

# Comment

## *1998: consolidating and fragmenting*

In the past year, control of Australia's telecommunications industry fragmented while its media sector became more concentrated.

Open access to telecommunications markets since July 1, 1997 saw many new players setting up businesses. At the beginning of 1999, there were 25 licensed telecommunications carriers controlling facilities in Australia and hundreds of other companies using those facilities to provide services.

Many were set largely upon the task of taking business away from the giant which was, for most of its history, the only service provider in Australian telecommunications. Telstra has now lost a substantial part of its once total control of the market for long distance and international telephony. In the mobile market, Telstra's MobileNet claims less than half the GSM subscribers at the beginning of 1999. The U.K.-based Vodafone, which announced a merger with US company Air-Touch early in 1999, claimed an 83 per cent increase in its Australian (GSM) customers through 1998. This implies a significant improvement in its share of the overall mobile market, which is estimated to have grown by 16 per cent in 1998.

Although Telstra continues to provide local call services to the overwhelming majority of Australian telephone users, 1998 saw some firm industry and regulatory moves into this act as well. Optus has for some time been offering local call services to customers who have installed the coaxial cable over which it also provides pay TV and Internet access. Other service providers (including Optus in 1998) have reached local call resale deals with Telstra which enable them to offer local, long distance and international calls on a single bill.

1998 was filled with complaints from the new players about the slow pace at which telecommunications competition was developing. They got a good hearing: from the Minister, the Senate Committee which examined the legislation providing for further privatisation, and the Australian Competition and Consumer Commission (ACCC), which, late in 1998, "declared" the local loop and, early in 1999, rejected access undertakings from Telstra - two steps aimed at forcing Telstra to provide other service providers with cheaper access to its facilities and services.

Although Telstra management expressed ritual outrage at the industry anger and the raft of reform proposals, the sharemarket seemed unperturbed, or, at least, happy to send the company's share price constantly northwards by focusing more on the lucrative prospects for a still immensely powerful company in one of the hottest businesses around.

And it wasn't just Telstra exciting the sharemarket. The newly-badged "Best of Both Worlds" Cable & Wireless Optus finally saw its way clear of litigation to take itself to a long-promised public float in 1998. It delivered rather fewer new owners than the 1.8 million which Telstra acquired the previous year, but they were more than happy with the performance of the share price after listing. Telecoms stocks were very much flavour-of-the-12-months.

As the tentative hints of a fragmenting telecommunications industry emerged, C&W Optus chief executive Chris Anderson, fresh from

Television New Zealand, the ABC and John Fairfax, might have noticed the opposite going on in the worlds he'd left behind.

He would certainly have noticed the collapse of Australia's pay TV pioneer Australis and regional hopeful Northgate Communications, and the acquisition of East Coast Television by AUSTAR, which left Australia with three pay TV companies. He would also have noticed the growing dominance of Foxtel, the major metropolitan rival to his own company's pay TV business. He would have noticed the Packer organisation, Publishing & Broadcasting Ltd., exercising its option to "equalise" its interests with News Ltd. in Foxtel, to revive the "PMT" (Packer, Murdoch, Telecom/Telstra) consortium which had an earlier shot at dominating Australian pay TV - which gave Packer a crucial place in both terrestrial free-to-air and cable/satellite pay TV.

And he would have noticed the government's decision, and the Parliament's legislation, to give free-to-air television stations, including Packer's and the otherwise regularly-battered ABC, access to new frequencies to introduce digital terrestrial television services from 2001.

He might not have noticed the development, at the instigation of the ACCC, of a Code of Conduct for Australia's film distribution and exhibition (cinema) industry, following a review of industry complaints. If he had, it might have been a useful reminder, had one been necessary, of how big media incumbents like to behave.

But he would certainly have noticed various actions and transactions at John Fairfax throughout the year. 1998 saw Packer executive Brian Powers depart the Packer empire and almost immediately take on a gig as chairman of the company which publishes two newspapers in Sydney and Melbourne which the Packer organisation, with its TV stations in those cities, is not allowed to control.

He'd be waiting, and waiting, for a decision from the Australian Broadcasting Authority about just how concentrated Australia's media became during 1998. <

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