



Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Bill 2009

House of Representatives

21 October 2009

Sharon Grierson MP

Ms Grierson: (Newcastle) (5:28 PM) — I rise to support the Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Bill 2009. This bill is the legislative precursor to the most important facilitation to maximise individual potential, community potential and social and economic potential in our nation's history. This is the legislation that begins an exciting journey of cultural change. It will change how we manage every aspect of our lives, how we connect with others, how we express our creativity and how we store, document, exchange and access all forms of human activity and human knowledge. The Telecommunications legislation amendment bill is designed to reshape regulation in the telecommunications sector in the interests of consumers, business and the economy more broadly. Put simply: this bill will position the telecommunications industry to make a smooth transition into the new environment of the National Broadband Network, as the network is rolled out around the country. It will provide flexibility for Telstra, letting the company make its own choice as to how it will shape its future. It will also streamline the regulatory framework of the industry, protecting consumers and enhancing competition.

People like me can feel the bonds and chains that have constrained our ICT sector finally loosening and, hopefully, falling away forever to liberate what is a wonderful industry. Most importantly, it paves the way for the rollout of the National Broadband Network, one of the most integral parts of the Rudd government's blueprint for our nation's future. The NBN will increase innovation and competition, and it will elevate customer standards and access. The implementation of the NBN will be one of the greatest infrastructure projects of our time—a modern-day Snowy Mountains hydro-electric scheme. I know the NBN will lay the foundation for generations of future development.

Just to run quickly through the facts: the National Broadband Network will connect 90 per cent of all Australian homes, schools and workplaces with broadband services with speeds of up to 100 megabits per second—a hundred times faster than those currently used by many households and businesses. It will connect all other premises in Australia with next-generation wireless and satellite technologies that

will deliver broadband speeds of 12 megabits per second. It will directly support up to 25,000 local jobs every year, on average, over the eight-year life of the project. Crucial to all of this, of course, is the future role of Telstra.

It is fair to say that there have been very different views expressed on the best way forward for Telstra and its shareholders. As it stands, Telstra is one of the most highly integrated telecommunication companies in the world across a range of telecommunications platforms. It holds a virtual monopoly of the telecommunications industry. It owns the only fixed-line copper network, connected to almost every house in Australia. It owns the largest mobile phone network in Australia. It owns half of the largest pay TV provider in Australia, Foxtel. It owns the BigPond broadband network and the Sensis online directory.

The Rudd government believes that the failure to address the issues of Telstra's high-level of integration has resulted in the current regulatory arrangements effectively stifling competition. The regulatory arrangements have failed consumers—consumers like the residents of Thornton, a suburb in my electorate, who for years have struggled to gain anything more than the most basic broadband internet connections. Many commentators have argued that the wide reach of Telstra has contributed to Australia continually lagging behind other developed economies on the availability, price and quality of telecommunication services and, I have to say, I agree.

Significant structural reform of the telecommunication sector has been a failing, one that lies front and centre at the feet of the Howard government. The former Howard government were guilty of delay and indecision. They were the dinosaurs of their age. I digress to reflect on my first year as a member of this House. I came in after the World Trade Centre attacks and destruction. I joined the ICT committee and I also joined the science and innovation committee. They were areas dear to my heart. I remember a government bureaucrat—a bureaucrat who advised the Howard government—telling us at an inquiry that SMS was just a fad—it would never catch on—and that mobile phones with cameras in them would always be just a small niche market. I remember saying to him at the time, 'I would love one dollar for every SMS text message that is sent and every phone camera image that is taken in this country.' I hope that we do not still employ that person. People like that were dinosaurs and they had no vision. For me, having been an educator and a principal, technology and innovation were just vital to everything I had done.

The World Trade Centre takes me back to watching how young people experienced that event. I watched the television all night for my information. Young people were on my computer talking to people in New York. They do not trust media—they get their information first hand and direct. It was a terrible time for me. I can understand, observing the disconnect between government and reality, the member for Riverina's disappointment because the Howard government certainly let everyone in this nation down when it came to playing a part in the future and being part of what should have been for this country a great accelerator of everything we value and believe in.

A recent World Economic Forum ranked Australia 17th in the world for availability and usage of ICT. It is not getting any better—it did not get any better under Howard—and it certainly has meant that competition levels for ordinary businesses in Australia are diminished. As the Prime Minister said today, though, we do not want to stay in the carrier pigeon age. We do not want to always be behind international ICT development or behind the demands of the Australian people. We want change and we want vision. But we do not see any change or vision from the new Liberal Party leader, Mr Turnbull. Again, with the amendments put forward today, we see more of the same old approach—delay, indecision.

