not the Minister as with digital technologies, the services to markets are far wider and more complex for its optimum benefits to industry and commerce. This will soon be recognised once the new commission is operational.

The commission will plan and control the progressive build of a technically advanced and internationally competitive digital telecommunications infrastructure. This commission will assist Government so that all in Government and all communities can closely study and monitor long term plans and integrate objectives within the

communities, for their effective supportive roles, education, training and subcontracting and software management of systems.

Dramatic efficiency gains can be achieved and social lifestyles improved in all markets and communities. New services never before considered, and currently blocked by Telstra, could service the nation, and especially the remote locations of Australia (the "Page Report" extension).

This program concept would re establish the new Australian Telecommunications Commission as a world respected Australian Icon. The USA FCC (Federal Communications Commission) is the nearest model of a concept with legal determination and technical engineering support - but simplified for Australia. OFCOM as a model would not be satisfactory as UK has not the technical experience or the complex and sophisticated modern infrastructure that includes optical / fibre cable system throughout a vast region. No other nation has an integrated digital telecommunications and television infrastructure as one integrated public digital system.

Whether there are any other changes that could be made to the current regulatory regime in order to better promote competition, encourage investment or protect consumers.

Telstra's nearest competitor, Singtel,²⁸ is now the owner of Optus. A rather straightforward and inexpensive way to repair the vast damage and near two decades of delay to Australia's digital transition program is to merge Telstra and Singtel. Only Telstra has copper phone lines to almost every home and office that will be replaced by optical fibre to the home from the existing (and further expansion) of the optical fibre to the curb. Singtel has satellites that cover Australia, New Zealand and Asia. Telstra has investments in international undersea cable routes. They both have national and regional cable and mobile phone infrastructures and trunking. The board of Singtel is focussed on the telecommunications business.

²⁹Telstra is focussed on News Ltd's long term objectives for the privatisation of Telstra to expand into more media associated businesses using Telstra capital and the political "market forces" policies. If this were not so, Telstra would be totally involved in the new technologies for Australian open markets and assisting Government to do so to establish infrastructures as proposed in the "Page Report", to support an efficient telecommunications infrastructure open to all market with equality for all.

Whether the current regulatory environment provides participants with adequate certainty to promote investment, most particularly in infrastructure such as optical fibre cable networks

The proposed merging of Singtel and Telstra consolidates the commercial and the technical opportunities into a solid and sound foundation without conflict. Singtel's natural plan would be to integrate into a standardised seamless infrastructure.

This will also give Australia an opportunity to regain a stake in the emerging new satellite technologies that was lost from Australia with the privatisation and then the collapse of Optus. Government should consider the idea that the merged Telstra /

Singtel group also has participation from Macquarie Communications Infrastructure Group.³⁰ This company also manages the transmissions of public television spectrum (ABC and SBS) that is an essential element in the digital transition program. The terrestrial spectrum used for TV is a major component of an efficient digital transition program that Government and its advisers, as with Telstra, seem to have no recognition of its nature and critical importance.

The terrestrial TV spectrum is still controlled for use by the ABA /ACA agency.³¹ The real opportunities for the digital transition must be studied in depth. **A total re evaluation of all spectrum, including the terrestrial spectrum allocated to commercial TV, is an urgent and essential program before any further commitments that could relate to Government’s “long term” digital transition plan. Without the Government’s control of the Telstra cable, the Government will have lost control of such an opportunity. This would be an ideal result for the media cartel. Media ownership diversification would be almost impossible. This would be a devastating loss for Australian consumers, Australian industrialists and Australian commercial enterprises with a long- term negative impact on the economy and on social justice and democratic objectives.**

The merged groups will be an efficient institution, a partnership between the Singapore Government, the Australian Government and the public, as users and as shareholders. The new telecommunications board or commission appointments could follow a system similar to the FCC with its own legal and technical departments directly responsible to the commission. This commission could be set up to also represent the commercial interests of investors, operators and users of public spectrum. They would assist private businesses to evaluate the commercial aspects of technical trials, to steer the time frames for market entry, of new commercial applications with media involvement but without media interference.

Whether the current regulatory regime promotes the emergence of innovative technologies

The Government’s commitment to set up the ABA / ACA agency, as a combined unit is one positive step. Their responsibilities would be departments of the new commission. The commission would involve universities that must be urgently well equipped with the new components and engineering knowledge required for the efficient market applications from the deployment of international standards and technologies.

These are the engineers that must represent Australia in international forums concerning the technologies, planning, engineering and standards relating to satellite, cable, terrestrial, radio and wire technologies and applications. Private organisations, which have their own conflicting agenda, should not be representing the public as they do now. The many “Self Regulating” industry bodies, all in conflict with each other, have already contributed to confusion and financial waste. Non of these industry representative groups have promoted total industry standardisation to international standards for optimum efficiency improvements. This can only be a public task if telecommunications is to be far more efficient than now.

The Commission’s department will then have direct experience, understanding and the insight to intelligently evaluate the local, national and international market

realities and future directions of the technologies. They will understand the most efficient deployment of public spectrum for consumer markets and service operators as existed for Telecom Australia. They will provide assistance to Government's long term plans and policies.

