SaskTel International

Submission to the Productivity Commission's

'Review of Telecommunications Specific Competition Regulation: Additional matters under reference'

Submitted by Saskatchewan Telecommunications International, Inc.

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Summary

This submission provides general comment in response to the Productivity Commission's "Review of Telecommunications Specific Competition Regulation" Issues Paper 2 "Additional matters under reference" issued on January 8, 2001.

SaskTel International submits the following points:

1. ***The current access regime in Part XIC and the anti-competitive conduct and record keeping rules in Part XIB of the Trade Practices Act, 1974 has not and will not lead to the development of competitive broadband access network alternatives to Telstra.***

The current access regime best supports a "wholesale" or "resale" model under which competitors resell services offered using the incumbent's infrastructure. While access to the incumbent's network is necessary to assist in the development of competition, it will not in itself result in the emergence of strong competitive alternatives. Some of the reasons are as follows:

- Service providers who rely upon the networks of others are dependent on their supplier's cost structure. Even if there is margin available at the time they enter the business, competitors will ultimately face pressure on their margins as competition results in a market price decline and they find they cannot manage the underlying costs of their business.
- Resellers cannot differentiate their product offering sufficiently to master their own markets because they rely on their supplier's technology.
- The new entrant cannot develop a customer service ethic that will differentiate their business from the incumbent's as they rely on their supplier's customer services, maintenance services and operations and repair services.

Resale based competitors will always be weak competitors. Competition policy must reflect this business reality. If the benefits of competition are to be realized, facilities based competition must be recognized as the only sustainable model.

2. ***The Federal government needs to clearly articulate the telecommunications specific objectives it desires to achieve in all markets with its competition policy and it needs to provide a regulatory environment that will support attaining those objectives***.

Effecting competition policy requires balancing differing interests. The balance of policy options and regulatory initiatives chosen to promote competition may differ from market type to market type across a country. Developing the telecommunications infrastructure necessary to compete with an incumbent requires a significant investment over a prolonged period of time. The current balance of policy and regulatory initiatives will definitely affect a potential new entrant's investment decision. While they can be expected to take business risks, it is unreasonable to expect investors to accept regulatory risks while committing their funds to the development of competitive services. The lack of development of competitive local access networks since the introduction of the new regime in 1997 is symptomatic of the regulatory risks and barriers that potential new entrants face when entering the Australian market.

The Australian regulatory environment is very uncertain at the present moment. Basic necessities for interconnection and competition with the incumbent, such as the cost of originating access, are subject to appeal. Interconnection prices resulting from access disputes arising almost two years ago are still under appeal. Even if the appeals were complete, the industry would not benefit because the decisions are private matters between the two litigants. Services a new local exchange carrier would require from the incumbent have not been declared.

If the government truly desires to improve the competitive environment and promote the development of competition in local access networks, it must make its intentions known and take policy steps to support the desired objectives.

The communications industry requires a specific regulator with powers to investigate, make decisions and take actions to implement government policy. Currently, new entrants must negotiate commercial agreements with Telstra and pay television content suppliers. These parties often compete with the new entrant and, therefore, have no interest in reaching commercial terms. New entrants have recourse to the general competition law to pursue their commercial objectives, however, general competition law is ill suited to effecting pro-competition policy. In fact, some actions that would tend to effect competition (e.g., choosing to offer time limited exclusive operating franchises as Britain did, or making a private commercial agreement generally known and available to all) may be contrary to general competition law. Furthermore, pursuing remedies under the general competition law is a private remedy available to only those new entrants with the deepest of pockets should an incumbent decide to avail itself of all of its statutory and legal rights. Once the regulatory body is created, its decisions should be public and applicable to all others in the industry.

3. *The Federal government cannot implement competition policy initiatives that have a detrimental affect on its financial interests or the financial interests of other Telstra shareholders while it owns a significant portion of Telstra.*

The Federal government is in a conflict of interest position as it currently acts as both regulator and majority owner of Telstra. It appears that anything the party in power at the Federal level does that adversely affects the value of Telstra will adversely affect the value of the Telstra shares and make the voter/shareholder less likely to support the governing party. If the party in power desires to be re-elected it will be reluctant to act in a manner that may alienate the significant Telstra shareholding portion of the electorate. It is a logical conclusion then that the current state of government ownership of Telstra is contributing to the delayed development of competition in telecommunications markets and to the slow and difficult introduction of new services in Australian markets.

