PO Box 234
Curtin
ACT 2605
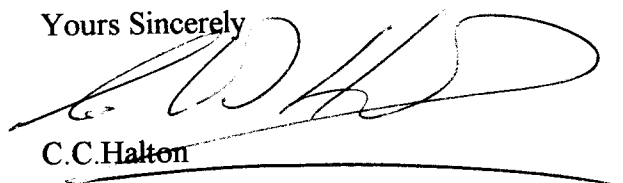Tel/Fax 02-62814493

7 February 2001

Dear Mr Woods,

Attached to this letter are two copies of a submission from the Balanced State Development Working Group (BSDWG) responding to some but not all of the issues raised in the Commission's Circular Tel 3 dated 8 January 2001.

We have not included earlier, and still relevant, submissions to the 'Besley' Inquiry and to the Commission since we assume that you will have considered them as part if your background reading.

Please let me know whether we can assist further by clarirying some of the technical issues, meeting with you and/or Professor Snape or responding to issues raised by the Secretariat.

Yours Sincerely

C.C.Halton

Mr Michael Woods
Presiding Commissioner
Telecommunications Inquiry
Productivity Commission
PO Box 80
Belconnen
ACT 2616

Productivity Commission-Telecommunications specific competition regulation
Additional matters under reference-Commission Ref TEL 3, 8 January 2001

Balanced State Development Working Group-Submission 6 February 2001

1 General

The purpose of this submission is to respond to the Commissions call for (further) submissions relating to additional items identified in the Assistant Treasurer's letter dated 22 December 2000.

In Circular Tel 3 the Commission indicated that submissions received by 7 February will be considered prior to the completion of its draft report in March.

The additional items identified in the Assistant Treasurer's letter, including the proposal that they form part of the existing review, are Recommendations One and Two from the 30 September 2000 report to the Government by the Telecommunications Service (Besley) Inquiry. The Balanced State Development Working Group(BSDWG) assumes that the Commission will have already considered relevant submissions to 'Besley' including that submitted by BSDWG on 24 May 2000.

BSDWG also recalls that the terms of reference for the Commision's 1998/99 Inquiry into the 'Impact of Competition Policy Reforms on Rural and Regional Australia' - Report No 8 required the Commission to 'specifically report on:

(a)

(b)

(c) possible differences between regional and metropolitan Australia in the nature and operation of major markets and in the social impacts of the reforms promoted by national competition policy; and

(d) any measures which should be taken to facilitate the flow of benefits (or to mitigate any transitional costs or negative impacts) arising from competition policy reforms to residents and business in regional and rural Australia.

Submissions to that Inquiry,including BSDWG's of 10 March 1999 canvassed a number of Telecommunications 'issues' relevant to (c) and (d). Although the Commission chose not to respond with specific proposals in Report No 8 BSDWG assumes that the Commission will heve reconsidered these 'issues' in the light of the additional items identified in the Assistant Treasurer's letter.

The Government tabled its response to the Commission's Report No. 8 in August 2000. In BSDWG's opinion the Terms of Reference for the present Inquiry constitute a 'major legislation review' as outlined in the reponse to Recommendation 3.

The Government's response to Report No. 8 'agrees with the Commission's recommendation' however BSDWG have not been able to identify any publicity related to the present Inquiry which will have ensured that the review is 'accessible to those (in regional and rural Australia) who are affected by (its) outcomes.'

2 Introduction

The Communique issued at the conclusion of the national Regional Australia Summit on 29 October 1999 includes, page one paragraph nine

> '....include acceptance of the differences between urban and regional Australia-and between different regional communities. It also should include more comprehensive participation by regional Australians in decisions affecting them and the broader Australian community.'

Among the 'Outcomes' from the Summit, which are identified on page two of the Communique the fourth and eighth appear to be particular relevant to the Issues raised in the Assistant Treasurer's letter

> 'Communities want to share responsibility with government for development of their regions. Communities don't want solutions imposed on them. One size does not fit all.'

> 'Governments, industries and communities must ensure affordable, reliable access to telecommunications. Professional advice must be available to maximise the community and economic opportunities provided by rapidly emerging developments in information technology.'

BSDWG notes that these 'Outcomes' appear to relate directly to the initiative being developed by the Capital Regional Employment Council (CREC) for those NSW Shires which are within the 'Capiital Regional'. Relevant information collected by CREC is reported later in this submission.

The Communique from the Regional Summit includes the major priorities identified by the Communications Theme Group:

> 'The Summit urged delivery of communications services which meet the anticipated economic, social and cultural needs, to allow businesses to compete in the use of electronic commerce and the internet to allow people to live interesting and fulfilling lives where they choose to live them.