Whether regulators of the Australian telecommunications sector are currently provided with the powers and resources required in order to perform their role in the regulatory regime

The new commission, an institution, a foundation, will operate with public and commercial participation as a public reference, a university link to centres of competence that understands and disciplines all the essential technologies and applications related to public market activities. These technologies are sophisticated, far too sophisticated for one private company to ever manage efficiently and far too sophisticated that these tasks are the responsibility of one minister. This is an unfair burden for one Minister when matched with the power and bullying tactic of the media cartel and supporting regime. These tasks now concern all in industry and all in commerce. Therefore the commission will report to all in parliament with the commission appointments, the authority of the Prime Minister.

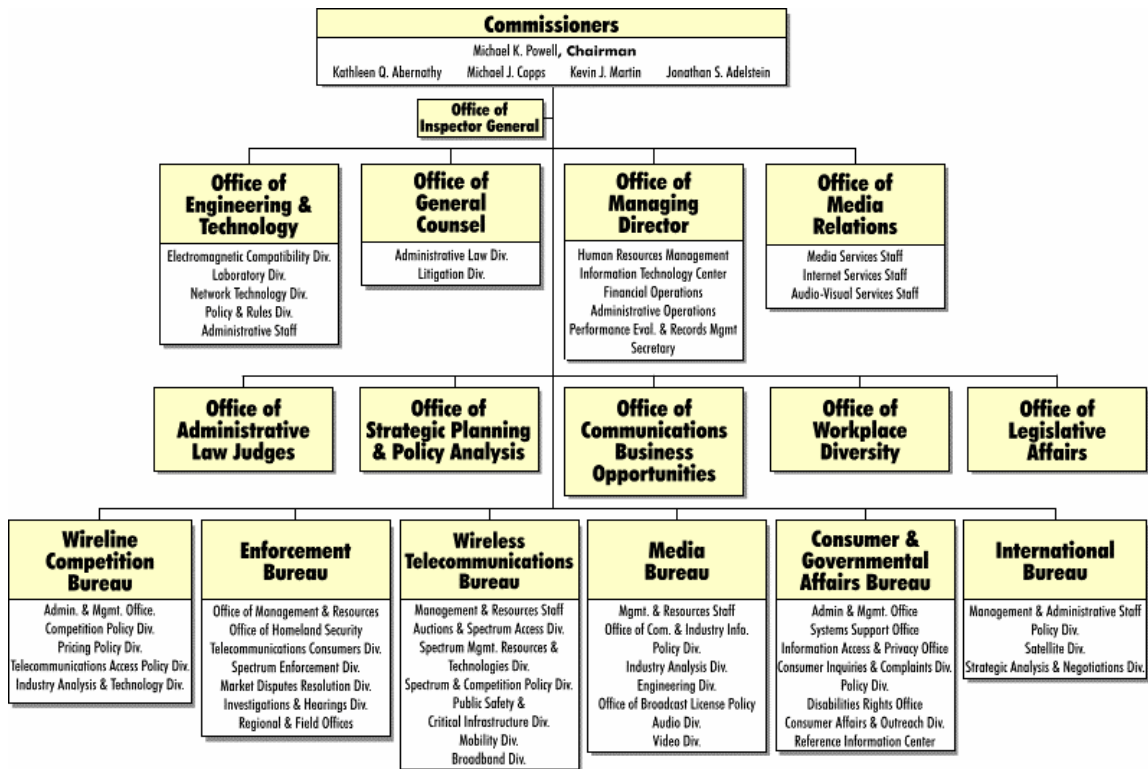
Foxtel separated from Telstra, as a privatised company, could operate, on the public cables of Telstra and Singtel but in time, strictly operating to international standards as regulated for Australia by the commission (assuming Singtel is a member of the commission). Foxtel could change out of their proprietary boxes over time and use normal consumer products.

³²Regulatory standards and controls are essential for efficient, safe and secure logistics and infrastructures for physical transport and communication via road, rail, sea and air. Digital electronic transport and communication logistics and infrastructures via satellite, cable, and terrestrial carriageways demand equal attention from Government.

The efficiency rewards for careful long term planning will be revolutionary. Market rewards for Australian developers in these technologies and application for emerging global markets could be significant. Efficient economies that more fairly distribute wealth and share values will replace the economical exploitation by private monopolists that is rapidly developing as a consequence of the Hilmer report.

The commission would supply the public service information require for the operation of consumer products as described in international standards. It will coordinate the continuing developments of conformance testing facilities within the equipped universities as technologies advance with even more efficient technologies than currently available. This compliance testing to international standards is fundamental for the components in the network and consumer products so that all systems work without conflicts in multi competitive commercial and consumer markets. The commission would ensure that standards committees observe the "ITU WTSA-04" continually progressive objectives and mandate the standards, as they become available for international markets

The FCC organisation chart:



The Australian regulations, (about 550 pages) have far too many ambiguities and anomalies and conflicting elements with today's infrastructures and technologies. In spite of this, the loss of government authority is not because of the regulations or the Trade Practices Act, but entirely because of a complete lack of understanding of what Telstra is, or a complete lack of acting out the disciplines protecting consumer markets.

The new regulation should consist of a few pages, perhaps about 30-40 that anyone will understand.

Whether it is possible to achieve the objectives of the current regulatory regime in a way that does not require the scale and scope of regulation currently present in the sector

The commission will have its own planning and procedures manual etc to support the intent of the regulations.

