

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

### Inquiry into structural changes in Victorian economy

Melbourne – 19 November 2001

#### Members

Mr R. A. Best  
Mrs A. Coote  
Mr G. R. Craige  
Ms K. Darveniza

Mr N. B. Lucas  
Mr J. M. McQuilten  
Mr T. C. Theophanous

Chairman: Mr N. B. Lucas  
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#### Staff

Executive Officer: Mr R. Willis  
Research Officer: Ms K. Ellingford

#### Witness

Mr N. Armstrong, Chief Executive Officer, Local Government Professionals.

**The CHAIRMAN** — I declare open the hearing of the Economic Development Committee, an all-party investigatory committee of the Legislative Council, inquiring into structural changes in the Victorian economy. All evidence taken by the committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. Any comments made by witnesses outside the hearing are not protected by parliamentary privilege.

I welcome Mr Neil Armstrong, the chief executive officer of Local Government Professionals (LGPro). I declare my membership of the Local Government Professionals; I am a fellow member of that organisation. The committee appreciates your providing a submission and I offer you the opportunity to place before the committee any salient points that you wish to take from your submission and we will question you about it.

**Mr ARMSTRONG** — Thank you. LGPro felt that giving us an opportunity to give you a brief and general overview of the changes in the economy particularly related to local community was an important thing to do. I and Ron Ghiggino, manager of business services but no longer employed by us, prepared the document the committee has before it. It is in a general format based on experiences we have had as officers in councils and as consultants and members of LGPro. Also we have supplied anecdotal information made available to us by a number of chief executive officers in local government. I shall make a couple of comments as you have invited me to.

As to the changes that have taken place in the last few years in local government, it is clear that a loss of leadership in small local communities has had an impact on the function and viability of those communities. Governments and businesses around the world are looking for suppliers, and people in business and government services are looking to reduce costs. In doing so, that has had an impact on the operations of various programs, projects and councils in various communities throughout the state. I am sure you are aware of that from what you have already been involved in.

Another point is that, according to my experience as a chief executive officer of a council in an isolated community, not in Victoria, but seeing the impact across the border into Victoria and in New South Wales, I know the two cultures that exist — the urban culture of Australia, which is described as the most urban nation on earth, and the differences that that brings for people who live in regional and rural communities — are significantly different.

I example that by illustrating that I may drive past 30 supermarkets in my travel from where I live on the Mornington Peninsula to the capital city of Melbourne. The community I served as chief executive was lucky to have one supermarket to service a district population of 25 000.

**Mr McQUILTEN** — Where was that?

**Mr ARMSTRONG** — Deniliquin in New South Wales. The requirements and expectations of people in those communities are often what their metropolitan and urban counterparts tend to take for granted as services on the ground. There are real differences for people accessing those services.

The final point to be made regarding the submission is that it appears to me and Mr Ghiggino, who prepared the submission together, that the dying of the small villages is occurring because the people in those villages and towns seem to be either moving out or going to larger regional centres; or they are having to uproot themselves and move to Melbourne or its metropolitan area to get work. The lack of services in those towns seems in many cases, although not all, to make it difficult for people to have the same sorts of opportunities as people in the city.

From a local government point of view the reduction in the number of officers serving in small communities has meant the leadership and involvement that has been made available over the years traditionally, and the expectation of involvement in smaller communities are no longer there. The expectation that local government will become much more of a business operation rather than a community-based organisation serving neighbourhoods is something that has probably confused many people.

Although I suggest that local government has become increasingly more efficient in the services it delivers in the operational side of things, there has been a downside — that is, the change in community involvement and the interaction between the rural and regional communities in which local government operates. I will leave my comments at that and invite your questions.

**The CHAIRMAN** — Under the heading of ‘Demographics’ you refer to the trend of traditional family units reducing in number and the fact that youth is migrating away from country areas to regional centres or the

metropolitan area. You comment at the end of page 3 that there is a consequent opportunity for local and state governments to have an impact on the nature and direction of this demographic change that is occurring.

Would you enlarge on and explain that statement and give the committee an idea of what you see local government being able to do to lessen the impact of this demographic change that is resulting in the events occurring in rural areas as you have just described them to us?

**Mr ARMSTRONG** — If people consider that their community is dying they can be the last people to jump ship honourably; and if there are not opportunities for their families and children, people will go where those opportunities are or are perceived to be. I cannot give you exact figures, but I suspect there is a great sense of insecurity among a lot of people in smaller communities. While they want to live there for the lifestyle and relate to smaller communities as their homes and have some sort of identity, they are also mindful of the opportunities available to them and their families. Those opportunities seem to be more available in larger locations.

