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## PRIME MINISTER

TRANSCRIPT OF JOINT NEWS CONFERENCE WITH THE HON KIM BEAZLEY, MINISTER FOR TRANSPORT AND COMMUNICATIONS, PARLIAMENT HOUSE, 10 SEPTEMBER 1990

E & O E - PROOF ONLY

PM: Well as you know we've, what's come out of the Cabinet - and I've got a limit of about 15 minutes - I'll make a brief statement then I'll be available with the Minister for any questions you want to put.

Cabinet today has decided on the structures and certain details to accompany the decisions on telecommunications which I announced to you last Thursday. We've decided to adopt a model which involves a strong competitor to Telecom in all aspects of its network, facilitated by a pro-competitive regulation in the form of an upgraded Austel. Both network operators will compete internationally as well as domestically, with OTC forming the basis of Telecom's international facilities and with an unrestricted license for the new entrant.

The eventual merger of OTC and Telecom will take place in a time frame to be determined by Austel based around successful implementation of interconnection arrangements. I believe that interconnection is the heart of competition. In Australia we will ensure that the new network player in effect shares Telecom's network at a price which Telecom would charge itself.

With such a guarantee the new operator will have every incentive to enter the household market, providing benefits to individual consumers, particularly lower STD prices.

We'll have a full-on alternative to Telecom and it's the interconnect conditions which will guarantee it.

In summary we see the benefits of this decision in the following areas:

- . Lower STD prices
- . Greater international competitiveness for both Australia and its network players
- . Greater management and employee efficiency within Telecom

- . Increased opportunities for Australian equipment supply industries from telephones through to optical fibre
- . Increased R&D and early introduction of new technology, as this is one of the major means for the competitor to distinguish itself from Telecom.

We've also agreed that community service obligations will continue to be met. A price cap formula will also apply to ensure the consumers get a fair deal. And finally on the question of foreign ownership, the new competitor will ultimately be majority Australian owned.

Now that's the substance of the decision that's been made by the Cabinet today. I just make this comment before asking whether Kim would like to say anything; that there has been, as I've said in previous meetings with you, a long borne out, fairly public exposure of argument on this issue. I make no apology for that nor am I terribly concerned about it. It's important however, as I indicated to you that the Cabinet should before, and reasonably well before the conference on the 24th, make a decision on these basic matters so that the Party and the conference would know the position of the Government. We have now done that and I expect that the views and arguments of the Government will be found to be persuasive. Kim, do you want to add anything?

BEAZLEY: I think I'd just emphasise the point that you made, that we will have an extremely competitive arrangement emerge from this. But that competitive arrangement will do two things. Firstly, benefit consumers and secondly, ensure that our telecommunications system constantly renews itself and takes full advantage of new technologies. Ultimately, Australian industry's capacity to support telecommunications exports as well as the domestic industry, depend on that type of environment. It puts us in a position where other people, other countries, will be the object of our competitive activity instead of Australia, as it so often has been in the past, the object of other people's competitive activity here domestically. I think those are critical considerations. There are going to be enormous Australian industry benefits over the long haul as well as community benefits.

JOURNALIST: Just to clarify something, did you say that Aussat will be the basis of a new competitor? Is that what you're saying?

PM: Yes.

JOURNALIST: Did you get up your entire option, Mr Beazley, that this proposal was ...?

BEAZLEY: That wasn't the intention of this particular exercise. There is of course going to be a whole raft of

discussions within the Cabinet, between the Cabinet and other interested groups, between the Department and other interested groups as implementation goes through. I think one of the difficulties we've had with the conference process and with the consideration to this point is that in any country which has contemplated what we're doing - and only a few of them have to this point, though all are - what you see is a very long process of consideration and a very detailed process of consideration. Well obviously basic principles require settlement prior to conference. Absolute dotting the i, crossing the t's, is a matter that can only sensibly be contemplated in the sorts of processes that will go on after that.

JOURNALIST: Prime Minister, what have you left the conference now, either to repudiate the Government or wear this decision?

PM: There's now still something like a fortnight between the decision of Cabinet and the conference and there'll be a lot of discussion that will continue to go in that period. I would hope that by the time the conference is held there'll be a fairly clear understanding of the virtue of the Government position. Now let me make this point. It follows in a sense logically from your question. Neither I nor the Minister have pretended from the beginning of this discussion within the Party that one can be entirely dogmatic about any particular position and say that every virtue is contained in one particular position. There can be legitimate arguments about aspects of this area. I mean it is so complex that it is legitimate for there to be differences of emphasis and view. But the position of the Cabinet is that without question the decision that we've taken now will introduce into Australia an effectively competitive system which will ensure the maximum acceleration of the implementation in new technology in a way which will be of benefit to consumers and indeed we're not going to be prepared to operate on the basis of a pious hope of expectation of benefit to the consumers. Those requirements will be written into the actual arrangements that are made to give effect to the decision of the Cabinet.