> Key strategies should include encouraging competition in the provision of affordable, equitable and timely access to high quaality communications services. Government intervention should occur where the market fails to deliver. Local access to the nearest service centre should be ensured.

> The development of a mechanism providing specialised information and expertise about the use of the Internet and electronic commerce in regional Australia should be resourced. The coverage, affordability and functionality of mobile

communications should be improved to ensure regional Australia is not left behind in the telecommunications revolution. The ABC and other broadcasters should have the capacity to generate and transmit local content for local, regional and national audiences.'

In responding to the Commissions Issues Paper and in its earlier reponses to the Commissions 1999 Inquiry and to 'Besley' BSDWG may inadvertantly give the impression that it regards Telecommunications as the most important generic issue in Regional and Rural Australia at the present time. This is not the case We agree with the views expressed in April 2000 (page 12) by the Steering Committee established at the Regional Australia Summit

8.3 Equity of Services in Regional Communities

Improved health and education outcomes, better employment pathways and improved telecommunications capacity are essential. This requires greater access to services - a need strongly articulated at the Summit.

The Steering Committee considers that a comprehensive response to the challenges facing regional Australia should also include initiatives which address the needs of regional and rural families in areas such as family counselling, childcare, family law services, youth and domestic violence. The Committee noted that the needs of some Indigenous communities in the area of service provision are particularly acute.

Four areas for action are identified as the key elements in achieving this, namely:

Improved Education and Training in Regional Australia;
Improved Health Outcomes in Regional Australia;
Improved Communications in Regional Australia;
Improved Family Services in Regional Australia

but we do believe that modern and efficient Telecommunications are essential to making improvements in each of these four areas.

3 Market Power in Regional Markets.

The BSDWG March 1999 submission to the Commission included extracts from a report prepared by NatTel Pty Ltd in February 1999 for the Australian Capital Region Development Council(ACRDC). Council's responsibilities to the NSW and ACT Governments cover the ACT and most, but not all, of Southern NSW.

The discussion on Mobile Telephones includes the following:

> 'This infrastructure focuses on the Hume Highway, the Princess Highway, and the track from the Hume Highway to Canberra and then to Thredbo and Perisher. Even on these routes it is difficult to maintain a sustained conversation as the signal drops in and out. Other transport routes such as the Olympic Highway and Snowy Mountains Highway are poorly serviced.
>
> The other focus is the larger population centres.
>
> Where these are apt on a serviced transport corridor the service can be very frustrating. Just 2 or 3 km out of Young for example the signal drops out. Yet the clients of Young businesses would extend 20 km in most directions. Towns like Boorowa with a smaller population and not on a main transport route miss out altogether. It also means that potentially substantial out of town users, such as farmers, often miss out entirely.
>
> The mobile infrastructure illustrates how regional communities can be particularly disadvantaged by the unavailability of roaming between carriers. Because all the carriers are trying to compete for the same market they are duplicating infrastructure. This duplication often leads to underutilised mobile capacity in some areas while many other areas miss out entirely.
>
> When travelling in regional areas of Europe for example one regularly moves from carrier to carrier. In Australia each carrier invests in parallel and has to accept lower returns individually and in the aggregate from a divided and poorly serviced market.'

Attachment 1 is the community by community analysis of mobile phone coverage which was included in our 1999 submission to the Commission.

BSDWG was not able to identify any evidence presented to the 1998/99 Inquiry which might have led the Commission to believe that the situation reported to the ACRDC is not replicated in many parts of regional and rural Australia. Nor could we identify any suggestion that the Commission had come to the conclusion that there was no available combination of Technical, Operational, and Economic licencing and/or regulatory action which could redress these deficiences in coverage.

More recently members of BSDWG travelling on the Mid Western Highway through Blayney on the way to/from Bathurst have noticed that close to the Shire boundaries large red and white notices have appeared

<div align="center">

VODAFONE
WORKS HERE

</div>

We have also had our attention drawn to 'Jobs in our Regions' published by the Coucil of Small Business Organisations of Australia (COSBOA) and the then Department of Transport and Regional Development. Amongst other matters it reports on specific issues raised in four regions during the Regional Small Business Focus Project. One of the regions included Dungog in the foothills of the Barrington Tops. The following quote is taken from page 43

> 'Most of us gather on the hill by the tip, you can usually get a signal there,' said several people in Dungog. Poor mobile coverage is a major hindrance for people working on site. No contact means no next contract.

