

PARLIAMENTARY STATEMENT BY THE PRIME MINISTER  
TRANSPORT AND TELECOMMUNICATIONS REFORM  
8 NOVEMBER 1990



Mr Speaker,

I wish to announce today a series of decisions affecting telecommunications and aviation - decisions which will help turn these industries into world-class performers.

These decisions are yet another instalment of the Government's drive for micro-economic reform - a process that is creating a more dynamic and efficient Australian economy, an economy that can take on and compete with the world's best.

These decisions are also just one part - albeit a critical part - of this Government's agenda of reform. They fit closely with the progress made at the Special Premiers' Conference on improving the efficiency of the processes of Government throughout Australia, such as in the important area of rail freight. They fit closely, too, with our real and steady progress in making our waterfront more efficient.

All of this activity has one central goal - a vital goal for every Australian: to equip our economy to deliver to its citizens the quality of life to which they justifiably aspire.

For too long Australia was content to live with inefficiencies and low productivity in too many of our domestic industries. It is this Government's task vigorously and rapidly to sweep away those old arrangements and reshape our economy as a genuinely modern and competitive one.

That is the simple and unarguable logic that has driven this Government's commitment to, and achievements in, micro-economic reform. The sometimes arcane jargon of the micro-economic reform debate must not be allowed to obscure the urgency and importance of that goal.

Mr Speaker,

As I've indicated this is not the first time this Government has been able to report to Parliament on micro-economic reform - and it will most certainly not be the last.

However the decisions I will detail today represent perhaps our most significant achievement to date in this field. We have in the seven months since the election identified the issues in telecommunications and domestic aviation reform, consulted widely with those most directly affected by the changes, and formulated imaginative and bold policies.

I mention in passing, Mr Speaker, that we also managed to fit into this tight time-frame an historic Special National Conference of the Australian Labor Party which altered our Party's platform to accommodate these changes. By any standard the speed of the Government's action in this area and our persistence in pursuing change is proof of our commitment to reform of telecommunications and domestic aviation.

Above all, Mr Speaker, these reforms are marked by one special characteristic - they are real-world solutions to real-world problems. In this respect they are the antithesis of the half-baked ideas floated almost daily by the Opposition Leader and his frontbench colleagues. Our reforms CAN be implemented and they WILL be implemented.

It is my important duty today to outline these reforms to the House in the context of a broader progress report on the microeconomic agenda.

### Telecommunications

Mr Speaker,

For most Australian households, the telephone provides an essential lifeline to society; it is perhaps the most important instrument of modern life. For Australian business, it is literally an indispensable tool. It is no surprise that providing telephones and related equipment to Australians is a multi-billion dollar industry - in fact, it is one of our largest industries providing 143,000 jobs.

Telecommunications pose a number of unique challenges. The pace of technological change regularly sees the major advances of a few years earlier superseded by new discoveries. This can easily render regulatory structures out of date; it can also mean new export markets and employment opportunities can swiftly emerge for an efficient industry equipped to take them up.

So for Australia, we need to improve the efficiency with which we deliver telecommunications services within our country. It is equally clear that we must ready ourselves to take advantage of new export and job opportunities that will be created around the world, particularly with rapidly rising living standards in the Asia-Pacific region. The nations of the Asia-Pacific region have half the world's population but only 17 per cent of its 500 million telephones. Meeting the region's demand for new telecommunications services, servicing these vast new markets, poses an enormous opportunity for Australia.

So it is entirely right that this industry should be - as it has been - the subject of intense scrutiny and decisive action by this Government. Indeed we are taking one of Australia's biggest industries and reshaping it into a new, vastly more dynamic structure.

In 1987 and 1988, amid claims that sound familiar today about threats to Telecom jobs, we initiated a series of reforms allowing competition in the provision of customer equipment and value added services, and we established three far-reaching reviews which have resulted in today's major reforms.

These reforms may be divided into four parts:

- . establishing a new competitor;
- . developing new services;
- . strengthening the regulator; and
- . ensuring a strong publicly owned telecommunications company.

Each of these elements contributes to the same outcome: benefits for Australia that are potentially limitless. We will see massive new private investment in the Australian economy; an expansion - not a contraction - of total jobs; a fall in STD prices on major trunk routes by as much as 40 per cent; and the creation of substantial and enduring export opportunities.

The underlying conviction of these reforms is that introducing a new competitor into Australia will stimulate Telecom into lifting its performance for the customer - whether that customer is business or an ordinary household. But to ensure early benefits are obtained, it will be important to manage the first phase of competition carefully. In this first period with only one competitor to Telecom, AUSTRAL and the Trade Practices Commission will be able to ensure Telecom is not able unduly to exploit its entrenched position of great strength. If this duopoly is to serve its purpose and if the possibility of collusion is to be avoided, it must have a finite term. We have decided that after 30 June 1997 the duopoly will terminate, paving the way for there to be no limit on network competition.