Appendix I

The commission for the reform program

The ACCC has announced that Telstra is too big to regulate. The problem is that Australia is not implementing Government regulations. Australia has lost its authority and therefore any means of regulatory control over Telstra, telecommunications and the digital transition program. Without international engineering standards in place to test conformance and discipline the behaviour of Telstra, Government has lost the ability to measure processes and their conformance to standards. Therefore government has lost control of telecommunications technologies, markets and trade policies. Telstra is out of control of Government, financially, technically, legally and socially.

However, the existing regulation should be completely replaced with a new, clear, precise and simplified document.

For the public protection, urgent correction of these irregularities must be top priority. A strong institution responsible to government is the most effective way to re establish a digital transition program to ensure vast efficiency gains in all markets.

Immediate Objective: (as a starter)

Draft of completely new and much more simplified regulations with special attention to digital technology and attributes for electronic public carriageways to service and to support telecommunications, television and interactive multimedia devices and commercial activities with these devices in multi competitive horizontal markets.

Markets can be simply disciplined by publicly available systems and procedures in operation to ensure conformance to international standards and Australian regulation for telecommunications, television and inter active multi media throughout all electronic public carriageways and for relevant consumer products expected to be sold into consumer markets.

All public electronic carriageways conform to the regulations as set out by the commission and approved by parliament, to permit seamless open access from anyone to anyone on open public electronic carriageways. (Think “logistics” for the physical transport industry and the of physical carriageways. Electronic carriageway should have the same intent except by electronic rather than physical means.)

The proposal:

Set up the commission, three members from the Government and two from the opposition:

(Alternatively Australian / Singapore Governments,)

Within the public domain, to be responsible for disciplinary and regulatory control of:

Technologies

Standards

Spectrum

(Continued). Within the public domain, to be responsible for disciplinary and regulatory control of:

Satellite

Cable

Terrestrial (- mobile phones, radio and television, interactive multimedia, etc)

And including telephone copper wire pair systems as they are phased out.

Objectives: To repair Telstra and then restart the Government program for digital transition

To mandate the standards to be used for digital telecommunications, television and interactive multi media in Australia. The process of standards to be adopted for Australia is a simple and straightforward process. These are all complete and available from international standards organisations. The adoption process for Australia is mainly administrative.

To inspect Telstra and thereafter, all operations for financial, technical and legal irregularities and to report to Government.

To inspect for covenants or arrangements that may be used by Telstra that have not been disclosed to the public. (Penalty contractual commitments by Telstra to News Ltd for example.)

To initiate repair actions, component and software engineering to replace proprietary systems with components and systems, conforming to international standards.

A legal department to define for Government, the non-compliance activities re technologies, finance, commerce and regulations

To draft program time table for a total digital transition

To allocate to Standards Australia committees, work schedules, to quickly adopt the international standards for digital telecommunications, television and interactive multi media to international and inter operable (seamless) standards. These can then be called up in regulations and used if necessary for legal disciplinary actions. There should be no need for local changes, if so they would be minor. These will be the documents as input for universities to set up compliance testing.

To install all necessary testing equipment with training to qualify engineers for the technologies within a university unit, to report to the commission, standards compliance and non-compliance of hardware and software for networks and consumer products.

To ensure that all the public networks are under the engineering control and discipline the commission

To ensure that network operations exclude commercial operations that compete in markets (as for roads). (Special cases for Government commitments to private networks for an interim period only, strictly regulated)

To set up a research and engineering within university groups that may participate with consortiums of private companies for trials of new public service systems and processes and plan technical and commercial proposals to support market competition and expansion in all markets.

Plan and implement the expansion of digital carriageways to service consumer markets (implementation of the “Page Report” rural cable system).

Modify all non-conformance electronic public carriageways systems to conform to international standards

To supervise all network engineering and build proposals and contracts, using open market competitive contracting to do so. **(Telstra disposes of all commercial activities.)**

Phase two (option): To evaluate whether Telstra, Singtel, Macquarie Communications, (and Telecom New Zealand) could be members of the consortium of telecommunications companies

Phase three (option):

Merge as one foundation, financed by public and private shareholders, with government’s ownership dominant.

Appendix II

Brief History of Telecommunications in USA

In 1837 Samuel Morse invented the Telegraph. This was a digital system. With state finance, he formulated a company in 1845. By 1851 there were 50 telegraph companies servicing railroads, newspapers, banks and Government. In 1856 the Western Union Company was formed. By 1866 Western Union had absorbed all telegraph companies.

In 1876 Alexander Graham Bell patented a “voice” system. With a financier to back Bell and his partner Watson, they formed a company that soon had 600 subscribers connected by wire pairs. Ringing codes were used to identify users. By 1876 the plug and socket switching was invented, using “exchange” operators. Western Union adopted the Bell system and a dispute followed. An out of court settlement resulted in Western Union buying out Bell. Western Union established many Bell franchised regional operators across USA that did not interconnect.

In 1885 AT&T was formed to build and operate long distance lines to interconnect regional Bell franchisers. By 1911, the regional companies were re organised into large companies known as the Bell associated companies using the Bell system headed by AT&T. With electricity available to cities and with progress in switching technologies, major progress was made in efficiency improvements.

(Internationally, Governments were adopting the system as a public utility. The system was recognised as a natural monopoly with the infrastructure builds on public property. The Government ownership of the telephone monopoly, was accepted as efficient policy, until interrupted by an economist proposal that spectrum was valuable and could be auctioned by Governments.)

By 1947, the transistor contributed to major changes and efficiency improvements.