Telstra, though, is a vertically integrated company and as such they provide both wholesale and retail services. As a result of that vertical integration, Telstra has both the incentive and the ability—already—to favour its own retail business over its wholesale customers. This system has not served us well. The overwhelming message from the industry and from the regulator, the ACCC, is that the current arrangements to address the issues arising from Telstra's vertical integration are inadequate. Most of the industry and the ACCC have called for stronger functional or structural separation measures.

This telecommunications regulatory reform package before the House today represents the most significant reform to the telecommunications regime since open competition was introduced in 1997. It will lead to better outcomes, more competition, more choice and more innovation for consumers and business. The rollout of the NBN will be of enormous benefit to the ordinary people of Australia. In particular, it will benefit regional Australia, including remote and rural communities. It will bring, finally, some equality in access and opportunity.

For many years now residents have suffered from poor internet connections due in large part to ADSL being a distance-limited technology. That is, ADSL can only be offered effectively if the residence is within a certain distance of a telephone exchange. This has resulted in places like Thornton and Shortland in my electorate having so much trouble sustaining effective ADSL coverage due to distance and topographical factors. We do remember the pair gains, the RIMS, the 150 signatures—they were always just band-aid solutions. Telstra were, of course, aware of those issues, and they are aware of the subsequent importance of the effective rollout, too, of the NBN and its importance to so many people.

Appearing before the Senate Select Committee on the National Broadband Network in 2008, Mr David Quilty, Group Managing Director of Public Policy at Telstra, had this to say:

... probably the most important benefit of the NBN of all is that we will be moving from what are distance limited technologies where the speeds that end users get decline the further you get from the exchange, to a fibre environment where everybody in the footprint will be able to get a guaranteed minimum speed.

He went on to say:

The idea of haves and have nots will hopefully disappear. That is the case in metropolitan areas as well as in regional areas because people in the suburbs, as you know, suffer from those distance

limitations and also in some cases are not able to get services because exchanges are full or there are various broadband blockers, as we call them, that are in place that do not enable ADSL. ... that is one of the critical reasons why an NBN is so important and why it should be proceeded with expeditiously.

I have to say I agree. So we do have some consensus from Telstra that NBN is an integral part of Australia's future. For this rollout to be most effective, the legislation must be enabled here.

It is imperative that Telstra voluntarily structurally separate. As Minister Conroy has noted, structural separation can happen in a number of ways. There does not need to be the creation of a whole new company through which Telstra hives off its fixed-line assets. Telstra could transfer all of its traffic to the NBN and sell, or cease to use, its fixed-line assets. This would still result in full structural separation in time.

There has been, of course, a great deal of discussion around these issues. I agree with several of the commentators regarding Telstra's future, such as Paul Budde and Richard Webb, just to name two. Busting the Telstra monopoly, I think, is a good thing. Strengthening the ACCC regarding competition in the market is a good thing. Increasing market access increases competition, and that is a good thing. Retaining government interest in infrastructure is a good thing. And what do they say about Telstra? They say that structural separation of the wholesale and retail businesses is also a good thing.

I am not a shareholder in Telstra—not directly; I do not know what super funds are doing with my money, particularly—but I do sympathise with shareholders who have seen the Telstra share price decrease. Encouraged by the Costello-Howard government to invest after privatisation, they have seen major losses under the three amigos, then under the global financial crisis, and now around uncertainty regarding Telstra's future. Until a clear decision is made, shareholders will be nervous. What is the best case for shareholders? I have to say that my view concurs with Adele Ferguson. Her article in *The Australian* on 16 September said it very well. Telstra should try to make the government's approach work best for its shareholders. Like others, Ferguson suggested the best way forward would be structural separation, selling the copper network into the government's NBN company in return, perhaps, for a stake in the NBN, and bundling its then 50 per cent share in Foxtel, BigPond and Sensis to create a separate clean digital media group with the size and capability to effectively take on the TV groups in Australia. If I were a shareholder of Telstra, that would surely excite me. Telstra could float a new business like that in an improving market, retaining a controlling share and cross-feeding customers into its retail business. So the advantages and the opportunities to Telstra and its shareholders are significant. But of course we will wait and see. I am pleased to hear, though, from the minister that negotiations are proceeding. I know the outcome is one that Telstra employees—Telstra Country Wide in my electorate—are keenly interested in.

