

Stand up for competition. And stand up to Telstra.

Over the past few months, Telstra executives have continually claimed that ACCC regulations are making it difficult for them to compete. But let's not be fooled.

In truth what Telstra is lobbying for is an environment that is less competitive for all and more profitable for them. At the expense of ordinary Australians.

Telstra's political ultimatum to Government - overrule the ACCC or else.

Telstra has threatened to jack-up consumer line rental prices in the bush if forced to accept the price the ACCC recommends it should rent out its copper lines to competitors.



This looks like an attempt to pressure the Government into overruling ACCC recommendations made in the public's interest.

Destroying competition to boost profits.

Telstra is seeking to impose an uneven playing field on its competitors. It is putting up its wholesale prices for DSL and line rental.

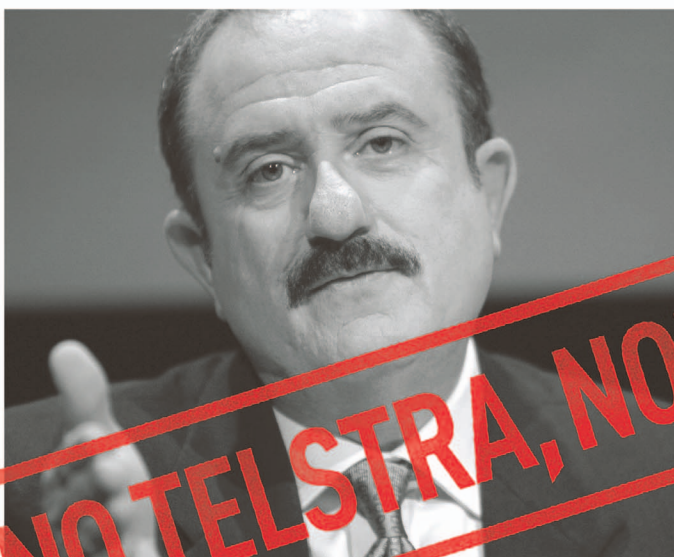
In fact the wholesale price for line rental will soon be higher than the retail price on Telstra's most popular plans - meaning that to be competitive, other telecommunications companies must offer line rental at a loss.

Telstra raises prices in its battle for broadband



Such a situation is clearly unsustainable. And again the real loser in this game will be the consumer, who may increasingly be left with little choice but Telstra.

Anyone who can remember the dark days of Telstra's monopoly in Australia will be alarmed by this growing trend.



Telecommunications in the bush.

"Telstra is being turned into a loser by being forced to provide services to the bush." Phil Burgess, 1 September 2005, The Courier Mail, "Telstra Leader bashes bush"

We hear a lot from Telstra about how much money it loses serving the bush.

Few people realise that Telstra gets \$70 million a year from the rest of the industry towards rural services.

Or that the Government - not Telstra - has pumped nearly \$1 billion into rural telecommunications since 1997, with a further \$1.1 billion, plus a \$2 billion dollar Communications Fund, announced recently.

So when Telstra executives use 'serving the bush' as a reason for why Telstra should be protected from competition - the facts tell a different story.

Anti-regulation. Anti-competition.

Telstra bemoans the fact that competitors are often reliant on its infrastructure.

But at the same time Telstra is seeking to almost triple the price that competitors would pay to lease



Telstra's copper lines in CBD areas - making it harder for competitors to justify building their own broadband networks.

Telstra knows these lines will be used in new broadband networks; and

with those networks comes more choice and lower prices for consumers and businesses - the last thing Telstra wants!

Don't let Telstra pressure its way back to a monopoly.

Regulation plays a vital role in keeping Telstra's powers in check, by promoting a fairer, more competitive market offering greater choice, better service and lower prices - for the benefit of all Australians.

So while pressuring our regulatory bodies may serve Telstra's interests, it will bring no benefits to the average Australian.

Telstra's argument doesn't stack up.

They say regulation is destroying the value of Telstra.¹

FACT: The whole purpose of the regulations is to expose Telstra to more competition - so all Australians can enjoy lower prices and better service. If that drives down Telstra profits, so be it. "The company's problems are due to increasing competitive intensity and not because Telstra itself is... operating under an onerous regulatory regime." Morgan Stanley Research Report, 26 October 2005.

They say no other telco is regulated like Telstra.²

FACT: Australia has similar rules to most other Western countries with a similar history of a Government-owned monopoly telco which was privatised and opened up to competition. Those rules require the former incumbent - British Telecom, France Telecom and so on - to give competitors "access" to its network at prices set by an independent regulator.

They say Telstra is not a monopoly.³

FACT: Nearly 90% of fixed line telephony customers are connected to Telstra's network. Telstra's very strong position in fixed line communications in turn gives it very high profit levels (EBITDA margins around 50%). In fact, Telstra still receives nearly 90% of all profits earned in the telecommunications industry.

- "...the regulatory environment in Australia has treated Telstra in ways that haven't been shareholder value creative. They have been value destroying." Sol Trujillo, Telstra CEO 30 October 2005
- "There's a big difference between the regulations Telstra faces compared to the regulations in other parts of the world." Sol Trujillo, Telstra CEO 2 August 2005
- "I hear and read people... saying Telstra is a monopoly... I say those people are out of date and misleading." Don McGauchie, Telstra Chairman 25 October 2005 Telstra Annual General Meeting

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