

AUSTRALIAN INFORMATION INDUSTRY ASSOCIATION LIMITED

A. C. N. 008 568 036



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Mr Jim Roberts
Productivity Commission
PO Box 80
Belconnen ACT 2617

Dear Jim

I am writing to provide some additional AIIA views on the issues being addressed in the Commission's inquiry into International Telecommunications Market Regulation. Thanks for meeting with our Telecommunications Committee last week - I trust that you got value from the various points raised.

AIIA, as you are aware, represents suppliers of information technology and telecommunications goods and services (including carriage and internet service providers). AIIA has over 300 member companies that generate combined revenues of more than \$30 billion, employ over 100,000 Australians and have exports of over \$2 billion.

From the AIIA perspective it is timely that the Commission is carrying out this review. The Australian telecommunications industry is just coming to grips with a new set of regulatory arrangements and consolidated information about international industry trends and policy directions in other countries will be valuable information.

There are essentially three key points I wish to raise at this stage

implications for Australian companies investing overseas the connection between market liberalisation measures and settlement rates key elements of a sustainable reform program

(a) Clearly, telecommunications industries worldwide need substantial levels of ongoing investment if they are to develop in a sustainable fashion and be able to offer cost effective services. Decisions taken by Governments and regulators in relation to telecommunications reform or liberalisation will have a direct bearing on the investment attractiveness of this sector.

If in-country regulatory arrangements are not transparent and clearly defined or if there is not a clear delineation between the regulator and the telecommunications service provider(s), sustainable levels of investment are unlikely to be secured.

It is also critical that the Government's broader economic measures such as foreign investment controls are such that they do militate against outside investors being able to invest due to, for example, harsh local equity provisions.

(b) Connection between market liberalisation and settlement rates

The introduction of Government sponsored measures to liberalise telecommunications markets does not automatically mean that settlement rates and the problems surrounding settlement rates will be resolved. Developing economies that liberalise their internal and international telecommunications market may still choose to set settlement rates above market rates on the same rationale as used to justify the current rates.

(c) Reform options

From the Australian experience it is clear that countries introducing a telecommunications sector reform program need to ensure

that it has legislative backing that all entrants are treated equally that it is adequately supported by Government with an independent regulator that the local industry is an active participant in the infrastructure and the implementation of self regulation that the points of authority and responsibility of the various stakeholders are clearly defined that it includes a comprehensive access regime and effective tools to address anti-competitive conduct that it conforms with existing international requirements.

The Australian model essentially contains these elements and would provide a good reference point for countries embarking on a telecommunications reform program.

Please let me know if you would like further information on the comments made in this brief submission.

Yours sincerely



Peter Upton
Executive Director