AUSSAT will form the base for the new competitor and it will have unrestricted rights to provide all telecommunications services. Legislation to this effect will be introduced to Parliament this evening.

AUSSAT will be sold and the new competitor will be up and running before the end of 1991. The sale will be carried out by a Task Force responsible to the Minister for Transport and Communications, based in his Department, and reporting both to him and to the Minister for Finance.

All restrictions preventing AUSSAT from providing the full range of services will be removed by the end of this year.

Telecom's representatives on the AUSSAT Board have been directed to resign forthwith and the Government will purchase Telecom's shareholding at its commercial value as at 24 October 1990.

The new carrier will interconnect to the existing network at a price that will allow Telecom/OTC to recover the additional costs it incurs in providing facilities and services to the new carrier, and to underpin community service obligations.

Regulatory safeguards will be put in place to ensure effective competition:

- . We will require Telecom and OTC - separately, and after their merger into a new entity - to provide interconnection on an equal access basis to the second carrier for both domestic and international services;
- . We will subject Telecom/OTC to separate price caps for local, trunk, and international services;
- . We will ensure that Telecom carries and completes calls without diminution of quality on behalf of the second carrier, and provides it with all ancillary and supplementary services such as billing, operator and directory services, and full access to information about customers and traffic flows;
- . and we will insist on transparency in the financial transactions of both the new OTC/Telecom entity and the new carrier.

Our intention is to see new services develop both during the period of duopoly on the basic network and beyond.

During the period of the duopoly, up to 1997, a broad range of competitors to Telecom and the new entrant will be encouraged in markets other than the basic network.

First, we will licence a third mobile phone operator. The area of mobile telephony is booming; further technological and service improvements can be expected. It is, effectively, an alternative to local exchanges and, while expensive at present, it may, with further technological change, be the way of the future in telecommunications.

Additional mobile licences may be made available in 1995.

Second, and in support of the decision on mobile telephones, the Government has adopted the AUSTEL report on Cordless Telephone services, allowing unrestricted competition in this area.

Third, we will remove all restrictions on resale, including on domestic and international telecommunications capacity. There will be no diminution of the rights of existing operators in this area. Furthermore, AUSTEL will review the terms of resale, including the extent to which resellers can establish their own switching equipment. These changes will provide a major boost to value added service operators, their business clientele and to research and development efforts.

Fourth, as the first phone monopoly held by Telecom ends on 30 June 1991, the Department of Transport and Communications, in conjunction with AUSTEL, will bring forward a Cabinet Memorandum on the appropriate network termination point for both licensed carriers prior to any new carrier arrangements coming into place. Telecom will, in any event, continue to offer a first telephone.

Mr Speaker, the role of the regulator in conjunction with the Trade Practices Commission, in promoting early and effective competition will be pivotal.

In order to strengthen AUSTEL for this role, the Government has decided that AUSTEL's decisions on issues under its control will be absolute and final.

AUSTEL will be given the power and the resources to:

- . arbitrate on all interconnection charges between the two network carriers;
- . control numbering;
- . manage Australia's input to international standards;
- . prevent the misuse of market power; and
- . report annually to the Government on safeguards and their effectiveness, and, importantly, on customer satisfaction.

AUSTEL will also have a role in ensuring that Australian industry benefits from these changes without compromising the overall objective of improved services for consumers.

Mr Speaker,

Throughout our deliberations we have been determined to maintain a strong public-sector presence in Australian telecommunications, particularly because of its important role in discharging community service obligations. We will not place in the hands of future Treasurers or Ministers for Finance the responsibility for delivering services in areas where competition does not eventuate, nor do we expect a new philanthropic owner for Telecom could be found who would provide them.

We will not attempt to deceive the people of Australia into believing that such an option is practical.

We will ensure that the community's expectations are met: that prices fall in real terms across a range of services; that untimed calls continue to be offered to households; and that rural and remote services do not vanish.

Telecom operates, for principally domestic purposes, a well-balanced telecommunications network but it does not have a major export focus. In part, this is due to an artificial barrier between Telecom and OTC. This barrier will be removed by my Government, and a new corporate focus provided by merging the organisations.

That focus will have three basic purposes:

- . first, under the challenge posed by a new, privately-owned and fully-resourced competitor, to pass on to customers in the form of lower prices and better service, the huge productivity gains that are inherent in this industry's technological explosion;
- . second, to provide the basic opportunity for the new entrant to compete, encouraged both by the decisions of a newly-strengthened AUSTEL and the incentive created by the terms of the merger process itself; and
- . third, to market its combined strengths overseas aggressively and to pursue with much greater vigour than previously its undoubted abilities in research and development.