It was recognised in USA that wide spread general-purpose communications could have significant national benefits if and only if they were developed in a uniform and compatible and inter operable way. The State and Federal Governments considered the concentration of private investments in only the more populated centres was not good enough. What was needed was universality, the ability of a person at any telephone to communicate with a person at any other telephone. It was also recognised that telephone companies should make a fair profit for their investors and for the risks they were taking.

Several Regulatory requirements emerged, interference, spectrum management and standard numbering systems. Common carrier regulations emerged to ensure a limit on the number of companies that provided public services. The idea was to prevent the duplication of services and waste on capital intensive infrastructures. Private companies are regulated in return for which they are permitted to be a monopoly in their territory.

In 1910, the “Interstate Commercial Commission” (ICC) was formed to control standards and prices across States and to ensure remote areas were supported with phone infrastructure builds. Conflicts and confusion developed as rural populations expanded and became part of the urban population. AT&T were forced by the regulators to divest its large monopoly into many regional smaller monopolies of non-overlapping networks.

Political issues included whether ICC was more concerned with transport than telephony and radio. In 1934 the Federal Communications Commission (FCC) was formed to regulate telephony and television, while ICC concentrated on physical transport. More recently the FCC was made responsible to the President for regulating satellite, cable and terrestrial spectrum for telecommunications, television, radio and interactive media including investments from USA in international circuits.

The President appoints the commissioners. Only three of the five can be appointed from the ruling party. None are permitted to hold interests in FCC markets.

As explained above, the FCC has released a directive, a new initiative, for the consumer open and competitive markets for Digital TV, a common platform for PayTV and free to air terrestrial and cable receivers to be sold in retail stores. This, they explain, is to stimulate the digital transition program.

Appendix III

Australian Regulations - Suggested critical changes and to set clear objectives (with references to The Act:)

6 Objects: To revert to strictly regulated public control by the Commission,
(The tremendous damage to the economy, to opportunities, and to the rights of citizens, must be halted urgently!)

(b) To provide an infrastructure where carriageways for digital telecommunications, television and interactive multi media are available to all

By 2006 for x million connections

By 2010 for y million connections

Thereafter for all applications for connections

(c) To promote diverse innovative carriage services

NB –not content -not auctioning of spectrum! The infrastructures are like electronic roads to service markets. The idea that content providers converge with telecommunications infrastructures is a continuing corruptive propaganda from the media, who are all out to maintain or further gain their dominance and public authority over media and public communications and information dispersion. A Telecom should not be in competition with “carriageway” users. This is exactly what powerful private monopolists want. This is most dangerous, especially with digital and self-regulation. It could be used to completely promote or destroy any business or any person at any time! It is mostly likely to lead to market manipulation and corruption! (Telstra?)

This deregulation has already set a trend and has allowed News Ltd to monopolise PayTV and gain technical, commercial and financial control of Telstra. In a digital network any private controller of telecommunication network, using proprietary technologies can at any time, monitor and analyse the traffic and could do the same with any other business or person of choice if a digital telecommunications system is privatised. We have already experienced that Government has no power or authority over these events with deregulation policies. The wrong “market forces”, the ones that manipulate the principles of democracy for private monopolistic objectives are in control. (The digital divide, these serious concerns are highlighted by the EEC and WTO).

(d) If this means parallel operators, definitely no! If this means suppliers and contractors etc, yes. (The 550 pages are full of ambiguities, written by Lawyers, and excellent for lawyers! (OFCOM has the same problem).

To promote the effective participation by all sectors of the telecommunications industry in supporting the efficient build and operation of the digital telecommunications infrastructure

- 7(a) Promote, efficiencies and flexibility, security, confidence and trust for industry, commerce and social needs for all Australians from the deployment digital electronic public carriageways

The carrier is the responsibility of the new Commission.

The proposal in my paper would mean some special arrangements re existing licenses and renewals. The FCC will have ample experience of this as a reference. Remove the completely unethical practice of an infrastructure operating in competition with the markets it services! Existing phone networks in parallel, I am sure owners would agree to merge their divided spectrum into a consolidate infrastructure in each region.

“NO PRIVATE CARRIAGEWAY OWNERS CAN COMPETE IN BUSINESS WITH USERS OF CARRIAGEWAYS!”

Appendix IV OFCOM in UK (with reference to their document)

3 OFCOM (General duties carrying functions)

OFCOM, like Australia, seem to have in their regulations many complete conflicts of interest.

3 (1) (b) states: to further the interests of consumers in relevant markets where appropriate by promoting competition.

And then in (2) (a) the optimal use for wireless telegraphy of the electro-magnetic spectrum. (Telegraphy disappeared early 1900's)

And then in

4 (c) The desirability and promoting and facilitating the development and use of effective forms of self-regulations.

UK does not have an integrated telecommunication and television public service infrastructure.

UK does not have an integrated public telecommunications and television cable to service consumers.

UK is still under the influence of News Ltd monopoly of PayTV as contrived and achieved by News Ltd in 1985. This commitment is still a political problem for the UK consumer markets. Certainly News Ltd in UK would still have a powerful influence on their regulations policies.

However, following a transition to digital and following the directive as put out by the ITU their policies are in direct conflict with digital seamless technologies as engineered for international open markets.

The FCC has already announced their open standards directions. UK and Australia have no regulations for the diversification of subscription, the abusive media monopoly.

