

# Getting the policy and processes right

Communications Day  
The Post-Poll Telecom Agenda  
3 December 2007

The Post-Poll Telecom Agenda



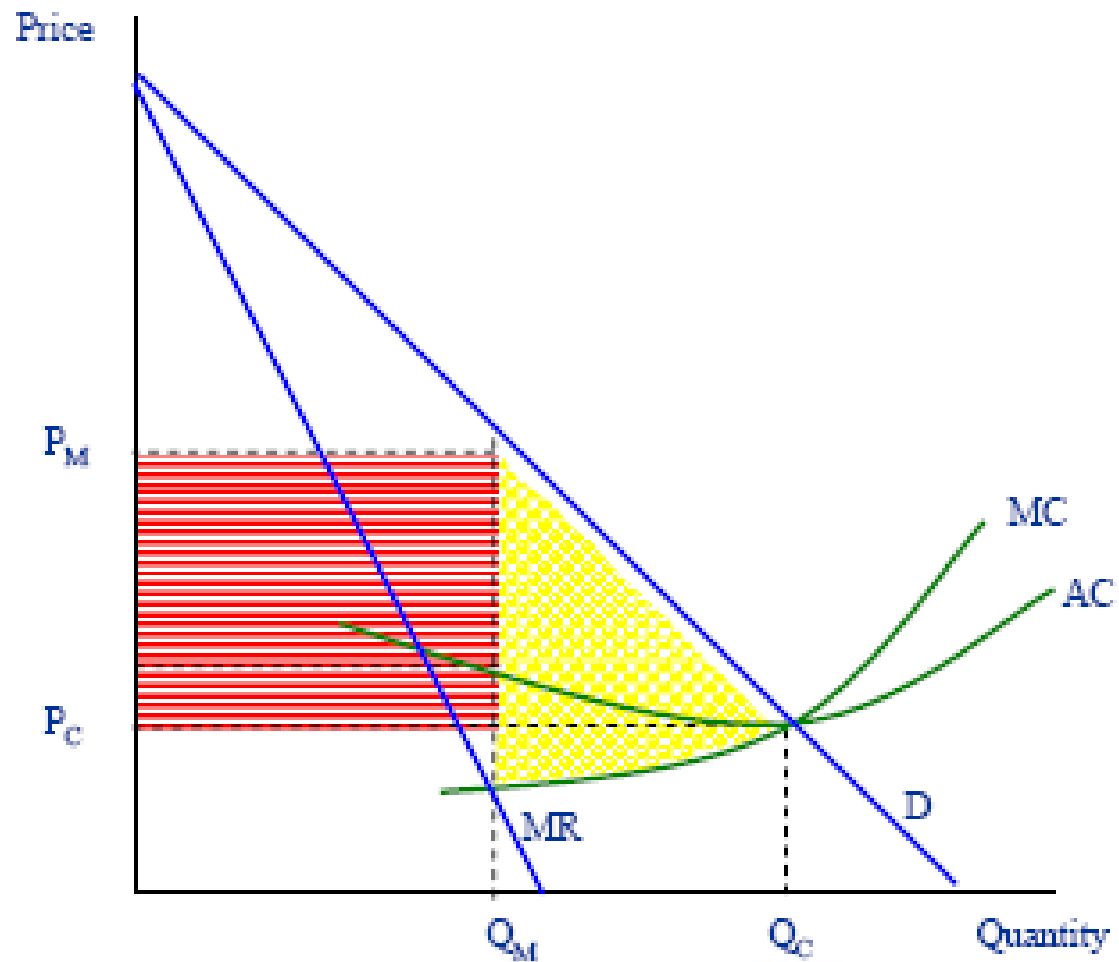
# A policy success

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- ❑ Fighting inflation through money supply targeting failed
  
- ❑ More recent monetary policy is a success
  - o Clear objective
  - o Independent agency