BSDWG suggests that the Commission would find it intolerable if visitors to its Belconnen Offices had to divert to Mt Majura if they needed to check a key point first or if visitors to its Collins St Office knew that they would have to go to the top of the Rialto Building if they had to make a private call on (one of) their mobile(s).

Another example of Market Power leading to distortions which disadvantage rural communities, businesses and industries relates to the pricing of traffic carried by the fixed telephone networks. The examples quoted relate to pricing on Telstra's network and concentrate on traffic between two ponts within the network which are not serviced by the same exchange and do not lie within the same network 'area'.

As the Commission will be aware Telstra claims that it is misleading to customers if they publish, for illustrative purposes, examples of STD standard per minute rates of the type that were released as recently as 1999. Telstra now advise customers that they can only quote on the basis of nominated originating and terminating telephone numbers. BSDWG has, however, confirmed that Intercapital rates are split between 'under' and 'over' 745 km.

BSDWG is aware that 745 km. was chosen in the 1980's because that was the (then) distance by road between the General Post Offices of Melbourne and Adelaide. At that time the comparable distance between Melbourne and Sydney was 895 km. Distance between General Post Offices has traditionally been used by Economists and Analysts specialising in Transport, Post and Communications Services as the basis for 'value of time' assessments.

However BSDWG understands that for tariff purposes Telstra now treats Melbourne/Sydney as 'under' 745 km. While it is true that completition of all sections of the National Highway between these two cities has reduced the distance to less than 895 km the reduction is much less than 150 km.

Rates quoted late last year for nominated originating and terminating telephone numbers form the

basis for our understanding that

> The tariff from Melbourne to Canberra is the SAME as that from Melbourne to Sydney
> The tariff from Melbourne to Coma is GREATER than that from Melbourne to Canberra.
> The tariff from Melbourne to Sydney is LESS than that from Melbourne to Bega.
> The tariff from Sydney to Bega is GREATER than that from Sydney toMelbourne

Although BSDWG recalls that in 1990-91(?) the Snowy Mountains Hydro electric Authority reported that it had assisted Telstra by laying an optical fibre cable across the Mountains we are not totally confident about the alignment of the 'inland' cable between Melbourne and Sydney.

We are, however, confident that the alignment of the second cable - known to follow the coastal route - traverses Bega Valley Shire. Neither Cable is capacity limited yet Telstra prices on the basis that it is. Once again the local communities, businesses and industries are disadvantaged by what (some) Urban based economic regulators describe as efficient resource allocation. Other economic regulators describe it as a text book 'captive shipper' case. In fairness it should be added that when these examples were discussed with Telstra Officers they suggested the use of either a 1300 or 1800 service by businesses or industries. Further discussion established that the rates for these services were greater than those available in Capital Cities.

Recently the Capital Region Employment Council (CREC) has submitted a proposal to the Commonwealth's Regional Solutions Programme seeking support for a project known as the 'CAPITAL REGION ONLINE IMPLEMENTATION' which seeks to address the clear inequity in the provision of information technolgy in the Capital Region between the 'haves' Canberra and (to a lesser degree) Queanbeyan and the 'have nots' Crookwell; Braidwood/Tarago; Goulburn/ Marulan/Taralga; Yass/Murrumbateman/Wee Jasper; Gunning; Bungendore/Captains Flat.

Social indicators from the ABS Census of Population and Housing confirm Capital Region communities in NSW are socially and economically disadvantaged. Goulburn and Crookwell are below the average for all indexes, unemployment rates in several communities are above the national average, populations are stagnant or in decline. In 1998 the Commission held meetings in Goulburn and Yass and drew attention to some of the problems being faced by Goulburn in Report No 8.

At the present time none of these communities has either Community Technology Centres (CTC) or Rural Transaction Centres (RTC) and although both Telstra and Optus have laid high capacity fibre optic cables which traverse some of these communities the pricing structure for those Shires which are not colisted with Canberra, Queanbeyan and Yass appears to similar to that applied to Bega Valley Shire.

As part of its proposal for support under the Regional Solutions Programme CREC has completed a Centre by Centre analyis of telecommunications issues relevant to each of the six shires, a copy is provided as attachment 2. It illustrates some of the access problems being experienced by a number of Shires, close to the National Capital but, in BSDWG's view,

representative of problems being experienced in many Regional and Rural Areas.

In summary BSDWG believes that the present framework of Technical, Operational and Economic licencing and regulatory - as interpreted by the present statuatory and public service authorities - has led to a situation where market power can, and does, lead to distortions which disadvantage Regional and Rural Australia,

The table below is indicative only since it is difficult to be entirely accurate with signal strengths. However, it does illustrate the degree of duplication and the holes in the coverage - especially for hand held devices.