Self-regulation has permitted proprietary use of the industrialist's technologies (pirating). This stimulates abusive private monopolies. The customers can only change services by purchasing a new proprietary phone or a new proprietary TV. This is environmental and economical waste and antisocial inconvenience for consumers and an abuse of intellectual property in markets. Industrialists are excluded from their own markets.

In Australia, government is inadvertently supporting private monopolies. Consumers have few options from complex bundled offers that are long-term contracts to sell bundled phones or / and TV subscriptions, usually with penalty clauses. This has been claimed by "economic rationalist" as the way to create more competition. It actually creates monopolies and

gross inefficiencies and dramatic reduction in competition at consumer device level of marketing.

For example, perhaps Government may be thinking they could allow private monopolists to purchase licenses to buy Government auctioned permission for the private control of the road from Chatswood to Hornsby. (Or to build a new one in parallel with the existing road with their auctioned privilege to do so) for the private and “self regulated” self-control of the transport rules on their own road.

One road owner will sell left hand drive Ford cars, the competitors road will sell right hand drive Holden cars. Holden must supply only right hand drive cars to this licenced road owner. However a new licence issued in Melbourne wants Holden but left-hand drive and with diesel engines.

That is the business of auctioning spectrum to private operators.

Or

Like roads, one infrastructure services all. Strict regulations for common standards to maximise the efficiency in markets, maximising the use for many operators whom all compete in a level playing field. All electronic industrialists compete in horizontal multi competitive markets.

Government builds the flexible and dynamic “electronic roadways” as one integrated infrastructure. This is shared by all operators, for all trade and commerce needs and consumers’ social needs, the most, near ideal system for innovation, efficiency and competition in multi competitive markets, fair trade and flexible choice for consumers and a democratic nation. (Government for the people.)

No such recommendations have come from the board of Telstra, a company that was once the world pioneer of the latter concept.

The UK Government is beginning to recognise the damage from proprietary systems and like Australia, is battling with the concepts between privatisation and regulations for consumer markets. The BBC has been most active re “open market policies for digital TV”. As the first corrective action from constraints on media diversification, the UK Government has financed the BBC in a five-year plan to establish about 30 free to air digital TV services and inter active web services. This is currently outside OFCOM control.

UK citizens are also close to Europe and observe the differences in their market opportunities. (The responsibilities for implementing ECC recommendation are still by each Country Parliament

Appendix V Security Name	Tick	PE	Yld	Fr	Dv/ %	Close	P/A	\$	Income	Net Ass	Income including	% Gvt profit	M Capital	Including	% Capital
					E										
Hutchison Tele	HTA	0	0	0	0	\$0.33	-0.2	-551,722,496	-1,289,388,288	-551,722,496	-12.02	220,553,248	220,553,248	0.27	
UNWIRED GROUP	UNW	-6	0	0	0	\$0.59	2.4	-23,671,518	60,883,536	-23,671,518	-0.52	143,685,136	143,685,136	0.18	
Flowcom	FLO	-1	0	0	0	\$0.02	0.8	-16,563,908	13,412,070	-16,563,908	-0.36	10,059,053	10,059,053	0.01	
Entertainment Media & Tele.	ETC	-1	0	0	0	\$0.01	0	-9,035,000	0	-9,035,000	-0.20	5,560,001	5,560,001	0.01	
Pracom	PCO	0	0	0	0	\$0.01	-0.2	-6,302,221	-9,155,768	-6,302,221	-0.14	1,983,750	1,983,750	0.00	
Future Corp Australia	FUT	0	0	0	0	\$0.03	0	-5,997,539	0	-5,997,539	-0.13	2,300,426	2,300,426	0.00	
Cape Range Wireless	CAG	-17	0	0	0	\$0.05	0	-5,673,831	0	-5,673,831	-0.12	96,455,128	96,455,128	0.12	
Qpsx Ltd	QPX	-6	0	0	0	\$0.13	0	-3,474,276	0	-3,474,276	-0.08	20,529,810	20,529,810	0.03	
Cps Online Com	GPO	-3	0	0	0	\$0.05	0	-1,908,685	0	-1,908,685	-0.04	5,164,676	5,164,676	0.01	
Quadrant Iridium	QAD	-11	0	0	0	\$0.05	2.7	-1,742,279	7,259,497	-1,742,279	-0.04	19,237,666	19,237,666	0.02	
Broadband Comm	BRO	-1	0	0	0	\$0.01	0	-1,426,745	0	-1,426,745	-0.03	1,630,566	1,630,566	0.00	
Datafast	DFT	-21	0	0	0	\$0.02	0	-1,104,551	0	-1,104,551	-0.02	23,668,946	23,668,946	0.03	
Sirius Telecommunications	SIU	-8	0	0	0	\$0.15	2.1	-918,150	3,213,525	-918,150	-0.02	6,886,126	6,886,126	0.01	
Macquarie Corporate Tel	MAQ	-39	0	0	0	\$0.16	0.5	-814,401	63,116,068	-814,401	-0.02	31,558,034	31,558,034	0.04	
Neighbourhood Cable	NCA	-43	0	0	0	\$0.29	14.5	-311,635	930,253	-311,635	-0.01	13,488,663	13,488,663	0.02	
Stratatel	STE	-39	0	0	0	\$0.13	6.5	-206,738	1,252,955	-206,738	0.00	8,144,205	8,144,205	0.01	
Circlecom	CCO	0	0	0	0	\$0.01	0	0	0	0	0.00	2,294,363	2,294,363	0.00	
Mithril Res	MSO	51	0	0	0	\$0.09	4.6	223,146	2,479,400	223,146	0.00	11,405,240	11,405,240	0.01	
Tele-ip	TEE	18	0	0	0	\$0.03	0	286,113	0	286,113	0.01	5,185,801	5,185,801	0.01	
Easy Call	EZY	26	0	0	0	\$0.09	1.2	824,654	17,492,666	824,654	0.02	21,241,094	21,241,094	0.03	
Amcon Tele	AMM	43	1.4	100	58.1	\$0.19	1.2	1,577,493	58,697,400	1,577,493	0.03	67,868,872	67,868,872	0.08	
Mobile innovations	MOB	7	36.4	100	237	\$0.17	1.8	2,846,556	10,126,089	2,846,556	0.06	18,564,496	18,564,496	0.02	
Queste Communications	QUE	1	0	0	0	\$0.18	0.2	8,041,422	20,735,562	8,041,422	0.18	5,112,879	5,112,879	0.01	
SP TELEMEDIA LTD	SOT	44	0.7	100	30.6	\$2.14	4.4	17,308,370	173,083,696	17,308,370	0.38	755,916,608	755,916,608	0.94	
B Digital	BBB	18	1.9	100	33.3	\$0.54	9	17,640,736	35,281,472	17,640,736	0.38	317,533,280	317,533,280	0.39	
Powertel	PWT	10	0	0	0	\$1.44	0	18,765,094	0	18,765,094	0.41	193,012,416	193,012,416	0.24	
Singtel	SGT	11	2.2	0	24.5	\$2.11	8.4	100,058,552	133,198,280	250,146,380	5.45	1,124,193,408	2,810,483,520	3.48	
Telecom NZ	TEL	15	4.9	0	76.5	\$5.83	9.3	733,588,800	1,227,193,088	733,588,800	15.98	11,356,406,784	11,356,406,784	14.06	
Telstra	TLS	16	5.1	100	100	\$5.28	5	1,979,036,160	6,356,903,424	4,038,849,306	87.98	31,664,578,560	64,621,588,898	79.98	
UNWIRED GROUP															
Close = Share price, 25 Feb 2005															
P/A=Price over Assets															
\$ Mill =Share value trade 25 Feb 2005															
49% Double this for full public value. Government owns the other 51%															
Telstra virtually has no competition															
This is the company that AFR told the public, recently that it is "rolling out" faster than Telstra!															
												4,590,455,358	100.00	80,797,519,682	100.00

