

Thank you for the invitation to come back and address the ATUG Regional Conference 2007.

I'm pleased to say that telecommunications policy, and Australia's broadband performance in particular, has not fallen in priority as a political issue since the last time I addressed the ATUG Regional Conference.

Since the last time I addressed an ATUG Conference, Labor has announced its plans for a world class National Broadband Network.

Labor's plans for a National Broadband Network sets out a vision for the construction of a national fibre to the node network delivering access to a minimum baseline service of 12mbps to 98% of Australian homes and businesses.

To realise this vision, Labor has committed to making the regulatory reforms necessary to deliver the private sector investment necessary for such a network as well as committing up to \$4.7 billion in public equity to ensure the network reaches 98% of Australian homes and businesses.

Labor has recognised the need for regulatory reforms to facilitate the roll out of a national fibre to the node network for almost two years.

The existing telecommunications regulatory regime has delivered significant benefits for Australia in providing access to Australia's legacy copper network.

However, to deliver the new investments needed for a fibre future for Australia we need new infrastructure access regulation.

Labor has made it clear many times that we believe in delivering outcomes for the telecommunications sector, not mindlessly clinging to the regulations of the past.

As such, we've said that we'll make the reforms needed to facilitate the roll out of a National Broadband Network consistent with two fundamental principles:

1. Genuine open access to the network to guarantee healthy competition in the sector; and

2. Upfront investment certainty so that investors know the pricing regulation they will face before they invest.

Labor has said that genuine open access in a FTTN world would require:

- Equivalence of access charges; and
- Full scope for access seekers to differentiate their product offerings by allowing technical customisation of access speeds, quality of service and contention ratios.

Labor has also said that delivering upfront investment certainty would involve prospectively agreeing regulated access prices at a level that ensured that costs can be recovered and a commercial return can be made.

These dual commitments to open access and investment certainty provide an appropriate framework for the future of telecommunications access in a fibre to the node world.

Within this framework we've asked the telecommunications industry to publicly tell us the regulatory reforms necessary to facilitate this investment.

Labor has established this process to allow the various requests for regulatory reform that have been made by those proposing fibre to the node investments to be laid side by side and publicly compared.

The major problem with how the government has allowed the debate over the roll out of fibre to the node to unfold in Australia has been the total lack of transparency the public has been forced to endure over the past 18 months.

The secret negotiations between Telstra and the ACCC and now Telstra and the government have created wide spread industry anxiety and distrust.

More recently, the private discussions between the ACCC and the G9 and the continued failure of the group to publicly reveal the terms of its special access undertaking are beginning to have similar effects.

Labor is committed to ending this collective Kremlin watching and exposing the various FTTN proposals to public exposure.

By making the details of the various FTTN proposals public, a competitive dynamic could be expected to emerge between the proposals.

That's why Labor has committed to setting up a public competitive process to determine the fibre to the node proposal that best serves the national interest.

Labor's policy provides a regulatory roadmap for resolving the investment gridlock that has emerged in the Australian telecommunications industry under the Howard government.

By bringing the details of the various fibre to the node proposals into the public Labor has outlined the responsible way to deliver this critical economic infrastructure for Australia.

Labor's road map for delivering a National Broadband Network is based on the belief that it is possible to both

protect competition in the telecommunications sector while also encouraging competition.

However, this will only be possible with government leadership.

Since the announcement of Labor's plans for a National Broadband Network, there have been a series of international reports highlighting the need to act now to fix Australia's broadband infrastructure.

A recent study by the American Information Technology and Innovation Foundation has found that average Australian broadband speeds are ranked just 26th out of the 30 countries regularly surveyed by the OECD.

In a similar vein, the recently released World Competitiveness Yearbook, jointly compiled by the Swiss Business School IMD and the Committee for the Economic Development of Australia (CEDA) ranked Australia just:

- 21st for the quality of our technological infrastructure;
and

- 36th on the ability of the nation's communications infrastructure to meet business needs.

Overall, CEDA ranked Australia just 16th in the world for the quality of its economic infrastructure.