JOURNALIST: Prime Minister, Martin Ferguson today has said that the ACTU won't wear the second network and ...

PM: Well I've seen these observations, Laurie, but I've been around a long time in this political and industrial Labor movement. I've seen assertions made about immutable positions but generally speaking I've found that people concerned are amenable to persuasion and in fact I think Martin Ferguson said in earlier discussion with the Minister that they were open to persuasion. Well it looks as though there's still a little bit of persuasion to be done.

JOURNALIST: What persuasion are you going to use then Mr Beazley to convince the ACTU that a second network is actually the answer? They seem to suggest that simply running two networks doesn't necessarily mean enhanced competition or is indeed the best way to go to ensure competition.

BEAZLEY: The ... ACTU are thoroughly well brought up and schooled in an economy which is competitive. They know very well that that is what they live with, basically in the entirety of the Australian industrial system. So the idea of competition is not something that they ever rule out or are completely uncognisant of the benefits of it. But what I will say to them is this; that it is actually that competition on the network which keeps people technologically up to speed. Often a sound business decision can be to optimise a technology already put in place or optimise your return on a technology that you've already put in place. Actually in the telecommunications area that can on occasions be a very bad decision. You can put yourself into a situation where over time your national technological base recedes and the opportunities that are available there to you, which are critical opportunities in the region in which we operate, also recede with that national technological base. And with that go employment opportunities and all the rest. With that competition also it means that telecommunications delivers the possibility of a lessening cost as an input to other businesses in the community and lessening cost at that level of course increases the opportunities for employment elsewhere. These are all to be fairly convincing I think and will be convincing when we discuss through these issues with the ACTU over the next weeks and days.

JOURNALIST: What can you tell us about the competitor to this Telecom-OTC merger, how much foreign ownership will there be initially and how much impost to buy Aussat or how much will it cost to competitors to get into the market and how will the process be ...?

BEAZLEY: A lot of that depends on the outcome of the tendering process. But the Cabinet decision is quite clear. Ultimately we expect majority Australian ownership. I think there is a realistic understanding it will be providing competition that outside Telecom there isn't an organisation in Australia with actually the experience of setting up an alternative network. And, having said that, does not mean that you cannot insist and make that a part of the tender but ultimately they become majority Australian.

JOURNALIST: Could it be 100% initially?

BEAZLEY: You could never have 100% Australian owned entity.

JOURNALIST: I'm sorry. 100% foreign ownership entity.

BEAZLEY: No. That was a notional view put as an outside possibility in the Cabinet submission that we put forward. It has never been my anticipation at any point of time that whoever was coming in was going to be 100% foreign owned. I mean that's just -

JOURNALIST: Is there another -

BEAZLEY: But nobody would be stupid enough to bid on that basis.

JOURNALIST: Is there an upper limit on it?

BEAZLEY: That of course is something that has to be worked through. But ultimately the maximum we'll tolerate is less than that and less than majority ownership.

JOURNALIST: Mr Beazley, what does ultimately mean?

BEAZLEY: Again that has to be worked through in the tendering process that we go through, the way in which we determine it, but as soon as possible we would have majority Australian ownership.

JOURNALIST: Will there be a cellular mobile phone license attached to Aussat as a sweetener for a ...

BEAZLEY: Cabinet has not decided on the positions related to cellular mobile telephone operations except one can say this obviously, and that is if an alternative network is there to compete with Telecom-OTC across the board, it must include a cellular mobile operation for the simple reason that that is already in Telecom's armoury, so to speak.

JOURNALIST: Mr Beazley, Austel is going to sort out a lot of the details it seems. Are you going to re-jig that body and if so, how?

BEAZLEY: I think Austel will certainly have to be strengthened in personnel terms and capacity, yes. ... to do this.

JOURNALIST: (inaudible)

BEAZLEY: I think those sorts of things we certainly will talk through with groups in the community.

JOURNALIST: Telecom and OTC will be 100% government-owned?

BEAZLEY: Yes.

JOURNALIST: Just on local calls, I just wanted to know what was going to happen there. You mentioned lower STD calls but what's your prognosis for local calls?

BEAZLEY: They will remain untimed and in addition to that they will remain subject to the capping arrangements put in place so there'll be no detriment.

JOURNALIST: ... will not be able to introduce timed local phone calls.

BEAZLEY: That's correct.

PM: Ok, one last question. What was it?

JOURNALIST: Mr Hawke, how much influence has the Treasurer had on the final package ...

BEAZLEY: A very considerable amount. He's made a very important contribution at every stage of the debate and he did again today.

JOURNALIST: Did he stay till the end of the discussions?

PM: Stayed longer than I did.

JOURNALIST: (inaudible)

PM: There'll be a preliminary consideration about the South East forests and a submission from Mr Griffiths. There would be a preliminary consideration today but he and Ros Kelly have to meet with their counterparts, NSW counterparts on Thursday and we'll consider it again on Friday.

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