



Australian Government

**Department of Communications,
Information Technology and the Arts**

our reference

Louise Gell
Committee Secretary
Senate Environment, Communications, Information Technology and the Arts
Committee
Department of the Senate
Parliament House
Canberra ACT 2600

Dear Ms Gell

Enclosed is the Department's response to questions asked by Senator Conroy to the Department at the 20 June 2005 public hearing of the inquiry into the performance of the telecommunications regulatory regime in regards to the benefits of an efficient telecommunications sector to the Australian economy.

Yours sincerely

Chris Cheah
Chief General Manager
Telecommunications

**Senate Inquiry into the Performance of the Telecommunications Regulatory Regime
Environment, Communications, Information Technology and the Arts Legislation
Committee**

**Communications, Information Technology and the Arts portfolio
Department of Communications, Information Technology and the Arts**

20 June 2005

Topic: Benefits of an efficient telecommunications sector to the Australian economy

Hansard Page: ECITA 28, 29

Senator Conroy asked:

1. Since you are the last witness today, I wonder whether you could give the committee a quick outline of the importance of an efficient telecommunications sector to the Australian economy?
2. Regarding the research you mentioned earlier, have you or any other parts of the department done any modelling on the potential benefits of a competitive telco sector?

Answer:

1&2

Having an efficient telecommunications sector delivers many benefits to the Australian economy.

Telecommunications is a dynamic global industry. An efficient telecommunications sector ensures that Australia has the ability to compete vigorously in the very competitive international telecommunications market.

Telecommunications also provides a vital part of the infrastructure for all business operations both domestically focussed and export-oriented. Having access to internationally competitive telecommunications services is essential for Australian businesses to be able to compete in the global marketplace.

Sustainable competition in telecommunications also ensures benefits of service and product innovation and competition are passed on to Australian consumers. This is most directly reflected in the price of services. Since 1997 the average price of telecommunications services has decreased by 21 per cent.

Since the introduction of the 1997 reforms, the telecommunications industry has been a major contributor to the broader Australian economy. The ACA-commissioned *Benefits Resulting from Changes in Telecommunications Services Report 2004* estimated that in 2003-04 the Australian economy was more than \$10.4 billion larger in terms of total production than it would have been without the 1997 changes to the telecommunications regulatory regime.

The report used a computable general equilibrium (CGE) model—called the MONASH-TELCO model—to estimate the benefits for consumers and small businesses arising from price and non-price factors. The model calculates the benefits in terms of overall economic

**Senate Inquiry into the Performance of the Telecommunications Regulatory Regime
Environment, Communications, Information Technology and the Arts Legislation
Committee**

**Communications, Information Technology and the Arts portfolio
Department of Communications, Information Technology and the Arts**

20 June 2005

growth attributable to the reforms. It also calculates changes to macroeconomic variables such as employment, investment and wages, and changes in different regions within Australia. The method of the analysis uses sales and output data supplied by some of the carriers, as well as industry-wide data on investment, employment and changes to capital stock.