City or Town	Population	Digital handheld coverage T=Telstra O=Optus V=Vodaphone
Goulburn	21293	TOV
Batemans Bay	9568	TOV
Cooma	7150	TOV
Young	6798	TOV
Tumut	5915	TO
Yass	4840	TOV
Merimbula	4383	TOV
Jindabyne	4320	TOV
Bega	4190	TOV
Narooma	3389	OV
Eden	3106	OV
Moruya	2602	TOV
Thredbo Village	2100	TOV
Crookwell	2016	T
Perisher Village	1913	TOV
Tuross Heads	1786	TV
Murrumburrah (Harden)	1700	O
Tathra	1684	Marginal for all three
Tura Beach	1639	T marginal
Dalmeny	1631	V
Malua Bay	1494	
Mossy Point-Broulee	1389	Marginal for all three
Bombala	1380	T
Bungendore	1348	O
Berridale	1295	TO
Bermagui	1196	T marginal
Boorowa	1112	
Murrumbateman	1087	marginal all three
Batlow	1069	
Braidwood (L)	940	TO
Adelong (L)	782	
Pambula (L)	765	TOV
Tomakin (L)	753	
Moruya Heads (L)	710	TOV
Pambula Beach (L)	701	TOV
Long Beach (L)	699	
Gunning (L)	486	TOV
Captains Flat (L)	418	
East Jindabyne (L)	412	TOV
Marulan (L)	411	
Cobargo (L)	387	TOV
Candelo (L)	367	
Adaminaby (L)	366	
Taralga (L)	341	
Delegate (L)	338	

		V marginal
Durras (L)	328	TO
Hall (L)	320	O
Wolumla (L)	310	TV
Bodalla (L)	309	
Talbingo (L)	297	
Kalaru (L)	275	
Nimmitabel (L)	268	
Bemboka (L)	262	
Koorawatha (L)	249	
Binalong (L)	240	
Tarraganda (L)	238	TOV
Mogo (L)	230	
Lakewood Estate (L)	214	
Cabramurra (L)	203	
Beauty Point (L)	201	

3. Internet

The Internet backbone service provided by Telstra has high capacity points of presence at Wollongong and Canberra. Independent ISPs have to provide tail connections to these sites using data services from Telstra. These are one of the major recurrent cost of an ISP in a town in the region. OPTUS charges less for the backbone service but still has to be accessed through a Telstra provided data service.

4. Satellite

Optus has a major satellite earth-station in the suburb of Mitchell in Canberra.- Optus has a full footprint over the continent (including Tasmania) and coastal areas. This satellite capacity is used extensively for television broadcasting.

Appendix 2

Appendix 2: CAPITAL REGION ONLINE IMPLEMENTATION: CENTRE ANALYSIS

Based on ACRDC's ACROSS Project Implementation Plan and ACRDC's Connecting the Capital Region. A Telecommunications Strategy.

Centre	Key Issues and Opportunities	Actions Underway	Impediments
Crookwell Pop. of Crookwell: 2100 Pop. of Crookwell Shire: 4250	*Infrastructure* • No RTC/CTC • New private Internet Service Provider (ISP) to be based in Crookwell • Cost of telecommunications is high and speed of access slow • TV reception, emergency services radio coverage, mobile phone coverage are major concern • Problems with Internet access and capacity • Areas in shire with no local call access • Overlapping service areas boundaries for TV (Wollongong, Prime, Canberra) reduces the quality of service (investigating funding opportunities) *Community Website Development* • Would like to rework the existing web site • Need online booking for accommodation • Emergency services contacts are important • E-mail database for tourism events • Business database searchable on key words • Subregional database for businesses • Photography competition for inclusion of results on Crookwell website.	• Community directory is being established by Council and would like to include this information on website • Council has a staff member dedicated to maintaining Council Website • Business Development Board has a database of businesses and membership • Considering reworking the tourism site for Crookwell • $100,000 to upgrade library. Telecommunications Focus Group needs resources.	• Council has insufficient resources to coordinate community website development • Cost of getting online inhibiting individual participation in IT&T • Training on access and use of Internet and e-commerce required. • Digital mobile provider: Telstra