So far as the demographics are concerned, we did not go into great detail — you probably know them better than me — but there is a migration by young people to the cities to get work and to have increased opportunities for education. The smaller communities are being left with an ageing population and the upper limit of that population is the frail — in many cases, the extremely frail.

In trying to look at ways of changing that, local government has to perhaps consider what strategies will be available to smaller towns and villages to enable them to feel a sense of security or a sense that they are not forgotten people and that resourcing will be increased in those small communities if people are to stay there.

**The CHAIRMAN** — I agree with what you say. Do you think a local council putting resources into a small town will change the demographic problem that you refer to?

**Mr ARMSTRONG** — I do not think the council alone will solve the problem, but there needs to be a sense of involvement and engagement by the council in those smaller communities. Often there is a feeling among people that, 'We are far too small and not important enough, the larger centres are getting the resourcing'. That is a matter for council to decide. Obviously the state government and other agencies and businesses will rely on the council for the vision about where and when they are to set up services and facilities, but there must be some sort of addressing of the difficulties that those communities are now facing. Either they die on the vine or you do something about it.

The migration of young people means there will be virtually nobody left in a lot of those places and the only people who will be there will be the aged and in many cases extremely frail citizens, often with low incomes. That is another factor: a lot of those communities have a small income base compared with their metropolitan and urban counterparts. The council, as the lead agency in the area, must have strategies in place to maintain those villages and small towns to the best of its ability, otherwise their future is bleak.

**The CHAIRMAN** — Will it get to the stage where a few of those towns should be closed down?

**Mr ARMSTRONG** — I do not think closing down is the answer, but if people do not wish to pursue a lifestyle in a small village or relate to their district, that may well happen. We may see in the next 10, 15 or 25 years towns that become ghost towns because the trend at the moment is not good.

**The CHAIRMAN** — I do not think any of us wants that, but it is an interesting comment.

**Mrs COOTE** — I find it interesting to look at the social and demographic issues you raise in your submission, because it certainly is something we have experienced as we travelled around the state. For a whole lot of reasons it has been interesting to see which towns are viable and addressing the issues and which towns are giving up. The fascinating thing is to see what can be done. You speak about strategies for keeping these towns viable and for helping younger people to stay. Can they all work together better, in your opinion? For example, are strategies out there being developed in unison between the local government groups, your group, and with federal and state government support to keep people in their homes in those local towns? It is easy to say, 'We have those problems', but we have similar problems in the cities too, with dysfunctional families and homes breaking up; those problems have to be addressed. That is not unlike what you are saying the smaller towns are experiencing. How will the strategy be developed? What will be the unified strategy?

**Mr ARMSTRONG** — The local authority has an important role to play, but there is a tricky part which goes to local community spirit. If people feel there is no future for their community, local community spirit will fly

out the window. The local council, and its officers for that matter, must have an involvement and a commitment to those smaller communities. The development of large regional communities could well sound the death knell of those smaller villages, but it has to be a total commitment that is led by and facilitated by the local council working together with the state government and other agencies, where possible, and the local citizens.

There must be an enormous importance attached to the engagement of local people. What will happen if nobody comes along and says, 'We are here to help you, this is what we will do.'? It needs to be, as much as anything else, engagement from the citizens and the local community organisations. If it does not occur there are some real and distinct possibilities, as mentioned earlier, that some of the smaller towns and villages will have enormous difficulty in continuing to survive.

**Mrs COOTE** — When you spoke about that in your submission you said because local government has been so effective in a sense the community has left it to local government to initiate the ideas or issues rather than becoming engaged in making decisions for themselves.

**Mr ARMSTRONG** — There is always a bit of danger in appearing to be a bit slick and getting on with it in a businesslike manner. If local government is in anything, it is in the neighbourhood business, whether the neighbourhood is a small village or a city, in regional areas or industrial areas, or whatever. Local government has a role and responsibility to in some ways re-engage in the neighbourhood business. It is doing what it can, I believe, and it is trying to maintain those levels of efficiency that it has done over the last number of years, but there is a real need for strong community development strategies that have 5-year and 15-year horizons to help local communities and neighbourhoods re-engage, to get things done and feel they are in control and have a stake in it all.