A fee will be paid to the Government as a result of the merger of Telecom/OTC. The level of that fee will be set by the Government in consultation with the new entity. It will also pay a fee for its mobile phone licence.

In order to ensure that interconnect and equal access arrangements between the carriers are not unnecessarily delayed, AUSTEL will have to certify that these are in place in all capital cities and will soon be available in provincial cities before the merger is finalised.

Until that time, OTC and Telecom will operate independently but with the benefit of an interim group board to oversee their collective operations in the transition to competition.

### **Aviation**

This month marks the beginning of deregulation, with the abolition of the Two Airlines Agreement.

By terminating this infamous relic of Coalition inertia, we have opened the door to dramatic growth in this vital sector of modern transport.

The latter-day converts to micro-reform who sit opposite displayed their true colours when they were in Government with their consistent failure over decades to remove this Agreement. They were responsible for slowly strangling domestic aviation and pushing high costs onto the Australian consumer.

As a result of our decision to terminate the Agreement, we see new services, lower prices, a new airline - hard evidence of the value of the decision to Australian consumers.

In order to strengthen the hand of current and future entrants into domestic aviation, and in order to provide an appropriate environment for the sale of Australian Airlines and part of Qantas, the Government has decided to:

- . lift the foreign investment limits relating to investment in Australian domestic airlines by foreign airlines servicing Australia from 15% to 25% for an individual holding, and to 40% in aggregate;
- . maintain a stable policy environment for aviation for the remainder of this Parliament.

This decision to put further major policy change in this area on hold is sensible. It would be madness to introduce a major change such as deregulation and not give it a chance to work. It would similarly be stupid to attempt to sell the airlines while shifting the goal posts for potential purchasers. Our decision preserves future policy options.

The foreign investment changes offer clear opportunities for the New Zealand carrier to enter the Australian market. In addition, we have opened up the freight route across the Tasman and are now nominating two additional carriers to serve that market. In the light of these decisions, we will also discuss with New Zealand the question of closer aviation relations in the context of next month's review of the Closer Economic Relations arrangement.

Mr Speaker, the sale of 100 per cent of Australian Airlines and 49 per cent of part of Qantas will strengthen them and enable them to provide much-improved services to Australians and Australian businesses. They will be recapitalised. They are likely to form strategic partnerships. In all, they will be more competitive, and this nation will be better off as a result.

The sale of both airlines will be handled by the Minister for Finance in close consultation with the Minister for Transport and Communications. The Government will take its own decisions on the issues related to sale, but it recognises that the airline boards have a right to be heard.

Special arrangements will apply to the part-sale of Qantas. In order to accord with our bilateral air service agreement, the foreign investment limit in Qantas will be set at the generally accepted international benchmark of 35%.

In addition, although Qantas will remain as our single designated international passenger carrier for the foreseeable future, the Government recognises that - with the success of our reforms of international charter programs for air freight - there is a potential role for a second designated freight carrier. A process is currently under way to assess expressions of interest.

Australia, Qantas and our tourism industry will continue to benefit from our intention to continue to sign new bilateral Air Service Agreements and to welcome charter programs. There are gains still to be made, both from traditional markets and from a more intense focus on regional opportunities.

### Land Transport

It is not a well-recognised fact that of all the areas of micro-economic reform, land transport offers the greatest potential gains. The Industry Commission has estimated these to be worth over \$4 billion a year.

At the recent Special Premiers' Conference, the Premiers, Chief Ministers and I cut through the remaining disagreements to set in place fundamental reforms in both road and rail operations in this country.

As I made clear earlier this year in calling the Special Premiers' Conference, our rail systems in this country cannot operate efficiently with their present structure. Inter-state freight alone loses \$300 million a year, excluding efficiency losses from traffic now on the roads which might more appropriately be handled by rail.

Our commitment to improving competitiveness required us to redress these imbalances through seeking State agreement to form a National Rail Freight Corporation: this will involve new investment, new industrial relations standards and new rail management. A Heads of Agreement has been signed by the Commonwealth and the States and Territories, committing all Governments to work towards a start-up date of July 1991.

Following the Premiers' Conference, the hard bargaining on asset values, equity considerations, reform of labour practices and other issues will commence. The Commonwealth's role is clear. We are prepared to contribute significantly to the success of the venture. We expect the States and the unions to do so as well, including particularly in respect of manning levels and work practices.