Centre	Key Issues and Opportunities	Actions Underway	Impediments
Braidwood/ Tarago Pop of Braidwood: 1100 Pop of Tallaganda Shire: 2595	*Infrastructure* • No RTC/CTC currently • Location for public internet access an issue • Cost of telecommunications high and speed of access slow *Community Website Development* • At least 3 unused websites developed for Braidwood use this material to develop new site • Community very supportive • Business community to be encouraged to participate. • Newcomers very e-literate • Need new web site to contain: bushfire information, weather, events, tourism, health, sale yards, cattle prices, heritage, community information • Local skills available to develop content • Youth forum to be developed for website • Braidwood School to participate in website development • Needs to have links to villages, not just Tallaganda shire	• Development of Business Plan for RTC/CTC almost complete ($10,000) • $57,000 Rural Plan; Economic Development Committee includes Shire Council, Tourism interests, consultant • Telecommunications Focus Group very active, includes local businesses and council	• Cost of getting online inhibiting individual participation in IT&T Training on access and use of Internet and e-commerce required • Data/Iinternet:Braidwood needs infrastructure for video conferencing. Internet and radio are becoming preferred system of communication for emergency services – parity between city and country. Utilities are interested in becoming telcos. Becoming more important for tourism – travel centers are closing. • Large number of Teleworking business people in shire with poor internet service • Digital mobile providers: Telstra, Optus • Digital mobiles drop out between Bungendore and Queanbeyan.

Centre	Key Issues and Opportunities	Actions Underway	Impediments
Goulburn/ Marulan/ Taralga Pop of Goulburn City: 21,293 Pop of Mulwaree Shire: 5625	*Infrastructure* • No CTC - Goulburn itself too large; Marulan and Taralga possibilities • Marulan has funds for RTC Business Plan • Cost of telecommunications high and speed of access slow *Community Website Development* • Library has a list of potential links that could be incorporated into ACROSS • Library is grappling with how to organise the local information it currently has in links • Search engine on the site and database • Have an enquiries facility on the site	• Optic fibre passes but not linked. **Contact : Southern Tablelands Education Centre**	• Funding needed for a local person to maintain website and search for local internet links • Lack of business interest inhibiting uptake of participating in IT & T • Training on access and use of Internet and e-commerce required • Digital mobile providers: (Goulburn only): Telstra, Optus, Vodaphone • Good coverage along Highway but black spots occur.

Centre	Key Issues and Opportunities	Actions Underway	Impediments
Yass/ Murrum-bateman Wee Jasper

Pop of Yass: 5000

Pop of Yass Shire: 9,182 | *Infrastructure*
• No plans for RTC/CTC yet

Community Website Development
• No formal Internet Group but interested
• Optic fibre passes but not linked
• High interest; total 100 attended ACRDC workshops (2)
• Council interested in ACROSS (Gerry Chapman, Kate Walker)
• Concerns about community groups being organised enough to participate in ACROSS.
• Would like to include rural business in the business database.
• Interactive property and development information on web for developers to access
• Resources for website maintenance is the key issue
• Need advertising of sporting facilities | • Yass is organizing an Online Day for Yass Community late in November 2000 | • A person is dedicated to maintaining community website and database is required
• Cost of getting online inhibiting individual participation, particularly of mature aged people, in IT&T
• Training on access and use of Internet and e-commerce required
• Data/Internet : Bandwith problems. Local call access not in rural areas. Need to look at schemes to provide alternative access at reasonable price. Need information on how to link to services currently available.
• Digital mobile providers: Telstra, Optus Vodaphone. Coverage: too patchy – dead spots everywhere. Not sufficient coverage for some businesses – communications when traveling a real problem. |

Centre	Key Issues and Opportunities	Actions Underway	Impediments
Gunning Pop of Gunning: 500 Pop of Gunning Shire: 2211	*Infrastructure* • No RTC/CTC • Gunning has funding for RTC Business Plan • Interested in RTC/CTC to be established at Gunning Post Office • Goulburn has withdrawn its point of presence (POP) in July, r.o local access in the northern part of the shire (02 482... area) • 40 Internet users without a POP • POP from a commercial point of view is not a commercially viable venture for this area • << 200 users • Cost of communications is high and speed of access is slow. *Community Website Development* • Interested in integrating the facilities the Rural Fire Service will offer in the soon to be set up Firezone which will be linked to local information.	• Optic fibre passes but not linked. • Gunning has registered for Farmwide local call Internet access project • Chamber of Commerce is promoting e-commerce, particularly for farmers	• Need for a local person to manage website information • Training on access and use of Internet and e-commerce required • Digital mobile providers: Telstra, Optus, Vodaphone

Centre	Key Issues and Opportunities	Actions Underway	Impediments
Bungendore Captains Flat Pop of Bungendore: 1348 Pop of Yarrowlumla Shire: 9186	*Infrastructure* • No RTC/CTC • Bungendore a prime candidate for RTC/CTC; has momentum with cluster of business, craft centres • Bungendore has local Internet access • Cost of telecommunications is high and speed of access is slow *Community* • Captains Flat has "Flat Chat" newspaper • Bungendore has "Bungendore Bulletin"	• Bungendore has a very active Chamber of Commerce; Yarrowlumla Shire Council also interested	Digital mobile providers :Optus Coverage: Some digital phones do not work in Bungendore

4 Pay TV and regional telecommunications

Although BSDWG made a submission to the 'Besley' Inquiry and accessed many of the formal submissions we were not aware of the suugestions made to 'Besley' that lead this part of the 'additional matters under reference'.

