19 May 1999

International Telecommunications Market Regulation Enquiry
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

International Telecommunications Market Regulation

ATUG, representing end users of Telecommunications services particularly business users is pleased to present a submission to the Productivity Commission inquiry into International Telecommunications Market Regulation.

Industry Circumstance

The telecommunication technologies being brought to market today, particularly the new generation of optical fibre transmission and reception equipment enables much greater capacity to be carried over an optical fibre. Over the past few years optical fibre carrying capacity has increased from the Megabit range through to the Gigabit range , and on to the Terrabit range. As a consequence the per unit costs of given capability eg: 64kbps, a basic voice channel or 2mbps, a common data service have fallen dramatically. Furthermore, the capability of new optical fibre cables are much greater than in the past due to improvements in the glass fibre technology.

In short transmission costs are falling and are progressively being passed on to end users but only where effective competition is working.

Economic Circumstances

The actual reductions that have occurred to date in international communication prices and the potential for further reductions, both referred to in the foregoing are happening around the globe.

Depending upon local regulatory and commercial circumstances all countries have the potential to benefit from the positive changes occurring in the telecommunications industry.

Those countries having no, or low regulatory barriers to entry and have an effective competitive market place in operation for both national and international services certainly have the potential to move ahead of those which offer less attractive circumstances.

For its part, Australia has no regulatory barriers to the entry of carriers or service providers. It does however have substantial access barriers which will be addresses later.

With costs falling for international communication services it is becoming possible for countries to export many services and capabilities via communication links.

It becomes economically attractive for companies to centralise the provision of a service in a particular geographic location exporting the capability to other countries eg: regional call centres, a centre based in Australia serving the countries from India in the West to Japan and the Pacific Island in the East.

Low cost communication services also enable collaborative design or working activities to take place in different countries enabling high quality and more effective outcomes in shorter time frames.

In reality reasonably priced communication services are today a major economic driver.

Any inhibition will seriously and negatively impact a country which is not operating at world best practice.

The reported economic circumstance in Australia showing the communication segment of the economy growing at around 10%pa compared with the GDP at around 3.5% very much makes the point.

It is crucial for Australia to be at world best practice in communication services for many of its industries to achieve global competitiveness. A benchmarking activity such as that just completed by the Commission, International Benchmarking of Australian Telecommunications Services, serves as a very useful management tool. It provides Australian Carriers and Service Providers with a view of Australia’s position in relation to other comparable countries. Of most significance is that it provides the basis of a management plan or performance targets for Australian Carriers to implement a performance improvement plan.

Access Arrangements

Price and non price terms and conditions are the matters of most significance when considering access to, or barriers to entry for communication services.

Prices

The imbalance in price between a communications connection between two countries when viewed from either end is a most disturbing circumstance.

A plethora of examples exist where the per minute cost of an international call and its flag fall between two countries is substantially different depending upon the origin of the call. The circumstance has spawned the “call back” industry which has been most successful on the US - Australia route where calls from the US to Australia were substantially cheaper than calls from Australia to the US.

For fixed or dedicated services, line links, the cost of a half circuit from country A to country B can be vastly different to the cost of a half circuit from country B to country A. Furthermore, the price of an *n* km link of *m* mbps capacity between two given counties can be vastly different from the price of a link of identical length and capacity between two other countries.

Differences of greater than 50% in these circumstances have not been uncommon, presenting serious difficulty to Australian organisations seeking to carry out business which depends upon international line link connections

Non Price Terms and Conditions
For an end user to gain comfort when operating a distributed business which is dependant upon telecommunications services the ability to have services promptly connected and efficiently maintained is of paramount importance.

As a consequence an increasing number of players in the market place perform the role of a facilities manager. Companies such as Macquarie Corporate in the domestic market place, together with Equant-SITA and BT-Concert in the international market place have succeeded because they offered a door to door managed service even though they use the infrastructure and services of national and international carriers.

They accept the responsibility of over coming the limitations of access that regularly occur.

The corporate culture of MCI Worldcom follows a similar approach, however they offer a door service world wide using their own infrastructure as a means to deliver a high quality service and overcome local barriers to entry, both non price and price.

A perhaps hidden characteristic of a national access regime is that not withstanding the theoretical availability of access to an incumbent carriers network at a variety of levels, access seekers often experience substantial barriers in the form of:

- highly detailed and country specific technical specifications.
- extended and complex testing demands
- long delays to have the access interfaces established and/or services delivered.

Perhaps one additional issue of significance is the failure of most carriers to lower the price of dedicated links or data services in line with underlying cost reductions and with the declining cost of international call charges.

This action very much mitigates against the development of corporate networks, arrangements essential for the successful operation of multi national corporations.

The prices of dedicated data services seem to still relate back to the old cost of a voice call and seem to be kept high to discourage competition between private network and the public network.

I trust the foregoing provides an overview of international communication services as seen from an end user perspective.

Yours sincerely,

Allan Horsley
MANAGING DIRECTOR
Direct Line: 02 9927 9977

Web site: www.atug.org.au