The new Rail Freight Corporation will not justify the effort necessary from unions and governments if the heaviest road transport vehicles do not themselves bear a proper share of the costs of using roads. Current efforts by some States to recover costs through registration fees have been frustrated because transport operators have simply been able to register their vehicles interstate. But the damage to the nation's roads continues.

The Commonwealth, States and Territories have agreed to the following objectives:

- . first, introduction of nationally uniform technical and operating regulations and driver licensing arrangements;
- . second, the progressive introduction of nationally consistent road user charges having regard to principles established by the Interstate Commission, with a view ultimately to achieving full recovery of the cost of road use; and
- . third, clearer definition of responsibilities between different levels of Government for funding and managing elements of the road system, aimed at eliminating duplication.

I intend to take a continuing interest in the implementation of these changes. I expect that the Premiers will do likewise.

We all recognise that the road transport industry is vital to our future. It is the lifeblood of many of our industries. As we introduce the changes I have detailed today, we will keep the industry informed and respect its views. In turn, we expect that the industry will acknowledge the common sense underlying these reforms.

### The Waterfront

Mr Speaker, more has been said about the waterfront than perhaps any other industry issue in this country. This Government has not, however, joined the queue of people who complain but don't act.

The waterfront reform plan which we adopted last year has already yielded significant results:

- . new stevedoring arrangements for bulk grain ships, reducing manning levels by 70%
- . retirement of 280 gangway watchmen
- . recruitment and training of 200 new waterside workers
- . development of an interim award agreement to facilitate award restructuring and the negotiation of enterprise agreements; and

- . most importantly, enterprise agreements currently being concluded at two of the largest terminal operations in Sydney and Melbourne.

These agreements are expected to be forwarded shortly to the Waterfront Industry Reform Authority for its independent assessment. National Terminals (Australia), the company negotiating these agreements, has publicly stated that it expects productivity gains of up to 60%.

The continuing process of waterfront reform also includes involvement by the Trade Practices Commission and the Prices Surveillance Authority to enhance the competitive environment on the waterfront and ensure that users receive the benefits of reform.

Improvements in the efficiency of the Australian shipping fleet continue to be made under our Shipping Reform Strategy.

To date, in excess of 350 seafarers have accepted voluntary early retirement packages. At the end of June 1990, the average crew size for the Australian fleet was 25 compared with 33 six years ago. By June 1992 it is expected that the average crew will be 21. All this continues to be achieved with no industrial disputation.

Mr Speaker,

At the outset of my comments today I described this Statement as a progress report. I emphasise the word "progress"; Australia is now making progress, achieving fundamental and lasting reform, in industries that for decades had seen no progress, no reform.

So I repeat my challenge to the Opposition. Let them point to a period of Australian history that has seen faster or more profound micro-economic reform. That challenge remains unanswered of course because, as I have said in the past, there is no earlier period that comes within a bull's roar of the progress we have made and are continuing to make.

For 31 of the 34 years before we came to Office, Australia was ruled by the dead hand of conservative inertia in which notions of reform to achieve productivity and efficiency were totally alien. That legacy of neglect and of abrogated leadership is a heavy burden still borne by the Coalition parties.

Let me conclude by discussing the method of progress: its pace and process.

The House should note that the progress we have made has been with little industrial disputation and with the emphasis on patient negotiation with all the parties involved. The Government has not failed to be firm where firmness is needed, but we have refused to indulge in the confrontationist tactics that are so often urged on us. That is why it has been swift reform.

Against this, some professional commentators outside this House, and most of the amateur ones opposite, often call for a faster pace of reform. The secret of faster reform, we are told, lies in the amount of hair on the chest of Government: solutions should be imposed unilaterally by Government and let the devil take the hindmost.

One can tell these commentators are not living in the real world by the way they float new proposals. When they are presented with irrefutable evidence of Government progress in micro-reform, their sole response is to play catch-up: "Oh, we'd do that - and more" - as if the mere wish could be the father to the deed.

Fortunately for the nation, those in this House who indulge in these stupidities do so from the safe impotence of Opposition. It is fortunate, because their whole approach is a recipe for disaster.

Lacking any sort of detailed strategy of how they would actually achieve reform, they are forced to peddle the pleasant deception that easy reform and painless change can be won through confrontation.

Of course real progress is not made by bringing the nation to a stand-still in some pointless industrial confrontation; real progress can only be made by harnessing businesses, trade unions, and governments in a cooperative pursuit of their common interests.

Mr Speaker,

There are no easy reforms or painless changes to be made. Reforming entrenched community attitudes and institutions is hard work - but it is hard work this Government is determined to undertake and to bring to effective conclusion.

That way, Mr Speaker, there will be many more progress reports from this Government describing our continued, effective and rapid progress in micro-economic reform, creating an increasingly efficient, productive and competitive nation.