ex cathedra

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Time to look at the big picture

With multiple committees reviewing different aspects of the telecommunications industry (FTTN, the USO, rural communications) perhaps it is time to step back and take a more holistic view of the industry.

There is an old joke about the tourist on a self-drive holiday in Ireland, who being a bit lost stops a local to seek assistance. After explaining his plight and where he wishes to go, the local replies "Well, if I wanted to be going there, I wouldn't be starting from here!"

There is no doubt that telecommunications policy is just like that joke. Back in the late 1980s when micro-economic reform was just starting, if you wanted a competitive telecommunications market you wouldn't choose to start with a government owned monopoly.

But the Labor party set off valiantly on that track, initially in 1989 and then more substantially in 1991. The 1991 regime included the provision that there would be full entry from 1997.

The Coalition came to finish off the job, implementing the 1997 reforms mostly the way they had been prepared by the previous government. They added to that mix the privatisation of Telstra (a path that Kim Beazley as Communications Minister was widely believed to have told Frank Blount he was committed to).

Perilous privatisation journey

But what was always a perilous journey has been confounded by the sequence of actions taken to reassure the public that, while everything would change, nothing would. While there would be cheaper prices and greater service innovation, there would be no threat to the supposed benefits of a government committed to providing the best services to everyone.

While that started with a few simple steps like the creation of the Community Service Obligation in 1991, it morphed into the USO and CSG in 1997. We had the addition of the guaranteed untimed local call. Just to confuse things further perfectly good sections of the Telecommunications Act were transferred to the Telecommunications (Consumer Protection and Service Standards) Act with the T2 bills just to make sure we all noticed.

As broadband became the issue the government introduced seventeen (according to Stephen Conroy) separate broadband initiatives. To secure important votes for privatisation there were two inquiries into communications services and then the guarantee of an endless stream of more through the Regional Telecommunications Independent Review Committee.

This brings us to 2007 where there are simultaneously underway the Expert Taskforce process, the review of the USO and the regional telecommunications review.

The first has just issued its guidelines including at paragraphs 3.19 and 3.20 an acknowledgement that the issue of cross-subsidy has featured highly in the broadband debate and concludes "The Expert Taskforce will have regard to the work of the USO review." The latter two have submission deadlines of 1 November and 31 October respectively.

Multiple interlinked reviews

The RTIRC call for submissions states "Please note that a number of other telecommunications-related reviews are also currently underway. Unless you request otherwise, the information you provide may also be considered by those reviews."

This recognition of the cross-impact of the reviews is welcome, but surely a more effective process would be one review.

Over the same period from 1997 the ACCC has been busy with an endless stream of declaration inquiries, establishing pricing principles and pricing guidelines, consideration of access undertakings (and the appeals on these), access disputes (and thankfully only one appeal on these). As the process has continued the unstated inter-relationships between the services have been mounting. The most obvious has been the question of whether the Line Sharing Service should make a contribution to line costs.

The ACCC has lately discovered the dubious concept of the "ladder of investment" with its implication that the goal is the eventual full duplication (or more) of networks. The initial regime was predicated on the assumption that there were elements that were always inefficient to duplicate and that downstream firms should be offered appropriate "build/buy" price signals. The theory of the ladder of investment is ultimately that access prices of the lower rungs need to increase above the efficient price to encourage further investment.

No shortage of new players

At the same time the overall structure of the industry is in question. Every reputable analyst confidently predicts year after year that there will be further industry consolidation, while year after year the number of licensed carriers increases. The "eco-system" sees endless entry at the bottom as there is a combination of failures and acquisitions sorting out the existing players.

This growth, and the ongoing price declines, allows government to regularly claim great success with the underlying telecommunications policy.

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But really it is like the pilot of the plane flying from Los Angeles to Sydney, where the pilot comes on the PA to announce that he has good news and bad news. The bad news is that he has lost all navigation systems, that as it is night and there is a cloud bank he can't fly out of, so he has no idea where he is or what direction he is flying. The goods news, he says, is "we have a strong tail wind and are making excellent time."

As the Department Secretary sits down to write her incoming Minister briefs is it too much to hope that she recommends to whatever Minister that we stop the piecemeal approach, that we take the opportunity to really review what the objectives are before then sitting down and refining all the legislative and institutional frameworks? And is it too much to hope that the incoming Minister will listen?