Telstra continues to generate monopoly level profits. This is evidence that the current telecommunications competition policy has not succeeded. It appears that the Federal government has chosen to maximize the short-term financial return it receives from its ownership of Telstra at the expense of the more general, indirect and long-term benefits that the entire population of Australia would enjoy from the development of an effective telecommunications competition policy.

As long as the Federal government owns a significant portion of Telstra it must choose between the competing interests of:

- maximizing the return from the Telstra asset (through policy initiatives which tend to lessen competition) versus
- increasing competition in telecommunications markets and ensuring equitable service to regional areas (through policy initiatives that tend to promote competition at the incumbent’s expense).

4. To promote competition in telecommunications markets across all of Australia, the Federal government must implement a consistent regulatory framework across all levels of government.

The Federal government has chosen to make it relatively easy to acquire a telecommunications carrier license, but, by not giving carriers any utility powers, has made it very difficult to build a network. New entrants must obtain planning consent from all councils in their chosen build area, each of which has its own expectations, regulations, processes and costs. Alternatively, at least in the case of New South Wales, they may have their project deemed to be State significant and obtain planning consent through that avenue. To the extent that any such consent is needed, the current regulatory structure will favour the dominant incumbent that has a network in place. The time and expense associated with pursuing the Development Application(s) introduces an element of risk into a business case that tends to impede the introduction of competition. It does this by causing new entrants to refrain from starting their construction projects until the Development Application has been approved and its terms and conditions are known. This delay and cost inevitably works to the advantage of the dominant incumbent and tends to at best delay the introduction of competition.

Building a new telecommunications network is a very costly undertaking. Under the current regulatory structure a new entrant must reach commercial terms for access to necessary infrastructure with a power company, as they are the owners of the poles on which a telecommunications network can be economically built. In addition, new entrants are faced with the prospect of paying a charge to local councils for the space that cables occupy. Negotiating fees and charges that these agencies levy also contributes to delaying the introduction of competition. It is not without reason that no private company has been able to start a competitive alternate access business since the advent of the new regulatory regime. The lack of carriers' rights amounts to a prohibitive disadvantage to new entrants.

Furthermore, to the extent that the local power company charges the new entrant for access to infrastructure and not the incumbent, or to the extent that the new entrant faces local council levied costs that the dominant incumbent does not face, the new entrant is at a competitive disadvantage in its cost structure. There is also risk that the new entrant will find the commercial arrangements or licensing fees of either the power company or the councils increasing over time. For a new entrant this means once network construction has begun, it cannot recover its investment until the network is built or the business is sold. The policy path the Federal government chooses to promote competition should not be subject to variation by State or council policy or regulation.

5. ***To increase the level of competition in telecommunications markets, the Federal government must introduce legislation that will make telecommunications infrastructure, pay television content and Internet connectivity readily available to competitors and on terms and conditions that do not favor the dominant incumbent(s).***

Building a new telecommunications network is a very capital intensive undertaking. Economies of scale and scope are necessary to support a new entrant. New entrants must be able to offer a full complement of telecommunications products and services including pay television content and Internet connectivity at competitive prices. As long as the new entrant cannot gain the necessary content at reasonable prices and in a reasonable time, a vertically integrated incumbent has an unfair advantage. Current pay television programming arrangements must be reassessed. The ability of new entrants in regional markets to compete with Telstra is hampered by the fact that Telstra and FoxTel have chosen not to make content available to new entrants who desire to construct new networks, develop their own service offering and compete with Telstra. This circumstance needs to be re-evaluated in order to foster healthy competition and broaden consumer choice.

Background

SaskTel International is a wholly owned subsidiary of Saskatchewan Telecommunications, a telecommunications company that has been providing communications services to the residents of Saskatchewan, Canada for almost 100 years. SaskTel is the incumbent telecommunications service provider in the province and is 100 per cent owned by the province. Despite its ownership, it is still regulated by the Canadian federal telecommunications regulatory body. Among the many characteristics that make SaskTel unique is the fact that it is the last major telephone company in North American that remains government owned.

SaskTel provides service to an area covering over 640,000 square kilometres, serving a population of 1 million people in 380,000 homes and farms and 35,000 businesses. Saskatchewan’s two largest cities, 250 kilometers apart, have populations approaching 200,000 and urban areas consisting of nearly 80,000 homes respectively. The remaining Saskatchewan cities, ten in total, have populations between 5,000 and 35,000, and between 2,200 and 15,000 homes respectively. The balance of Saskatchewan’s population live on farms or in towns with populations under 5,000 - these towns and farms are dotted throughout the southern half of the province. The northern half of the province is largely uninhabited with a population of 50,000 mostly aboriginal people living in very small settlements dispersed throughout the north.