Appendix VI Political trends and swings

Trends Towards Monopolists Ideals	Trends Towards Capitalists Ideals	Trends Towards Communists Ideals
Power by small groups in media and financial cartels	Power by the people Open and transparent government	Power by small groups in government communism / fascism
<p>Monopolist are the main controllers of business opportunities and markets</p> <p>Today's capitalisation gains exploited for today's wealth.</p> <p>Privatised authority over public service infrastructures</p> <p>Monopolistic manipulation of government policies, private alliances re engineering, research and industrial and economic programs and public service infrastructures.</p> <p>Constraints on: dispersion of information and intelligence and on social values and social justice</p> <p>Self regulation legal processes overrides government's authority and market protection</p> <p>Proprietary devices to vertically control markets to lock out competitors and put constraints on suppliers.</p> <p>Concentrated media power influences public attitudes, beliefs and behaviour.</p>	<p>Multi competitive business assets privately owned and controlled.</p> <p>Balanced and well-regulated industry and commerce.</p> <p>Strictly disciplined and clear policies effectively support and protect free markets and fair trade.</p> <p>Government foundations for education research, engineering, industrial, agricultural and commercial realisation.</p> <p>Openly available information and education and statistical monitoring of industry and commerce</p> <p>Open competition in the development and build of government long term planning and government directed and publicly owned monopolistic infrastructures</p> <p>Social values and virtues respected</p> <p>Multiple independent and diverse media sources.</p>	<p>Business assets owned and controlled by the State with privileges to the selected controllers.</p> <p>Business information held as confidential.</p> <p>Planning by closed committees.</p> <p>Discipline of workforce and programs by militant methods.</p> <p>Research and engineering strictly directed from central committees.</p> <p>Financial markets under government control.</p> <p>Government controls the media.</p>
Individual innovation and opportunities subdued.	Individual innovation and opportunities stimulated.	Individual innovation and opportunities lost.
Customers, suppliers and intellectual property abused.	Government (or their agencies) regulate and control market monopolies, technologies and standards for the people.	Policies favour the select few.
Supply and/or distribution channels economically constrained or monopolised.	Consumers and suppliers benefit from efficient and open channels to markets	Markets and suppliers become inefficient and misdirected.
Product, services, price and choice constraints, abusive policies such as bundling./contract penalties	Multiple options and choice in multi competitive markets	Product, service and choice restricted, prices controlled.
The rich get richer at costs to long term industry objectives, suppliers and consumers.	Competitive equalisation for the distribution of wealth. Global opportunities for Australians	The rich get richer at costs to Consumers and markets or by corruptive practices.

