

28<sup>th</sup> September 2000

Telecommunications Inquiry  
Productivity Commission  
PO Box 80  
Belconnen ACT 2616

## **Review of Telecommunications Specific Competition Regulation**

*Australian Business Limited* would like to thank the Productivity Commission for the opportunity to comment on the Review of the Telecommunications Specific Competition Regulation.

ABL is an independent, broad-based business improvement organisation that offers advice, networking, support and advocacy services to its 12,000 members. Member companies provide employment for more than 300,000 people. With eight regional and two affiliate offices within NSW and the ACT, and nationally through Australian ChamberNet, ABL's coverage is widespread.

### ***Importance of Telecommunications***

Results from ABL surveys of all members in 1998<sup>a</sup> and more recently, of fifteen members in regional NSW<sup>b</sup>, demonstrate that telecommunications costs have consistently ranked among the fifteen most critical business problem areas, noting that tax related issues comprise half of that top fifteen. Telecommunications is the highest infrastructure problem area identified by ABL members, ranking higher than transport and energy infrastructure and costs.

Given that telecommunications is an important service input for businesses, and hence associated costs and reliability issues are major concerns to our members, ABL appreciates the opportunity to contribute to this inquiry. Issues of importance to our members are addressed in this submission, and include competition in regional NSW, industry self-regulation, the two regulatory agencies, pre-selection and consumer representation.

<sup>a</sup> Australian Business Limited all member Telecommunications Survey, October 1998. Available by contacting Paul Orton, Manager Policy, on (02) 9458 7544.

<sup>b</sup> Case studies of telecommunications concerns of fifteen members in regional NSW, comprising Attachment A of ABL's submission to the Telecommunications Services Inquiry, available from [www.australianbusiness.com.au/policy](http://www.australianbusiness.com.au/policy)

### ***Importance of Competition in Regional NSW***

The Universal Service Obligation (USO) was introduced to ensure that all Australians have “reasonable access” to the standard telephone service. However, regional members of ABL are concerned that inferior telecommunications infrastructure, services and accessibility in the regions, compared with metropolitan areas, poses disadvantages to their business.

Introducing a mechanism that ensures universal service providers have appropriate incentives to sustain adequate investment would improve regional services. There will be a need to ensure, through licence and/or contract conditions, that levels of service are maintained or improved. Improved Customer Service Guarantee arrangements should act as an incentive. See ABL’s submission to the Besley inquiry at [www.australianbusiness.com.au/policy](http://www.australianbusiness.com.au/policy) for more detail on these issues.

### **Recommendation**

**In order to provide sustained and continued delivery of the USO, particularly to regional consumers, a competitive tendering arrangement should be adopted. In the event of failure to deliver USO services, a "carrier of last resort" arrangement should be put in place.**

### ***The Role of Industry***

Industry self-regulation is effective under a number of specific circumstances, as outlined by the Taskforce on Industry Self-Regulation Draft Report, June 2000, Chapter 5. One of those circumstances is a competitive market.

ABL believes that small and medium enterprise (SME) providers were not adequately prepared to deal with the expected increase in competition when the *Telecommunications Act 1997* was introduced. Competition is therefore not well developed in some parts of the sector (excepting STD and international direct dialling services), and as a result, self-regulation has the potential to set up delays or barriers to entry into the telecommunications sector. Delays and barriers hinder the introduction of new and competitive services because the larger players can more easily and readily comply with self-regulatory rules.

### **Recommendation**

**Self-regulatory models should not be so prescriptive and legalistic as to provide barriers to new competitors in the telecommunications market.**

### ***Industry-specific Regulation***

Competition that delivers real benefits to SME telecommunications users, such as the introduction of mobile number portability, has taken too long to eventuate. In addition, many small businesses find it hard to access the *Trade Practices Act 1974* because Court action entails high costs and long waiting times. Small businesses are therefore disadvantaged by barriers to entry into the telecommunications industry.

Enforcement of the powers of the ACA through licences is supported by ABL, as licences give the ACA a direct way of influencing telecommunications players. However, the consumer focus of a generic regulatory body such as the ACCC is likely to be greater. An industry specific regulator, whether in reality or perception, is at risk of being “captured” by the sector it regulates.

### **Recommendation**

**ABL calls for increased speed in implementing competition-enhancing practices and standards, for example speeding up the introduction of mobile number portability. A stronger user perspective must be brought to bear on regulatory processes, which currently seem too much subject to influence by incumbent providers.**

### ***Other Elements of the Telecommunications Act 1997***

#### ***Pre-selection and Consumer Representation***

Pre-selection is designed to reduce the cost for consumers of switching between service providers. However, pre-selection covers a narrow range of services, not all of which are offered by all carriers. For this reason, pre-selection can increase competition in a relatively limited way.

Surveys conducted by ABL show that the advent of bundled service packages for businesses made it hard to compare value for money and service quality and many businesses do not consider that they have enough information from which to select telecommunications products and services to suit their needs. Among those businesses that have selected alternate service providers for long distance or international calls, some have reported to ABL their confusion about which provider is responsible for resolving service difficulties.

Few businesses understand the role of the ACA nor know about the information that it produces – such as the quarterly Telecommunications Performance Monitoring Bulletin. Consequently, many businesses do not change suppliers.

Due to the rate of expansion of the telecommunications sector and the introduction of new technologies, consumers are generally unable to keep pace with these changes and thus become less able to make an 'informed choice' about the services on offer.

**Recommendation**

**ABL recommends that consideration be given to supporting a comparison service for residential and small business consumers of telecommunications voice and data services to enable greater understanding of industry offerings and to foster 'informed choice'. For example, there is a clear need for consumer access to detailed and accurate mobile phone coverage footprints. This support should be funded by the industry as an incentive to increase the availability and user-friendliness of product information.**

*Australian Business Limited* would again like to thank you for the opportunity to comment on the Review of Telecommunications Specific Competition Regulation.

Yours Sincerely,

Paul Orton  
Manager Policy