If we had been aware then of these suggestions most of the points which are covered in this submission would have been made to 'Besley'.

In BSDWG's opinion there are three groups of issues which need to be considered:

#Australiaian experience in accepting, rejecting or simply ignoring technological change

#The ACCC's attitude to third line forcing in Regional and Rural Australia

#Capacity to pay

#As a result of BSDWG's reading of the Commission's views on Broadcasting in Report No 11, we believe that we need to mention some of the key technical opportunities which have become available since the second world war.

Acceptance that for practically all applications which required transmission of electrical energy over more than a short distance A.C. would be more efficient than D.C.

Resolution; in Australia, of the debate on A.C. household standards. 50/60 Hertz and 110/220 Volts

A.C./D.C. Radio Receivers

Transmission and Reception Standards for B.W. Television

Transmission and Reception Standards for Colour Television including compatability with B.W. Television Receivers

Transmission and Reception Standards for F.M. Radio including compatability with A.M. Radio

Although many would be unaware of the debates and technical and operational misadventures which preceded some of these decisions they influenced the 'thinking' of the newly (1975) established Australian Telecommunications Commission. It directed Telecom Management to undertake to undertake a study of Social and Economic Futures as well as Technological Change.

The study team was a well chosen mixture of Economists, Engineers, Operators, Sociologists and Technologists some of whom had first hand experience of installing systems that did not work as well as had been expected or were technologically obsolete before they were complete.

The report 'Telecom 2000' was released by the Commission's Chairman in March 1976. For those with a real interest in the field it is still a useful source document. The release of the report was the occasion when Telecom Australia first stated that:

'At present there is a telephone in 6 out of every 10 homes in Australia. We expect usage to increase until by the year 2000 there will be a telephone in virtually every home.'

That forecast proved to be more realistic than that provided in (November?) 1976 by the then Australian Broadcasting Control Board. The Board advised the then Minister for Post and Telecommunications that television stations could have a major influence on the future role of daily newspapers through the introduction of the teletext system.

The Board advised that control over teletext in Australia should be granted to existing television license holders and to the ABC. The Board believed teletext could be used to transmit spot news, sports updates, weather and other information such as stock market reports.

The Board was not alone in forecasting this coming 'revolution' and in some countries it received considerable attention. For example in the U.K. by 1979 'Ceefax' and 'Oracle' services were available nationally through the BBC and the (then) IBA repectively and the Royal Post Office had its 'Prestel' service which provided information, stored and updated on a 'computer', via the telephone.

In the early 1980's the (Fraser) Government announced its decision to procure an Australian owned satellite based Telecommunications network which would provide coverage for Broadcasting and other Communications services such as the (then) Department of Transport's 'Flight Service' to all parts of Australia. This led to design, construction and launch of the Aussat Satellites.

In September 1984 the then Minister for Communications announced that B-MAC had been chosen as the encryption standard for Broadcasting Services via Satellite. In November the B-MAC transmission standard for SBS and Regional Commercial Television Services (RCTS) was released. Although only a 'bread board' was available at that time by October/November 1995 Television Pictures were transmitted via Aussat.

The B-MAC standard allows an Australian standard Television Service and six digital audio channels as well as teletex, information and message services to be transmitted within the bandwidth. It was accepted as the most efficient way of providing Homestead and Community Broadcasting Satellite Services (HACBSS) to those areas where Terrestrial Broadcasting was unavailable or led to unpopular options - for example receiving news originating from Newcastle in Regional Queensland - and was used by all the networks to transmit copy (programs and program content) between stations.

Although the teletext, information and message capability seems to have generated little interest in Regional and Rural Australia the availability of the audio channels has proved to be of interest in unexpected ways. For example in the late 1980's the Snowy Mountains towns of Cabramurra, Khancoban and Talbingo had totally satisfactory ABC and Commercial TV reception and what they regarded as adequate Commercial Radio. The communities asked the Snowy Mountains Authority whether, to mark the 40th anniversary of the start of the Scheme, it would be possible to find a way of making ABC Radio available. Within a mater of months HACBSS facilities were installed and ABC radio channels made available via the Translators. Subsequently Khancoban used the facliity to access SBS Television, some 10 years before SBS became available to the 30 000 residents of Bega Valley Shire and its many visiters.