The province’s vast geographic area and its widely dispersed population also distinguish SaskTel from most other North American telecommunications service providers. In fact, SaskTel has the lowest number of telephone accesses per kilometer of network infrastructure in Canada.

In spite of, or perhaps because of public ownership as well as Saskatchewan’s challenging geography and population density, SaskTel has achieved a number of significant firsts in the deployment of advanced technology and the implementation of service improvements to the people of Saskatchewan:

- SaskTel was the first telephone company in Canada to have a fully digital network;
- SaskTel was the first telephone company in the world to offer a commercial high speed Internet service based on Digital Subscriber Line (DSL) technology;
- Building on its network development and desire to improve service in rural and regional areas, SaskTel has been at the forefront of offering universal Internet access to urban and rural customers;
- SaskTel built and operated cable television networks in Saskatchewan. When the regional and rural nature of the province proved to be a barrier

to cable television operators building networks and providing service in Saskatchewan, SaskTel built cable television networks in the larger communities. It later sold these networks when they had acquired sufficient customers to be self sustaining and when the provincial and federal governments harmonized their telecommunications policy;

- SaskTel was the first telephone company in the world to introduce a long lines fibre optic network (deploying fibre optic transmission capacity to carry video and voice traffic in the early 1980's);
- With its Rural Individual Line Service program of the late 1980's, SaskTel was the first Canadian telephone company to eliminate multi-party lines, providing each resident of southern Saskatchewan with the benefits of an individual circuit to the central office (e.g., separate ringing for each customer, digital feature functionality, Internet accessibility from each residence);
- SaskTel was the first telephone company in North America to amalgamate local telephone exchanges and expand local calling areas in rural regions while preserving the customers local identity.

SaskTel's global experience

SaskTel has adopted a diversification strategy to offset the adverse affects of competition in home markets, and SaskTel International is a key component of this strategy. Since its establishment in 1986, SaskTel International has successfully marketed SaskTel's extensive operational and technical expertise worldwide. Its work has varied from working as the lead contractor on the installation of the telecommunications system for the Channel Tunnel project in England, to commissioning telecommunications switches for new entrants throughout the world, to providing advice and consulting services to governments and new entrants on six continents.

Through its varied work, SaskTel International has obtained significant expertise in advancing the development of telecommunications infrastructure and services in rural and regional areas. It markets and sells telecommunications facilities management software developed by SaskTel for small and medium rural, regional or dispersed telecommunications companies. SaskTel has also established regional offices in Tanzania and the Philippines, providing turn-key telecommunications networks and project managing rural telecommunications infrastructure initiatives in these developing countries since the mid 1980's.

Perhaps the most significant testimony of SaskTel International's experience in the development of rural and regional telecommunications infrastructures comes from the World Bank. It has asked SaskTel to provide policy and directional input as a recognized expert in the field of rural and regional telecommunications infrastructure development.

However, SaskTel International's work is not limited to developing countries. Significant capital investments in regional communications initiatives in first world countries occurred through its participation as the telecommunications partner in LCL Cable Communications in Leicester, England and in Saturn Communications in Wellington, New Zealand. Both LCL and Saturn successfully built and operated competitive broadband access networks in their respective regions.

Competition in SaskTel's home markets

SaskTel understands the benefits of competition and the use of competitive forces to enhance services throughout rural and regional areas. In its home markets, data services have been fully competitive since the late 1970's; terminal and cellular competition since the late 1980's; long distance and Internet competition since the mid 1990's; and local access competition since the late 1990's.

As a result of the market initiatives of its competitors, SaskTel has improved its customer service levels and introduced more competitive pricing and service offerings. Residents of regional Saskatchewan (those living in cities and towns of less than 200,000 people) generally have access to the same service levels, pricing and products as their counterparts living in the largest cities. Although rural residents continue to press for service improvements such as high speed Internet access, they have the same access to customer service, call and feature pricing bundles, general service offerings and dial up Internet as their urban and regional counterparts. Customer satisfaction levels throughout Saskatchewan have risen from pre-competition levels to current levels where customers are more satisfied with SaskTel now than when the corporation held a monopoly on providing services to Saskatchewan residents. Without hesitation it can be said that competition has improved service and product offerings throughout Saskatchewan.