Appendix VIII The terms of reference for the inquiry:

Whether, the current telecommunications regulatory regime promotes competition, encourages investment in the sector and protects consumers to the fullest extent practicable, with particular reference to:

- 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; (see page 27)
- 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; (see page 10)
- c) Whether there are any structural issues in the Australian telecommunications sector inhibiting the effectiveness of the current regulatory regime; (see pages 30, 36 & 39)
- d) Whether consumer protection safe guards in the current regime provide effective and comprehensive protection for users of services; (see page 10)
- e) Whether regulators of the Australian telecommunications sector are currently provided with the powers and resources required in order to perform their role in the regulatory regime; (see page 10 & 39)
- f) The impact that the potential privatisation of Telstra would have on the effectiveness of the current regulatory regime; (see page 34)
- g) Whether the Universal Service Obligation is effectively ensuring that all Australians have access to reasonable telecommunications services and in particular, whether the USO needs to be amended in order to ensure that all Australians receive access to adequate telecommunications services reflective of changes in technology requirements; (see page 10)
- h) Whether the current regulatory environment provides participants with adequate certainty to promote investment, most particularly in infrastructure such as optical fibre cable networks; (see page 16, 18)
- i) Whether the current regulatory regime promotes the emergence of innovative technologies; (see page 18)
- j) Whether it is possible to achieve the objectives of the current regulatory regime in a way that does not require the scale and scope of regulation currently present in the sector; and (see page 39)
- k) Whether there are any other changes that could be made to the current regulatory regime in order to better promote competition, encourage investment or protect consumers. (see page 39 & App I page 46)

That the committee make recommendations for legislative amendments to rectify any weaknesses in the current regulatory regime identified by the committee's inquiry.

¹ **Analogue TVs**

Even the large Plasma and LCD flat screen displays, with rapidly increasing sales in Australia, have analogue receivers built in to their system for Australian markets but not digital!

² **The BSB operation in the UK** resulted from an extremely contrived (a controversial and questionably legal) scheme that ended with the British Government (Mrs. Thatcher) allowing News Ltd to take control from the original consortium of Broadcasters that established the first PayTV operation in UK.

³ **See and read “Telstra Classroom” on the Telstra website**

⁴ **Pluralism**

Repeatedly, the electronic industrials’ responses to the continued Fairfax reporting and promotions, using economists to do, are never published.

⁵ **Private shareholders of Telstra**

Private shareholders profit more with the result of less for the public shareholders, the original financiers that built the future earnings potential for the infrastructure.

If Telstra were privatized it is most unlikely for several companies to risk \$50 –60 billion to compete. If they do, it would have to be criminal behaviour of investors’ money in certain failure, (see chart, page 54) by indiscriminate financial power brokers, promoted with the equivalent misinformation, completely false information similar to the false information re telecommunication in competition to which the public is currently exposed.

The task of directing private companies to provide equality of service in remote areas, as strictly regulated, is a major activity of the FCC. This is the major problem in USA that requires extremely strict price control regulations and monitoring attention by the FCC as well, a costly activity, great income for Lawyers, an activity Australia should not be involved in. Keep Telstra under public control and authority!

False information in promotion and advertising is supposed to be an offence against the law. Is Fairfax promotions for the sale of Telstra “advertising” when they (or someone) pay economists to write such articles to promote the privatisation of Telstra?

The profit of Telstra, far superior to News Ltd, is a huge incentive for monopolists to gain authority and control of telecommunication or any other efficient public infrastructure as a private monopoly. The public would still have to pay the costs to provide service in less populated areas while a few shareholders earn huge profits from a privatized monopoly of a public service institution that service only built up regions, hardly democratic and certainly socially irresponsible.

This I believes calls for a study as whether part privatisation or issue of bond or government notes as a more efficient and socially responsible way to finance new infrastructures. Private owners rarely invest for the social interest of all communities. This may distort the care of democracy and social justice and give way to monopolistic opportunities. (A toll road in Sydney also services business enterprises in Perth. Should the occupants of local residences that have no option but to use a toll road to go to work every day, pay for this? Their work in a Westfield store, for example, is to profit the Board members of Westfield and its shareholders as well as his or her home families. These are similar issues to the privatisation of Telstra, issues that are trends to favourable financial privileges for monopolists at the expense of social justice.

The idea that government cannot run business is a distortion. People run businesses and enterprises. Telecom Australia was world’s best practice before private interest took over. The RTA is an excellent model of efficient service to the communities, a model many in control of private businesses could study.

⁶ Improving domestic regulations:

“Too often, governments pursue regulatory approaches that fail to achieve the intended social objectives because of wide spread informality, yet harm the investment climate by imposing unnecessary costs and delays, inviting corruption, increasing uncertainty and risk and creating unjustified barriers to competition.

The key is to strike a better balance between market failures and government failures, ensuring that approaches are adapted to local conditions and by enhancing transparency. Successful reforms remove unjustified burdens and streamline procedures. They reduce regulatory uncertainty and risk by curbing discretion and expanding consultation. And they remove unjustifiable barriers to competition by reducing regulatory barriers to entry and exit and by tackling anticompetitive behaviour by firms”

- World development report 2005-

The FCC announces a common digital platform, Announcement 2004

www.fcc.gov/cqb/emails/service.html

⁸ Hansard 12th June 1997

- Government clearly recognised the waste and overbuild as far back as 1997 (see FCC p47)

⁹ ITU announcement,

see also concerns RESOLUTION www.itu.int/osg/spu/resolutions/2002/res2.html

¹⁰ DVB Organization –International standards

Consumer Access “The DVB set of IP networking protocols will be network independent...”

www.dvb.org

ETSI – international technical standards www.etsi.org

See also European Broadcasting Union website.