An example generally regarded as the appropriate use of technological change to achieve an outcome well received in Regional and Rural Australia was the decision to use UHF to broaden the coverage of Commercial Television. In Feb 1985 the then Minister for Communications announced the Governments' 'in principle' decision to make 3 Commercial TV Channels and 'adequate' radio services available to 'every Australian'. In May 1986 the Minister released detailed plans for Television Equalisation (2 Channels in Tasmania) which was to be completed within 10 years. Considerable care was taken with choice of channels to avoid interference between stations and the 10 year timetable was achieved. There were none of the interference problems that appear to be occuring in Regional areas during the early days of Digital Transmission.

An example of an initiative which appears to have had some success in Metropolitan Areas but almost none in Regional and Rural Areas is the 1986 attempt to stimulate the growth of Ancillary Communications Services (ACS). They can include services such as Teletext, B-MAC sub carriers and Terrestrial microwave Multipoint Distribution Services(MDS). In September 1986 the then Minister for Communications announced regulatory approval for the introduction of Video and Audio Entertainment and Information Services (VAEIS). These were services which provided programming directed at identified categories of end users in non-domestic locations such as hotels, motels, registered clubs, hospitals, schools.TAFE and universities. The service could be provided via Satellite, MDS and/or Terrestrial telecommunications and the guidelines tabled in the Parliament in October 1986 formed the basis for what was described as a 'self regulatory code'. There is no doubt that it proved popular with registered clubs and with the TAB but Regional and Rural Australia has seen few examples of other applications.

BSDWG understands that, as a result of the Broadcasting Inquiry, the Commission is familiar with similar examples that occured during the 1990's. It should not be assumed that linkimg Pay TV and Telecommunications would inevitably prove to be beneficial.

#We have not been able to establish whether the proposal which was put to the 'Besley' Inquiry included a specific example of the structure of the Pay TV service whch might be provided.

BSDWG is aware that most, if not all, Pay TV operators offer a core suite of channels with extra channels available, at additional cost. These extra channels are not available without the core suite. .

For example late last year a member of BSDWG received a brochure from FOXTEL which provided details of the Channels offered in the 'Basic Package' - including ABC, SBS, Seven, Nine and Ten, (although the source of the feed is not identified) - and details of the additional options. For a 12 Month Contract the 'standard' installation price was $29.95 the Monthly subscription options were 'Basic Package' $37.95, 'Movies' $10, 'Entertainment Plus' $9.95 and 'World Movies' $6.95. Thus for any subscriber to the 'Basic Package' the annual cost is some $350. For any one who has adequate reception of the five free to air Broadcasters and whose real interest might be 'World Movies' the annual cost would be some $440.

From BSDWG's perspective this approach seems to verge on Third Line Forcing and although it appears to have been approved for Metropolitan Subscribers our experience suggests that it might be prudent to establish whether ACCC would take the same view outside Metropolitan and large Urban areas.

For some years ACCC has taken the view that Woolworths can provide discount dockets to their Belconnen and Dickson customers which can be used in Woolworth's 'petrol plus' outlet in Cooma, 130km away, usually during travel to or from the Snowy Mountains. Conversely although Merimbula is also 130 km from Cooma Woolworths are not required to provide this facility to customers of their Merimbula store. They must spend at least $30 in one of Woolworths Cooma Stores to obtain access to discount dockets.

A major source of employment in S.E.NSW is summer tourism on the coast and winter skiing in the Snowy Mountains. A significant percentage of the workforce relies on access to the two locations to generate income. An ability to ski is frequently a precondition of winter empoyment.

BSDWG believes that this example of selective approval of third line forcing works to the disadvantage of people based on the South Coast.

It would be prudent to check the ACCC's attitude with regard to Pay TV Services in Regional and Rural Areas. At the same time it might be useful to clarify their attitude with regard to the feed for the five free to air channels. Would it be acceptable if the feed was derived from the Network Source or from the Capital City Station as opposed to the Regional Station.

#BSDWG was disappointed that the Commission did not accept our 1999 suggestion that the use of 'mean'/'average' data on such matters as individual or family income is frequently misleading and that 'median' data should always be used. The issue is also of concern with respect to the present inquiry.