The Economist Intelligence Unit recently found that Australia's 'e-readiness' fell to 9th in the world this year on the back of the Australian government's 13th place finish for the government's ICT "policy and vision".

Finally, and most famously, the OECD rankings of entry level broadband take up showed Australia moving up just one place to 16th out of 30 surveyed countries.

What has been the Minister's response to these figures?

Typically for the Howard government, the Minister's only response has been to direct the ACCC to stop collecting its own broadband statistics in its quarterly Broadband Snapshot.

Apparently the Minister is unhappy that these ACCC figures show that Australia's broadband growth rate fell in every quarter of 2006.

Presumably she is also unhappy with the fact that Australia's broadband growth rate in September of 2006 was the slowest since 2002.

In addition, the Minister has launched a multi-million dollar advertising/propaganda campaign to talk up Australia's broadband performance that will run until the election.

However, these efforts at information suppression and propaganda generation will not be enough to turn around the entrenched perception of Australia's status as a broadband backwater before the federal election.

The limitations of the government's propaganda efforts combined with the public pressure the Minister is currently under to respond to Labor's plans for a National Broadband Network, mean that the Minister will take real action on broadband sometime between now and the election.

The absence of any initiatives on broadband in last week's Federal Budget indicate that this action will come on the regulatory front.

Presumably the reason that investment in broadband infrastructure was utterly ignored in the budget is because the Minister believes she'll be able to 'fix' this issue with a behind closed doors election year deal with Telstra.

Until recently the Minister has fought a ferocious fight in favour of the regulatory status quo in Australia.

In fact, Senator Coonan has insisted that the *"prospects are reasonable that there will be an opportunity for a provider or a group of providers to roll out a fast fibre network very soon, within three years"* and that the provider will *"probably will be Telstra"*

This claim must have come as a surprise to many in the industry given that Telstra's plans for a FTTN network have laid dormant since July 2006.

The Minister herself told the Senate on the 26th of February this year that QUOTE *“Telstra (had) walked away from”* its FTTN proposal.

IN fact, when Telstra informed the ASX that it couldn't proceed with its FTTN investment, Telstra Regulatory Policy head Phil Burgess stated that:

“The government needs to get its own policy house in order before there will be progress for all Australia on the FTTN talks.”

Mr Burgess was saying that government policy would have to change before Telstra would make its FTTN investment.

And yet, now the Minister is insisting that it is likely we'll see an FTTN network in the very near future – in fact she told the John Faine show that we'd see construction of the network commence before the next election!

Last year, before Labor had announced its policy for a National Broadband Network, the Minister didn't believe

there was any need for regulatory reform to facilitate investment in a national FTTN.

In fact, after the collapse of Telstra and the ACCC's FTTN negotiations the Minister told the Senate on the 17th of August 2006 that:

“If Telstra were actually concerned about this, they could have, if they wished, proceeded with their investment”.

So in August of last year, according to the Minister there was no regulatory impasse to the construction of a FTTN network.

She re-emphasised this on the 21st of March this year when she said:

“The regulatory environment that is currently provided is sufficiently flexible to deal with the issues that have been brought to government both by Telstra and by the current G9 proposals”.

Again – the Minister insists that no regulatory reform is needed.

However, come April, and under pressure from the overwhelmingly positive public response to Labor's plans, the Minister started singing a different tune, telling *The Australian*:

"It's important that we work through and ensure the particular regulatory concerns (of Telstra) are addressed."

"I could and should take a role in making sure the regulatory concerns of proponents are addressed."

All of a sudden, the Minister says she needs to be responsive to claims for regulatory reform.

In a similar vein, despite stating last year that :

"The Government will not be changing the USO. It was reviewed recently and will not be changed."

And further that:

“Telstra had no immediate plans for the network to extend to the remaining capital cities, large regional centres and rural areas in Australia.

Therefore, Telstra’s argument about the costs of providing a service to rural, regional and remote Australia is not relevant to FTTN.”

