

Telstra: the real issue

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The airwaves and newspapers are full of speculation about what the latest Telstra decision means to shareholders, which way the price will go and whether retail investors will enjoy special discounts on the next float. But the most important issue is not the value of Telstra shares. It is not even the competition implications. The really big issue is where all this takes us with respect to Internet access in future.

In years of researching information technology deployment and use, I have observed many hundreds of Australian organisations that have been utterly transformed by the Internet. The availability of fast Internet to all parts of the community, including households, is essential to that transformation. Vast numbers of small businesses depend on it. Mobile and flexible working practices would be neutered without it. On top of that, fast Internet access now underpins an ever richer learning environment for everything from schoolwork to vocational training. Distance education is light years ahead of where it was five years ago. No one can quantify the total economic value, but businesspeople everywhere will look you right in the eye and tell you it is worth a great deal.

And today's web applications are nothing compared to what is in the pipeline. The next five years holds as much opportunity as the last five—for Australia and every other country—but exploiting it will require even more bandwidth, for nothing stands still. Sustaining a competitive economy will depend on sustaining investment in telecommunications infrastructure, and investor losses to date will be pocket change compared to the cost to Australians if they are denied access to competitive infrastructure down the track.

The Government ducks and dodges the issue. Recently, Communications Minister Helen Coonan, defending her Government after Telstra announced a lack of interest in investing in optical fibre, made a point-blank statement that no one is complaining about the speeds of broadband in Australian cities. Her interviewer, Kerry O'Brien of the ABC's 7:30 Report, was so surprised he was left on the back foot for the remainder of the discussion which, I suppose, was her intention.

But arguing that everything is under control because the punters are happy is a nonsense—unless you believe that the technology will stand still. Mr O'Brien should have pressed Senator Coonan to answer the much bigger question of how she will ensure, given the radical changes underway, that Australians will have globally competitive broadband in 2010.

The right answer to that question is the same as the answer to most questions about Telstra: separate the wholesale infrastructure from the rest of it. But the Government continues to pretend otherwise. Its long-standing argument that a separation would cost too much comes across as a sick joke now, because the present course has already cost billions.

The future cost of ceding control of broadband infrastructure investment may be many times higher again. If Sol Trujillo and his colleagues have performed one service this year it is teaching Australians they can expect years of regulatory warfare as we learn how to reign in a wholesale/retail beast that should never have been released in the first place. But the biggest worry will not be Telstra versus Optus. It will be the situations when, from time to time, Telstra says "no" to infrastructure investments for sound business reasons while Australians clamour for those investments in the national economic interest. Future governments will then only have two blunt instruments available: (a) reach for the regulatory shotgun, at great cost to Telstra shareholders or (b) buy an outcome with inflated subsidies, at great cost to taxpayers. It will require bravery to use either.

The risks faced by shareholders today are nothing compared to the gamble being taken with their future. Telstra could still be split, if the Government swallowed its pride, and Australia could still take back control of its broadband investments. Would it be costly? Yes. But compared to the current course it would still be a bargain.

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