

INTERNAL MEMO

TO: BKW
Info: LW WE AP OB

FROM: BRP

DATE: 4 August 1993

FIBRE-TO-THE-HOME

I was asked by ATUG what our views were on the Government's proposal to initiate a fibre-to-the-home project.

Attached is a briefing note I put together and sent to George Maltby and Wally Rothwell who are due to meet the Minister today and discuss this.



BRP

BRIEFING NOTE ON FIBRE CABLE PROJECT

In ATUG's submission to the ROSA review in February 1990 we recommended that Telecom be structurally separated in three arms-length companies - one to provide **network** facilities (local and trunk), one to provide **services** (local, trunk (STD) and enhanced (value added)) and a third to provide and operate **CMTS (MobileNet)**^{Note 1}.

In the event, the Government decided to opt for accounting rather than structural separation. The success of this arrangement has been questionable to say the least. The COA/CAM has become something of a monster with a life of its own and it is doubtful whether it will ever achieve its purpose of ensuring that Telecom does price its products in accordance with the provisions of the Act, particularly those relating to competitive safeguards. The present Flexiplans controversy is evidence of this.

The difficulties experienced by OPTUS and AAPT in negotiating interconnect agreements with Telecom and the operating problems associated with Telecom being both owner and user of the CAN, should be more than sufficient reason for the Government to give very careful thought to the ownership of a future fibre cable distribution network.

Even with the best will in the world Telecom will **never** be able to convince its competitors that it treats them and its own internal services units in an even handed manner. The recent problems with OPTUS' congestion have left a bad feeling around that Telecom is playing "hard ball" with competitors. AAPT has had its share of difficulties in dealing with Telecom staff responsible for operating and maintaining the CAN. After many months the problems experienced by AAPT in connecting its customers to its network via the "1414" access code appear no closer to resolution.

Note 1 "Telecommunications Policy: Increasing efficiency through competition"; ATUG Submission; page ix and Table 1.

2.

Looking at future developments such as multi-media, pay TV and PCS, current network problems like interconnect and congestion pale into insignificance beside the difficulties which will be faced by future competitors should Telecom be authorised to provide, operate and use the new fibre infrastructure.

With the experience of almost two years of competitive provision of services behind it, the Government must give consideration to a different type of industry arrangement for providing and operating the proposed fibre cable distribution network.

ATUG should propose a stand-alone company whose responsibility is to provide and operate an efficient and cost-effective fibre distribution network which will meet the needs of Australian service suppliers and users into the 21st century.

This company must not be owned or dominated by any one organisation or individual to ensure it will provide non-discriminatory access to all who need to use the capacity it will provide.

Intelsat provides one model which could meet this requirement with carriers, service providers, manufacturers, etc and public institutions taking equity positions. The company could sell capacity to users on a commercial basis at rates approved by AUSTEL.

No doubt there are many other models which could be considered. Two examples are:

- ◆ A co-operative owned by carriers and service providers with restrictions to prevent any one company becoming dominant.
- ◆ A public company with a limit on any individual shareholding.

SUMMARY

The proposed fibre distribution network will have greater impact on the provision of public telecommunications and media services in the next century than even the introduction of competition under the 1991 Act.

With the best information available to us today we can only get a brief and distorted glimpse of the plethora of services which will emerge over the next 30-50 years. We must not jeopardise the development of these by putting the essential infrastructure which will underpin many of them, in the hands of any company whose interests are other than operating it to the maximum benefit of all Australians.

No one carrier or service provider is capable of doing this - there is a clear cut case for total separation of network and service provision and operation.

Brian Perkins

3 August 1993