SaskTel International believes that the knowledge and experience that it has gained from its roles as:

- the incumbent telecommunications service provider in a large regional and rural area;
- a consultant to businesses and governments on rural and regional telecommunications start-ups and infrastructure improvement programs;
- an infrastructure builder in developing countries; and
- an investor, builder and new entrant telecommunications service provider in developed countries;

uniquely qualifies it to observe and comment on the development of regional and rural telecommunications infrastructure and services in Australia.

As an incumbent service provider in its home market, SaskTel is acutely aware of the benefits that competition can deliver to markets, customers, the industry and the owners of the incumbent service provider. It is also aware of the economic and social costs to these interested parties of introducing competition in telecommunications markets.

Although SaskTel believes that the comments and observations in this submission are made from an objective point of view, it must be borne in mind that SaskTel would like to make an investment in regional Australia and thus be perceived to be in a position of promoting its own interests. The very fact that SaskTel has been looking to invest in Australia for a number of years has enabled it to draw on actual experience in developing its views on the state of telecommunications competition regulation in Australia.

Market development and regulatory issues in different markets

Practically, there are different drivers for the development of telecommunications infrastructure and competition in central business districts, highly urbanized areas, regional areas and rural areas. However, all would benefit from facilities-based competition.

It is SaskTel International's view that facilities based competition provides the only form of long term sustainable competition in telecommunications markets. The current regulatory model in Australia, with competition on the basis of access to a competitor's network or resale of a competitor's network:

- leaves service providers subject to functional capabilities and limitations of the technology choices of their competitors;
- burdens them with their competitor's cost base and perhaps and, even more detrimentally,
- burdens them with their competitor's approach to customer service.

As a result, competitors can only go where the incumbent wants to go and even then, only at the incumbent's speed. With this approach, regional and rural areas are in jeopardy in terms of their participation in the new economy in which an advanced communications infrastructure is required.

Central Business Districts (CBDs)

Central business districts represent a very large market opportunity in a very small geographic area. Central business districts are capable of supporting multiple facilities based competitors. Global telecommunications providers with access to world capital markets and global customers are ready, willing and able to compete vigorously for this business.

These competitors tend to have pre-existing relationships with their global customers, and they want to serve their customers in the international trading centers of the world. While they are serving these customers' needs, they see opportunities to expand their service offerings to the central business districts of these international trading centers. They do not need significant encouragement from the government to compete for this business. In order to ensure the quality of service from end to end, global competitors will prefer to provide their own access facilities to their customers.

Global competitors are generally not interested in developing regional or rural opportunities as their customers are not located in these areas. The financial return for developing such an area is too small by their standards.

Highly urbanized areas

Highly urbanized areas consist of a mix of high-density housing and secondary businesses or suburbs adjacent to the CBDs of the largest cities in a country. As competition for the global business customer in the central business district matures, competition will develop for the secondary business and residential customers in the high-density areas. Businesses pursuing this market will prefer to provide their own facilities, but will recognize the geographic dispersal of their customers and plan to serve some of their customer premises through facilities provided by others, including the incumbent.

The development of facilities based competition in the urban suburbs will depend upon the ability of competitors to realize economies of scale from the operation of their network and support systems and expand their service offering to other areas. The ability to offer a broader product portfolio over the network will increase the likelihood that they will expand to develop suburban areas. Ensuring that pay television content is available will help to support these businesses' ventures into suburban areas. As well, ensuring that a vertically integrated incumbent does not monopolize key pay television content is absolutely necessary to the economic viability of these businesses. Access to a power company's infrastructure, obtaining local council approvals and the possibility that these charges will increase remain issues.

Regional centres

Regional centers, the second tier cities and larger urban concentrations in a country, represent another market. Typically, competitors will pass through these locations as they connect the larger cities on their long haul networks. There are relatively few large businesses in these areas. Revenue per customer will be small and as such, large global organizations will invest very little to provide service there. It will often cost more to provide the access to a customer than the service provider is able to obtain in return. Facilities based competition will emerge in these areas only if a new entrant is able to develop its network and service offerings at a reasonable cost and to offer multiple services over its network. Because the market opportunity is relatively small, a smaller or regionally based telecommunications provider is most likely to be the type of telecommunications provider developing infrastructure in regional areas. The return is attractive to them, relative to their size.

Economies of scale and scope are necessary for a facilities based new entrant to succeed in regional areas. The economics of starting a new business require balancing a number of factors:

- There must be a sufficient number of residences and small businesses in a compact geographic area to result in a reasonable cost per home or business passed.

