

Telco industry like a dysfunctional family

When One.Tel (remember them) were deploying a mobile network in 2000, they were using the full limit of the “low impact facilities” powers of carriers – and making an absolute mess of it. Senator Ian Campbell was at the time Parliamentary Secretary to Richard Alston and was given the task of sorting the mess out.

Senator Campbell summoned the CEOs of all the carriers building or owning mobile networks to a meeting in Sydney. They all sent along regulatory types, of course, but they got the message, fix the processes or lose the low impact facilities powers. And within weeks the Mobile Carriers Forum was formed, and it transformed the way carriers co-operated on the use of mobile infrastructure.

Fast forward to 2006 and 2007. While the Minister Senator Coonan is being bombarded by Telstra and their broadband campaign, Senator Campbell is being sacked by the Prime Minister for doing his job – going to meet an industry group that had employed former WA Premier Brian Burke.

Telstra’s wholesale customers and competitors became concerned that the Telstra juggernaut would frighten the Government into fundamentally changing the underpinnings of the telco regulatory regime. Meanwhile the ACCC remained the bulwark of the regime – it was they who had not given in to Telstra’s pricing demands.

The reason for G9

From this environment the idea of the G9 was born, but not directly. The one requirement that the collective who began discussing the alternative agreed on was that an FTTN network in which a vertically integrated Telstra made all the decisions would be inadequate as it would stifle innovation.

They proposed a network controlling entity “SpeedReach” made up of users and said that if this model were followed then the FTTN would be welcomed and they would co-invest with Telstra if it wanted them to. If Telstra insisted on building it on their terms alone, then the collective would oppose it – if Telstra said it wouldn’t build the FTTN, then the collective would build one.

It was never the desire or intent of the collective to set up a model of a choice between their proposal and that of Telstra, they really wanted to work together. Telstra twice rejected approaches made by the collective. However, the Government and the ACCC, pressured as they were by the Telstra campaign, chose to interpret the collective (now dubbed the G9) as offering an alternative proposal to Telstra, and encouraged a “competition in undertakings”.

Two things de-railed this. The first was that Telstra refused to play ball. They simply refused to make a proposal available for public scrutiny. The second was that both parties were ultimately seeking regulatory change – Telstra seeking either a permanent exemption or a cross-subsidy surcharge, the G9 the ability to cut over all the pairs including those being used by Telstra. The ACCC approving an undertaking would be inadequate, the Government would need to be involved.

From the need for the Government to be involved, and from the perception that what was at issue here was a choice between two network models, came the Expert Taskforce, “to ensure an open and transparent process for assessment of bids to build a fibre-to-the-node network.” according to the minister.

“Expert Taskforce” is a new *de rigueur* term in Government – in reality it is simply an inter-departmental committee with a couple of extras thrown in. And these extras are mostly “expert” in policy, not technology or commerce.

But this is not surprising – because the “bids” being considered are not commercial bids in a normal tender. These are bids for policy settings, what is being “tendered” is the regulatory framework. The process considered is two stage, with the first stage being the preparation of guidelines (on which there is a three week consultation period) followed on by the actual submission of proposals against the guidelines.

Tell G9 and Telstra: “Sort it out”

The Expert Taskforce has now released its draft guidelines. In the paper they have also provided a timeline that would take 34 weeks from the release of the final guidelines. So from today we are looking at 37 weeks plus however long it takes to issue final guidelines after receipt of comments on the draft. Plus the taskforce warns that caretaker conventions will apply during the election period.

How much easier would it have been for the Government to use the same technique as Senator Campbell? Call Telstra and the G9 companies into a room and tell them to sort it out or all the carrier planning exemptions would be removed and everyone would have to visit local council planning departments every time they wanted to install a fibre.

The telco industry is like a dysfunctional family in which the father is a degenerate alcoholic – do you fix it by telling the father and kids to shout at each other louder, or do you think of some other kind of intervention. Getting dad off the grog is usually a good start – getting them to talk civilly to each other is the next step.