# Telco policy



The Post-Poll Telecom Agenda

# Draft Choice

## *Wattles*

Allan

Brian

Charles

Darren

Edward

Frank

## *Grevilleas*

Edward

Frank

Brian

Allan

Darren

Charles

## *Acacias*

Charles

Frank

Edward

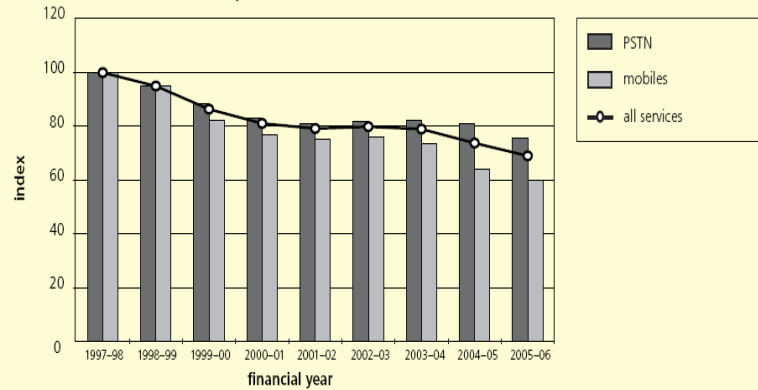
Darren

Allan

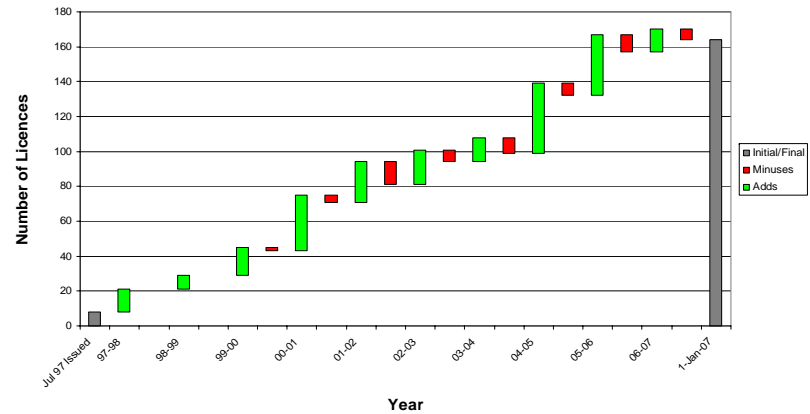
Brian

# Where are we?

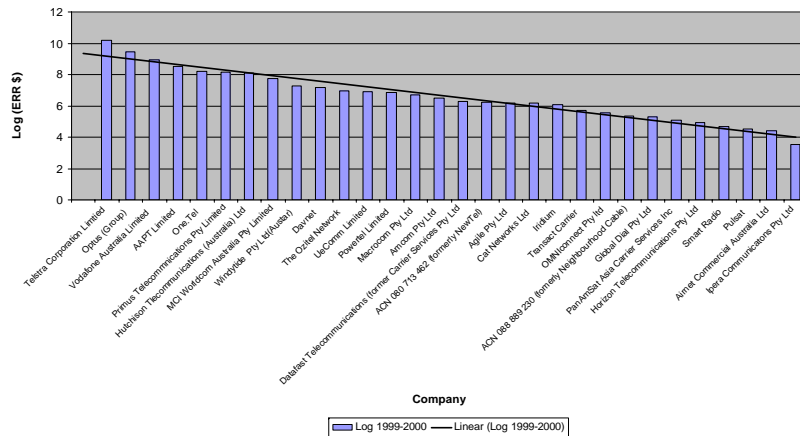
Figure 3.1 Telecommunications services index by PSTN and mobile telephony services, 1997-98 to 2005-06



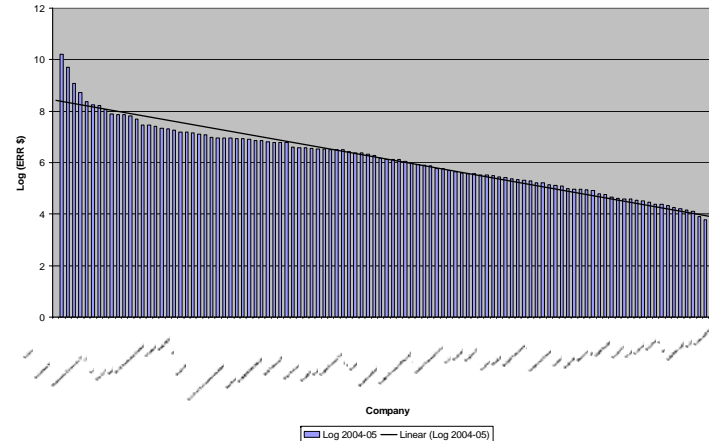
Carrier Licences - Waterfall Chart of Licence Issues and Surrenders



Log 1999-2000 Eligible Revenue Returns



Log 2004-05 Eligible Revenue Returns



# Effective competition

- ❑ Criteria for Fully Effective Competition
  - o Enough competitors: At least 5 reasonably comparable rivals.
  - o Competitive parity: no single dominant firm, with 40% of the market or more
  - o Entry by new competitors must be relatively easy to do so
- ❑ US market power in merger guidelines - Hirschman-Herfindahl indexes (HHI) above 0.18
  - o The Shepard criteria equate to less than 0.25
- ❑ Australian telco market
  - o 12 providers 0.4262
  - o ER 04/05 0.4856 (improved on 0.6145 in 99/00)

# Promoting competition

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## ❑ Hilmer definition

*“striving or potential striving of two or more persons or organisations against one another for the same or related objects”*

- Error on contestability – theory fails in instances of high capital costs
- Error on benefits of competition “between a few large firms”
- Optus has argued that promoting competition does not require increasing the number of competitors

## ❑ Contending views – promote competition more by very specific incursions by Government or by greater reliance on “true” deregulation

## ❑ Hypothesis - Promoting competition in the telecoms context actually requires HHI targeting

# Designing markets

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- ❑ Markets don't fail, they are just designed wrong
  
- ❑ What are the appropriate design features for:
  - o retail telecommunications markets?
  - o wholesale telecommunications markets?
  
- ❑ Who should answer this question?



# The meaning of Christmas self-regulation

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- ❑ Self-regulation
  - Industry Codes and the TAF
    - o What does self-regulation mean?
    - o Who was responsible for creating it?
  
- ❑ To design markets – retail and wholesale
  
- ❑ Responsibility of regulators not industry

## *What is to be done*

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- ❑ Policy makers need to be clear on the objective – targeting an industry structure is a useful outcome
- ❑ Industry and policy makers need to jointly agree that markets are made, they don't just happen
- ❑ Policy makers need to instruct the regulators that their task is to get industry to design the markets

*We choose to go to the moon, not because it is easy, but because it is hard.*

John F Kennedy

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