- Revenues must be sufficient to recover the costs of building the network, the necessary supporting infrastructure and cover ongoing operating costs.

All of this suggests that the new entrant must be able to offer more than one service over its network so that it is able to achieve economies of scope on its investment - deriving revenues from more than one line of business.

SaskTel's experience suggests that with an appropriate bundle of services, a new entrant can hope to acquire up to one third of the incumbent's telecommunications business, one half of the high speed Internet accesses and, with acceptable programming content, one half of the pay television market in the area. It takes a new entrant five to seven years to establish this presence. The new entrant must build 100 per cent of the area to acquire these businesses. The network construction costs must be spread over multiple product lines. The interconnection and pay television content costs must not be so high as to eliminate necessary operating margins. Experience has shown that a new entrant requires a minimum of 100,000 to 125,000 homes to support the business model, and, even then, the business delivers a return on equity significantly lower than that currently enjoyed by Telstra shareholders.

Ensuring that pay television content is available will also help to support a new entrant in suburban areas. It provides the new entrant with an additional revenue stream from the networks that they will be building. Ensuring that a dominant vertically integrated incumbent does not monopolize key pay television content is absolutely necessary to the economic viability of these businesses. A new entrant cannot rely on its competitors to deliver a product over the new entrant's network, particularly when the competitor is vertically integrated and controls the content. It will not use its best efforts to market and sell content delivered over a competitor's network. In refusing to make FoxTel content more generally available, it would appear that Telstra is motivated more by the benefits it receives from blocking the construction of competing access networks than by the opportunity to earn an increased return from its investment in FoxTel, which would benefit from broader distribution of content.

New, start up ventures in highly urbanized and regional areas require protection from the aggressive anti-competitive responses of the incumbent. Experience has shown that unsupervised incumbents will attempt to prevent a competitor from getting established in a market. The new entrant does not have established customer relationships that it is seeking to leverage, putting the incumbent at a competitive advantage if it chooses to compete on a regional basis. It must be noted that to even get into the business the new entrant must build a new network to compete with the incumbent. This takes a significant amount of time (a minimum of 9 months) during which the incumbent may sign customers in the area to longer term contracts and take other measures (such as creating or advancing technology deployment plans for the area) to secure that market only.

The incumbent already has a steady stream of income from the residential customers and businesses in the area, and it has a significant vested interest in protecting its market. It can take steps to improve its network, its service offering and its price earlier than planned or only in the areas being built by the new entrant. It may also choose to bundle services with other broadband services provided by the other broadband providers. All of these actions, and others that are appropriate once competition has been established, can strike the new entrant when it is most vulnerable, causing failure or lackluster performance in the marketplace, ultimately depriving consumers the benefits of competition.

Local or community based efforts are not likely to be successful in starting up a facilities based competitive alternative to the incumbent. A project of this magnitude requires a large capital investment, as well as significant telecommunications expertise and knowledge, which are typically beyond the abilities of an average community based enterprise. At a minimum a new entrant must design a network, obtain planning consent, as well as reach an agreement with an infrastructure access provider (typically the local power company). When this significant investment has been completed, the new entrants can begin to build its network, and develop network management and operations systems and infrastructure. While it is doing this, it must establish its brand, its initial product offering and its promotions and placement strategy, along with the development of customer acquisition, management and service infrastructure. In addition, it must develop head office procedures to deal with regulators, interconnectors and suppliers, and to provide all the financial support and administration necessary to run the business.

A regionally focused telecommunications service provider is not able to average its costs over a market the size of the incumbent's. Costs imposed by local governments in one region will amount to an entry barrier in as much as they result to a higher cost of doing business in that region as opposed to the incumbent, which can average its costs across the entire country. Businesses looking to provide service in regional areas are already faced with significant cost disadvantages compared to the incumbent. They will be serving a smaller serving area. They do not have the same economies of scale as does the larger incumbent. Imposing specific local costs only increases the cost disadvantage new entrant's face and will tend to make it uneconomic to develop the area.

New entrants in a regional area require regulatory certainty. Regulatory policy and procedures must be established, evaluated and found to be acceptable before a new business will enter the market. Smaller entrants do not possess the necessary resources to engage in a prolonged regulatory battle against an entrenched incumbent or to accept the risks and uncertainty that relies upon general competition law to achieve what is the desired social policy of a government. This can best be achieved by a policy oversight of the incumbent, either by a specific regulator, specific legislation or a specific minister charged with responsibility to make conditions favorable for competition to develop. In addition, the new entrant requires a level playing field with respect to costs. It cannot be expected to pay costs in its operating area that exceed the costs that are payable by the incumbent. This means that a national policy must be developed for access to infrastructure and access to public spaces.