The Minister now says that *“You clearly need to look at what Telstra calls the rural deficit”* to facilitate the roll out of FTTN.

Last year the Minister says that there are no issues with metropolitan and rural and regional cross-subsidies, but this year, under political pressure, she has changed her tune and is saying *“You clearly need to look at”* it.

This is the context for the Minister’s behind closed doors discussions with Telstra.

The fact is that, given the Minister's previous statements, to even open the door to Telstra she has had to perform a whole series of broadband backflips.

Some of these backflips Labor supports – we've been arguing that the government must show leadership to facilitate the roll out of a FTTN network for some time.

But as I outlined to you earlier Labor's position on FTTN is public knowledge.

We've set out our parameters for the roll out of this network in a way that allows the cost of the network to be recovered with a commercial return and third parties to obtain open access to the network.

We've also committed to holding an open competitive process to ensure transparency in the development of the specific regulations that will apply in a FTTN world.

In contrast, the public has no idea what the Minister's current position on FTTN is.

As I have already noted we know she's performed a series of public backflips to even start these negotiations, but we don't know how many more backflips she's performed in private and how far these backflips go.

In fact, not even the Chairman of the ACCC, Graham Samuel knows what the Minister is offering up in these negotiations stating last weekend that

'the Minister's discussions (with Telstra) are something that we're not a party to'

and that the ACCC has not been *'privy'* to what has been discussed.

Mr Samuels comments over the weekend raise the question – *"Does the Minister have confidence in the Chair of the ACCC"*?

If so, why has she keeping him out of the loop of her private negotiations with Telstra?

Creating the policy framework for the Australian telecommunications regulatory regime is clearly a function of government, but why is the ACCC, the regulatory body charged with enforcing this regime, not even being consulted in these discussions?

What is the Minister trying to hide from Mr Samuel?

The public and the industry ought to be extremely concerned about these behind closed doors discussions.

The Howard government has a long history of performing election year backflips while under pressure.

The policy outcomes of these backflips have varied considerably.

Treasury Secretary Ken Henry warned Australia to be on the look out for 'bad policies' adopted in election years.

Senator Coonan should be watched especially closely in her FTTN discussions.

We know that the government is under pressure over its bungling of broadband infrastructure investment in Australia.

In this context it is reasonable to assume that the absence of government spending on broadband in the budget means that the government believes it will be able to cut a secret deal with Telstra to get this issue off the front pages.

The absence of government spending on broadband in this budget means the current telecommunications regulatory regime is well and truly on the table.

Labor agrees that the current regime is in need of reform as we move into a fibre world.

However, Labor has committed to a public, competitive assessment process that will allow proposals for regulatory reform to facilitate the roll out of a FTTN network to be evaluated.

The Minister for Coonan has given no such commitments.

The only things we know about the Minister's position on FTTN are:

She's made a procession of backflips on her previous policy positions.

She's said she believes work should start on a FTTN network within the next six months.

She's in secret discussions with Telstra over the future of the regulatory regime.

She's cut the ACCC out of the loop.

And it's an election year.

ATUG has been promoting its "Protect Australia's Competitive Telecommunications" campaign since early this year.

In the current context this campaign should pay close attention to what is currently going on behind closed doors in the Minister's office.

Before I finish today I would like to make one final point.

As I have discussed today, the Labor Party is committed to ensuring there is transparency in the debate over the future of the Australian telecommunications regulatory regime.

Part of this commitment to transparency is that at every forum I have attended since I started in my role as Shadow Minister for Communications and IT I have made myself available for public questioning at the conclusion of my prepared comments.

This has not been the Minister's practice.

I understand that the time demands on a Minister can be significant.

However, given that it is an election year, I call on the Minister to make herself available to answer public questions in forums like this in future.

As I discussed earlier, there are many in the industry and the general public with a number of questions for the Minister over what is occurring in the private negotiations she is currently engaging in with Telstra.

The public ought to be able to ask her about these negotiations in the same way they can ask me about Labor's plans for a National Broadband Network.

Thank you again for the invitation to address this conference.