In 1998 NIEIR drew attention to changes in income distribution in regional Australia from 1986 to 1996 measured by data from the ABS Census. Gross adult incomes for the regions were divided into three annual income ranges; under $25K, $25K to $50K and over $50K. These incomes were then standardised into $ 1991 and finally the percentage movements of adult

incomes between the three ranges were considered.

Understandably there are differences between regions in the scale of the movements but, in all cases, there has been an increase in the percentage of annual incomes below $25K, a small increase above $50K and a marked decrease in the $25K and $50K range. On the other hand the data shows that the core metropolitan areas are experiencing large shifts towards adults earning more that $50K.

In regional areas the percentage of adults earning below $25K pa varies between a low of 71 and a high of 88. Most regions hover around 80%.

Last year the Hunter Valley Research Foundation undertook a study of Household Expenditure Patterns for Merriwa Shire. The study was funded by the Commonwealth's Regional Assistance Programme.

In March 2000 the Shire had a Labour Force of 885 of whom 53 were unemployed. The study undertook a telephone survey in February 2000 of 310 residents of the Shire who were responsible for their households shopping. Data was obtained on expenditure inside and outside the Shire under five categories Groceries, Clothing and personal items, Furniture and appliances, Personal services and Professional services. The agregate data is presented in the third attachment to this submission.

On an annual basis the 'average' expenditure per household is
        Groceries $5 570; Clothing and personal items $3 676;
        Furniture and appliances $972; Personal services $995 and
        Professional services $1 462
for an aggregate of $12 675.

It seems difficult to believe that an additional annual expenditure of at least $350 could be accomodated within this aggregate. It does, however, help to explain the popularity of brand new Television sets selling for $199 and the continued demand for second hand sets costing about $50.

In summary the median household income in Regional and Rural Australia is certainly less than $25 000 pa and may be as low as $21 000. It seems unlikely that combining Pay TV with Telecommunications Services will materially improve the penetration of either in Regional and Rural Areas.

BSDWG notes however that this conclusion may be in direct conflict with that reached in the Commission's Broadcasting Report.

If the Commission is satisfied that Analogue services in Rural and Regional areas can be switched off on1 January 2009 without massive disbenefit to most of the one third of Australians who do not live in Metropolitan and Urban areas then we believe that it must be based on unpublished data which shows that the written down value of the domestic infrastructure and the short term cost of replacing it with digital equipment is somehow within the disposable income of families with median household incomes of some $21 000. It would course also rely on unpublished data

that shows that the cost benefit of using the existing spectrum is greater, in socio economic terms, than reallocating part of the existing Radio Frequency Band, within the Electro Magnetic Spectrum, so that more bandwidth can be made for broadcasting.

Executive summary

The study and overall results

- This document presents the results of the telephone survey in February 2000 of 310 residents of Merriwa Shire who were responsible for their households' shopping. The aims of the survey were to determine the average proportion, and dollar amount, of total retail expenditure made within and outside Merriwa Shire; assess the general level of satisfaction with shopping in Merriwa; and determine the reasons why householders did not shop for specified items in Merriwa.

- The table below provides details of retail expenditure on each of five specified items, including expenditure in, and expenditure leakage from, Merriwa.

Total retail expenditure inside and outside Merriwa

	Average expenditure			Total expenditure			Prop'n outside Merriwa
	Inside Merriwa	Outside Merriwa	Total	Inside Merriwa	Outside Merriwa	Total	
Per week							
Groceries	$54.62	$52.50	$107.12	$48,120.22	$46,252.50	$94,372.72	49%
Clothing and personal items	$35.92	$34.77	$70.69	$31,645.52	$30,632.37	$62,277.89	49%
Furniture and appliances	$3.63	$15.06	$18.69	$3,198.03	$13,267.86	$16,465.89	81%
Personal services	$12.86	$6.27	$19.13	$11,329.66	$5,523.87	$16,853.53	33%
Professional services	$14.17	$13.95	$28.12	$12,483.77	$12,289.95	$24,773.72	50%
Total	$121.20	$122.55	$243.75	$106,777.20	$107,966.55	$214,743.75	50%
Per year							
Groceries	$2,840	$2,730	$5,570	$2,502,251	$2,405,130	$4,907,381	49%
Clothing and personal items	$1,868	$1,808	$3,676	$1,645,567	$1,592,883	$3,238,450	49%
Furniture and appliances	$189	$783	$972	$166,298	$689,929	$856,226	81%
Personal services	$669	$326	$995	$589,142	$287,241	$876,384	33%
Professional services	$737	$725	$1,462	$649,156	$639,077	$1,288,233	50%
Total	$6,302	$6,373	$12,675	$5,552,414	$5,614,261	$11,166,675	50%