¹¹Expensive and inconvenient

To have any evening, all market options for an Australian family, to record one program while watching another, the home must have three separate cables expensively installed into his house, and around the home for a more enthusiastic user. For choice at any time, the consumer has to buy (or rent) three digital television receivers, one for Foxtel, and one for OptusVision and one receiver for free to air, each connected to its own exclusive cable. Then, the consumer has to buy a display for each digital receiver and speakers for each digital receiver, otherwise he has to unplug and re connect these components. But he has to connect his digital VCR, but to which one? (Or three VCR's one for each?) And then he has to connect his DVD recorder/player, some where, some how. Now for the household, who demands choice and flexible options for the family, this has to be repeated for each viewing area in the house! This is “economic rationalisation” policy in practice.

¹² See and read “Telstra Classroom” on the Telstra website

¹³ Telstra Financial Reports

There is no possible way of reading from the Telstra annual reports the public commitments and financial accounting of commitments and results, the consequences from Telstra investments in Foxtel. Government must insist that these financial figures involving Foxtel should be fully transparent to all in government and publicly and regularly reported.

¹⁴ Excerpt from Court Summary Telstra v Seven FCA1160 18th of Aug 2000.

“...Declaration of the subscription television service enables service providers to reach end users in order to deliver a wider range of services than currently available, and reduces the need for full duplication of communications networks...” Seven lost!

¹⁵ Communications Update:

December 2003, Issue 165 - A later version was not available in time for this input Reference to Media ownership report.

¹⁶ **Hansard 27th June 2001**, is another of the many references that could be compiled of awareness of serious problems in Australia. Most using the concept of "Market Forces" for the continued tolerance of these adverse trends.

¹⁷ **The Act Part 3 Objects, (2) ,(i)**

¹⁸ **The World Bank warns** of the near irreversible damage to consumer markets by the privatisation of public infrastructures, once under the control of market power. (World Bank Development Report, 2005)

¹⁹ **World Bank, World Development Report 2005** – Many Governments have not yet taken advantages the opportunities of technology change. Page 130.

²⁰ **Financial review** – 1st October, 2004

²¹ **Engineering Responsibilities**

For a Government to allow the most important role in Australian's Telecommunications Institution, engineering, to be managed by a lawyer, seems to be most unusual. Surely Government should not expect a lawyer to be in charge of the sophisticated and complex technical issues of broadband, Foxtel and Digital Media of Telstra and to be experienced with all engineering and technology issues. It is quite unfair to expect a lawyer to have a worldly appreciation of international research and developments. The necessary interfaces are with the Board of Telstra, with Government and with international research and world technology forums, and the most essential and most important interface of all, with Australian Universities.

Government must be able to realize that this grave organizational error would be the prime reason and major cause why Telstra is neither "Fish nor Fowl" as commented by our Prime Minister.

Telecom Australia was one of the few most advanced in the world with the engineering experience for a total national optical fibre and a digital telecommunications system to international standards. It is quite understandable how "Market Forces" from outsiders could influence a lawyer. These have diverted Australia away from international leading technologies. Australia's future in telecommunications depends on the Government to now re establish Australian engineering to world's best practices, starting with Universities.

The Government Ministers responsible for Telstra, an Australian telecommunications foundation, have been continually well informed by the international and local electronic industrialists of these most important issues for Australia.

This is blind mans bluff with Government and with the ACCC. Questions should be asked of Government, why have all the series of responsible Ministers involved, continued to allow and expect that Australian technologies be the responsibility of a Lawyer.

²² **A paper**

Was prepared between Philips and Telecom Australia to explain the attributes and expectations of the Telecom Australia's revolutionary new program. At the time the Australian leading electronics magazine was taken over by a Packer controlled company. When the paper was offered to the magazine for publication, the editor, Mr Rowe's response was "I don't think Mr Packer would want this published." The paper was published in leading technical publications in Europe.

²³ **Media Diversification?**

It is unlikely that Fairfax would criticize News Ltd, seeing that News Ltd and Fairfax recent swap of Newspapers and TV interest in New Zealand to further consolidate each other media

interests. This, in total contrast to the Chairman's diversification and competition recommendations in the "Hilmer Report" of 1995

²⁴ **Paul Budde News Letter**, 12th October, 2004

²⁵ **World Bank, World Development Report 2005**

– Many Governments have not yet taken advantages the opportunities of technology change.
Page 130.

²⁶ **EEC New Directions re Multimedia**, see above.

²⁷ **Governance and Institutions World Trade Report 2004**

"The notion of an institution embodies several elements: formal and informal rules of behaviour, ways and means of enforcing these rules, procedures for mediation of conflict, sanctions in the case of breach of the rules, and organizations supporting market transactions. Institutions are more or less developed depending on how well these different features operate. They can create or destroy incentives for individuals to engage in trade, invest in human and physical capital, and can bring about the incentives to engage in R&D and work effort."

²⁸ **Singtel Board of Management** –

see Singtel website for organization structure.

²⁹ **Hansard** - ECITA 76 2002

³⁰ **Macquarie Communications Infrastructure Group (MCG)**

listed August 2002) see their site for clear explanations of businesses.

³¹ **ABNA**

The consolidation of Australian Broadcasting Authority and the Australian Communications Commission.

³² **EEC European regulatory Policy** – "Media plus 2001- 2005" <http://europa.eu.int/scadplus/>

"Television Without Frontiers"

"Community's audiovisual policy in the digital age"

"MEDIA Plus"