Major provisions of the bill are aimed at increasing competition and consumer protection, and that is very much needed as well. The bill also reflects the government's ongoing commitment to protect consumers' access to affordable and high-quality telecommunication services. The government did carefully consider the

Regional Telecommunications Independent Review Committee's report of September 2008. But this package of reforms actually strengthens the regulator's ability to enforce existing consumer safeguards that are in place. All of these measures that go to advancing competition and consumer protection are of great merit.

I do want to say that, as the elected representative of the people of Newcastle, the most important aspect of this bill is the groundwork it lays for the most efficient rollout of the most effective NBN in my own region, Newcastle and the Hunter. Like every colleague here in the House, I suppose, I would love to see Newcastle as one of the first areas to benefit from the NBN rollout. That is something my Labor colleagues—the member for Shortland, the member for Charlton and the member for Hunter—are particularly supportive of. I make particular note of the member for Hunter, Joel Fitzgibbon, who has set up a working group to best position our region for the NBN rollout. That came about as a result of a Keep Australia Working forum held recently in his electorate. We are working together with the state government, with Regional Development Australia and with industry to advance our position and make sure that there are appropriate conditions and incentives so that Newcastle and our region are early receivers of the NBN.

I say that not in a flippant way. I do not say it in just a greedy way. Newcastle is an exceptional place. During the financial crisis we have achieved remarkably low unemployment levels at the moment of 4.2 per cent. We recently had visitors from the Latrobe Valley to look at how we have done it. Economic growth is real in our region at the moment. If you recall, we have just passed the 10-year anniversary of the closing of the BHP steelworks in Newcastle. People thought we were doomed. We were never doomed, because we had always, for many years before, known that innovation, knowledge and excellence were ways to the future. We have successfully diversified our economy across health, education, the financial sector, manufacturing—all sectors, particularly research and innovation. We already have quite an extensive fibre network that links our major public hospital to our university, to the CSIRO Energy Transformed Flagship. I see at the centre table Minister Snowdon, who recently visited Newcastle. We were in the John Hunter Hospital having explained to us that because of that fibre network linking to Tamworth in the New England area doctors in the John Hunter Hospital in Newcastle can be observing an operation happening in Tamworth, advising them how to do it, giving them the cautions, giving them advice, mentoring and making sure those operations are carried out in the best possible way. It is exciting; the opportunities are vast. We have been committed to technology and innovation for quite a while and we are convinced that it has been an important part of the success of the economy of our region. We want that to continue.

I also have a very innovative private entrepreneur who put fibre some years ago into the Honeysuckle Development Corporation land around the harbour, into the main street and throughout the CBD. I am concerned for those private entrepreneurs in regional Australia who just got out and did it. I think that in government we need to be mindful that there are not just the big players; there are young, innovative companies that have done some amazing things around trying to improve telecommunications in regional Australia.

Under the previous government we in regional Australia experienced the black holes in the network. In my electorate the most disadvantaged residents are those in the Thornton area. They face every barrier possible to accessing high-speed broadband and experience high-speed frustration every day. Working with Telstra Country Wide, wireless download speeds from 550 kilobits per second to three megabits per second are now possible. For that I am very grateful for the cooperation I have always received from Telstra, but at peak times of usage those speeds plummet.

The member for Paterson, Mr Baldwin, stood in this House and ranted and raved about what the member for Newcastle and the Rudd government have not done for the people of Thornton. It just does not cut it with me, with the people of Thornton or with the people of Newcastle. They understand the opportunity lost by 12 years of a Liberal coalition government, a government that the member for Paterson was a part of. They understand and share the frustration that the Rudd government has experienced in inheriting an ICT lemon. They understand and share the disappointment we felt when the 'Three Amigos' adopted a testosterone fuelled approach and refused to cooperate to establish a new network with the government. They also celebrated when the Rudd government said, 'Enough is enough; we won't settle for anything less than the best model for telecommunications in this country. We will not just settle for fibre-to-the-node, downgrading the service to meet volumes; we will deliver fibre-to-the-home all around Australia.' For the people of Newcastle and Thornton that means high-speed broadband to their house every minute of every day.

In conclusion, post this legislation's successful transition through the parliament the Australian telecommunications landscape will never be the same again. That certainly will be a good thing. I can only say: thank goodness; this change is so long overdue, so needed. I welcome this legislation.