



CTN Seminar: Sydney, 16 August

# Consumers and the 1997 Review

**“What marijuana was to the 60s, real estate to the 70s, junk bonds to the 80s, the information highway is to the 1990s”.**

This witticism from special guest Michael Janigan of Ottawa's Public Interest Advocacy Centre caused amusement at the CTN seminar, but Janigan's intent was serious. The 'network of networks', as he described it, had come to occupy a special place in the business mythology of the decade.

Despite a long and committed involvement in telecommunications issues on behalf of consumers, he professed himself sceptical about the hype surrounding convergence and the vaunted information highway. He said he felt confused about many developments, both technical and regulatory. He drew an analogy between the super highway and the development of railways in the last century, where greed and politics often produced negative outcomes. CTN chair Elizabeth Morley endorsed this analogy, pointing out that because of poor planning and political considerations Australia ended up with different gauges, and subsequently the infrastructure was not maintained.

Speaking later, Ian Reinecke represented Australia's Broadband Services Expert Group (see Helen Mills on their Interim Report, p. 10) whose starting point seems to be that broadband services are a Good Thing, with 'immense capacity to contribute to social and economic wellbeing'. They have enunciated some commendable principles such as 'inclusiveness rather than inequality', 'network access for all content' providers. But asked whether their faith in these services is just that, blind faith, Reinecke conceded that the judgement must be based on demand and that their studies of demand have been drawn from secondary sources.

By contrast, Janigan raised questions about the setting of priorities in a broadband environment, saying that in the area of education better teaching programs and safer schools might be more important than unlimited access to computer technology. He asked whether consumer organisations should be pushing for a revised definition of basic services to take account of these wider concerns.

In North America, Janigan said, there are few controls to prevent information highway scenarios from spinning out of control, and commercial interests are already taking precedence over community and education interests, for example. The 'red lining' of poor neighbourhoods in the US is thought by some observers to be a harbinger of a future society increasingly polarised between information rich and poor. Some believe that the telecommunications industry is deliberately downplaying the potential for ISDN, which could deliver about 80 percent of the capacity of broadband services at about 10 percent of the cost.

Striking a chord of recognition with Australian participants, Janigan said that in Canada, there have recently

been announcements presaging double cabling into the home, with telcos pushing to provide services as well as infrastructure. Inevitably, consumers will ultimately bear the cost of all this competitiveness.

## 'Benefits' of Competition

In recent hearings by the CRTC into Canada's telecommunications future, economists produced 'overheated paeans' to the virtues of competition and disparaged the current regulatory regime. Yet before competition, Canada had 98 percent penetration of services and the quality was excellent.

Michael Janigan said that evidence from the United States on the delivery of services to low income families, not only in telecommunications but in areas like housing and transport, is hardly salutary. Market pressures cannot be relied on to deliver public goods, and an important role remains for regulation in areas like maintaining quality of service and ensuring that benefits like lower prices are shared across all segments of the market.

Speaking later in the seminar, the Communications Workers Union representative Ros Eason said the union believed that if a balance sheet were drawn up now, the costs of competition in Australia would easily outweigh the benefits. Lower call costs to consumers had to be set against such items as Optus' operating costs, both carriers' advertising and legal fees, social and financial costs such as the loss of 22,000 jobs from Telecom, and subsidised interconnect rates. She noted that a cost benefit analysis was not part of the 1997 review.

The union believes that resale is an attractive alternative to the duplication of infrastructure, and preferable to the further proliferation of competition. If more carriers are to enter the market, they should not be subsidised. Resellers should be treated as carriers, and all new services should shoulder their share of responsibilities to the public.

## Consumer Reps Must Be Funded

Those representing consumer interests in telecommunications began at a disadvantage, Janigan said, as they had no 'sexy' toys and gadgets to offer, and no appealing initiatives to dangle before politicians.

He spoke of the unlimited pool of 'experts' that telecommunications companies could call upon in the regulatory process - economists, public relations, consultants of all

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kinds - and compared this with the position of consumers and their representatives who lack resources and access to high level expertise. Yet these same consumers, the rate-payers of telecommunications, are in fact paying for those who participate on behalf of telecommunications organisations, and through their taxes, for the regulators as well.

Michael Janigan said that it is crucial that the costs of such participation by consumers should be met by governments to ensure that they are able to participate.

Most speakers, including John Broome from the Trade Practices Commission and Neil Tuckwell from AUSTEL, spoke enthusiastically about the importance of consumer participation in policy decision-making and in regulatory processes. It is a sign of a significant shift in attitude over the last few years. In a policy environment increasingly favouring market solutions to consumer needs and problems, the battle fought by consumer organisations to ensure a voice in these processes has, on the whole, been successful.

A number of consultative, advisory and complaints mechanisms have been established in the telecommunications area such as the Telecommunications Industry Ombudsman and the Telecom Australia Consumer Council (TACC). Most recently comes the announcement that a consumer representative (yet unnamed) will sit on the high level Telecommunications Advisory Panel being established by the Minister to provide him with advice during the review process.

## Towards 1997

Telecommunications consultant Terry Cutler, speaking on a panel titled Telecommunications After 1997, said there was a need to align policy priorities and changing industry realities. It is wrong to ignore the decision platform from which Australia launched telecommunications reform in 1990-91, but we need to revisit some of the assumptions made then.

Cutler identified the following industry realities in 1994:

- Multicarrier environments are now the norm, which they were not in the 1980s. A chart showed the massive shift in all major countries from monopolies to duopolies or oligopolies.
- Unforeseen competition is occurring in the local loop for customer access, with cable TV, multimedia, mobiles, optic fibre business rings.
- Multiple international gateways are emerging, such as digital cellular roaming, private small earth stations and resale.
- Carrier market segmentation has seen a shift from monolithic organisations to a range of specialised, differentiated network service providers. The focus now is on wholesale and retail carriers.

There has been a fundamental restructuring of the industry and all assumptions must change, Cutler said. For example, the idea that a carrier must be big: in India, the Government is now talking of franchises of 100,000 subscribers to hasten the spread of services.

## Access and Affordability

Opening the seminar, Minister Michael Lee emphasised the importance of access and affordability, matters which he said were of 'particular concern' to him. It is unacceptable, he said, that when one million Australians have a mobile phone, another million do not have a phone at home.

CTN Deputy Chair Robin Wilkinson picked up this theme when she spoke of the 'awesome' potential of technology for improving the lives of people with disabilities, a potential which is of no value if accessibility and affordability are missing. She said there was a need for a 'broad and dynamic' definition of the USO, and for further consultative mechanisms - particularly in the area of technical development. She said that telecommunications discourse was still dominated by narrow economic considerations of the cost of connection, rather than looking at the social and economic costs of not connecting.

## Regulation: Has It a Future?

CTN's Gerard Goggin said that regulation must recognise the changing social and economic needs of consumers. He saw the expression 'light touch' regulation as problematical and preferred 're-regulation' or 'appropriate regulation'. There are lessons for 1997 in where regulation has failed in a duopoly environment, he said; for example, the definition of universal service is too narrow, crucial objectives are not addressed, and there are no mechanisms for incorporating future needs of consumers.

Goggin said access to information was crucial and regulators needed the power to get information from the industry and provide it to the public. There had been a loss of public information since deregulation, for example in Telecom no longer being subject to FOI.

As if in response to this point, AUSTEL acting Chair Neil Tuckwell announced that the regulator would henceforth publish quarterly reports on quality of service, and had begun a program of information papers which will be freely available to the public on matters like price caps, standards and the USO. □