Rural regions

Rural regions represent a much different market. Typically they consist of farms or ranches and their supporting communities located in rural areas. Rural regions can also include remote industrial locations such as mines or power utilities. The homes and businesses in these areas are widely dispersed. The businesses may be large, but they and the surrounding population are not large enough to warrant the cost to construct a competitive network to provide service to the area. Obtaining telecommunications service for the remote location should be part of the economic decision that business owners address when assessing whether their project is viable or not. Providing telecommunications services to the rural residents is best served by alternative technologies or by the incumbent receiving a contribution through to their high cost via a universal service funding mechanism.

SaskTel Experience in Australia

SaskTel has been considering an investment in regional Australia for almost three years. Much of its activities are subject to confidentiality agreements, but it can offer some information by way of example as evidence of the regulatory issues that a potential new entrant faces.

Market readiness

Market research conducted by SaskTel has shown that the regional markets are very anxious to receive the benefits of competitive telecommunications services. The research results are consistent with results that SaskTel has seen in other markets where it has invested. As time passes and Telstra girds itself for the introduction of true competition, the willingness of SaskTel as a new entrant to enter the market declines. The fact is that SaskTel is not aware of any other qualified businesses looking at establishing competitive local access networks even given the strong demand.

Telstra difficulties for interconnect

SaskTel attempted to obtain indicative pricing from Telstra for services that it feels are necessary to enter business as an alternative access provider. Telstra would not enter into negotiations without a confidentiality agreement in place. Telstra attempted to include terms in the agreement that would prohibit SaskTel from discussing these matters with the Australian Competition and Communications Commission (ACCC). Telstra also declined to discuss services that SaskTel was seeking that were not declared services.

While SaskTel has been successful in world markets, it is not large in comparison to Telstra. SaskTel has the resources to build a network to compete with Telstra, but is reluctant to pursue its needs through the provisions of Part XIB or the *Trade Practices Act, 1974.* The time, expense and uncertain outcome have caused SaskTel to wait to see what the Federal government will do to correct the situation.

Access to infrastructure

SaskTel has found it very difficult to obtain access to infrastructure in a timely manner and on reasonable terms. Councils and power companies have introduced fees and charges that render the business case uneconomic. In some instances proposed fees have increased as discussions have progressed. It is understandable that both would be doing this as they have a duty to their stakeholders to attempt to extract the maximum economic value from the opportunity. There is very little economic value left in the business for the risk taking investors if new entrants must pay these agencies more than the costs they would incur in providing the necessary consents, accesses and supervision.

Access to pay television programming

SaskTel has had discussions with Optus and FoxTel regarding SaskTel acquiring pay television content for aggregation and distribution by a new entrant in the Hunter region. While Optus has indicated that it would like to assist SaskTel in acquiring content, FoxTel has not offered any assistance in this regard. SaskTel still does not have access to content from either pay television provider.

Conclusion

SaskTel has been assessing the possibility of making a network investment in rural and regional Australia since mid 1998. SaskTel International is interested in developing a facilities based alternative telecommunications service provider in the Newcastle - Lake Macquarie area. Successful development of this opportunity would likely lead to additional investment. The factors causing SaskTel International to delay entering the market have nothing to do with customer interest, technology costs, or construction difficulties, but with the current regulatory environment that does not appear to be designed to promote facilities based competition.

SaskTel International management would be much more comfortable recommending to its Board of Directors that it undertake investment in Australia if a supportive regulatory environment (including some or all of the following) existed:

- a clearly articulated government policy in favor of regional infrastructure development stated and promoted by a Federal government that did not have a conflict of interests;
- appropriate Federal legislation (including: carriers rights for construction and access to infrastructure, an industry regulator with investigative, determinative and coercive powers) supporting the policy objectives;
- protection from the incumbent's aggressive anti-competitive behaviors during its network build and initial marketing and sales period;
- access to pay television content, Internet connectivity and interconnection services were available to service providers at reasonable costs and in a non-discriminatory manner.

SaskTel International understands that the process of regulatory review can be onerous, however, it is vital that the regulatory model be reassessed if competition is to thrive in Australia. More importantly, without access to leading communication services, Australian residents, particularly those residing in rural and regional areas, will not be full participants in the new economy.