**Mrs COOTE** — One of the towns we saw in the western part of the state had recognised, as you said, the ageing situation but had turned it into an advantage. People there were talking about lifestyle for retirees, with cheaper housing, and being able to attract people for lifestyle issues. Some young people with small children also go to smaller country towns for lifestyle issues and then have a dilemma when their children get to secondary schooling or working age. Is there a strategy that has been developed to say, 'We do have a lifestyle issue here. We are all getting a lot older. We have the baby boomers getting older, et cetera, and wanting a better lifestyle'?

**Mr ARMSTRONG** — There are a number of communities around the state looking at what resourcing they have and the patterns of the changing demographics. I believe there are strategies going on, but we need to focus a lot more strongly on the need for a commitment, if that is what people are prepared to do, and to consider that smaller towns, villages and communities are critical in our social fabric. If we believe that, then I think we have to look a lot harder and work a lot harder at trying to come up with initiatives that are going to enable them to continue. As I said before, and I think Mr Lucas said, unless there is real commitment to some strategies, the demise of those small communities could well become a reality very soon.

**The CHAIRMAN** — We have the Honourable Theo Theophanous and the Honourable Kaye Darveniza with us now.

**Ms DARVENIZA** — Apologies for being late.

**Mr McQUILTEN** — Would you like to comment on this theory I have had over the last number of years about the tyranny of distance which is now being improved upon all the time? I will explain it this way: If we went back 100 years, a person would have to go on a horse and cart to the next town, or if they were lucky it was on a train. Then about 50 years ago we got cars and began to be able to travel a bit further. Now we have fast cars and good roads and are able to travel even further to work or to school with that mode of transport and speed of travel. In the case of my area, Dunolly, it is about 20 minutes from Maryborough. That is not that far now.

**Mr ARMSTRONG** — I understand.

**Mr McQUILTEN** — But 30 years ago it was a long way.

**Mr ARMSTRONG** — It was.

**Mr McQUILTEN** — In between the town of Dunolly and Maryborough there was another little town which 100 years ago had about 200 people living there. Now there are about three or four houses, and people commute.

I would also argue that the nature of farms has made things more difficult and changed things. Where in the old days you might have six families working a particular area, nowadays you have one family working that same

amount of land. The kids are not there. There is no school there. That has been what is happening over the past 100 years. Tiny towns have disappeared.

**The CHAIRMAN** — Do you have a question or a comment on that?

**Mr McQUILTEN** — We are getting to the comment. This is not new. It has been happening for 100 years. Little towns have been dying. I suppose the question is the size of the town you are talking about. Is it 500? Is it 1000? Is it 200? Is it 50?

**Mr ARMSTRONG** — I think that the local authority, if I could concentrate on that — the council — needs to celebrate the uniqueness of those small villages and towns. It needs to be very proactive in encouraging people to stay in those towns, to provide opportunities for people to have a lifestyle, whether they are old, young, or whatever. I do not think that has happened. I believe we need to do a lot more of that. We need to work at this. In terms of my experience at Deniliquin, people would drive 80 kilometres to go to the supermarket at Echuca.

**Mr McQUILTEN** — And have a game of golf.

**Mr ARMSTRONG** — Yes. People in the city would not dream of that in a lifetime, but country people would, with faster cars and the roads. So I think there is a real issue for state and local government to try to work through those strategies, to celebrate and put smaller communities on a real pinnacle as part of their corporate plan and the way they market themselves, so people can feel their little part of the world is important and not a place everyone wants to leave. Otherwise we are going to see a very different sort of fabric in our communities.

**Mr McQUILTEN** — You mentioned leadership as well. In my view, it is up to the people in that little community, not the council. Council can tend to lead, but it has to come from the group in the little town. That has to be where the leaders are, in my view. What do you think?

**Mr ARMSTRONG** — I think the council needs to be part of the leadership, not out there saying, 'Here we are to help you. We'll fix everything for you'. I do not think that for one moment. Part of the role of council is to try to assist community leaders to get on with things as they see their priorities. But if the council is not engaging and not encouraging the state government to get involved in some project, and people are feeling forgotten and isolated and that they are not important as the citizens, then I think we have a problem. I think that problem is current and it is showing up. When I was at Yarriambiack about 12 months ago, one of the people in the town pointed out a house in the town — this is just on the economic bit — and they said, 'That place was worth \$60 000 14 months ago. It is now on the market for \$35 000'.

**Mr McQUILTEN** — They will be lucky to get it.

**Mr ARMSTRONG** — Exactly. So there are some real issues in terms of the economics as well. I think a lot of people — they might not say it so much — are feeling quite unsure about their future.

**Ms DARVENIZA** — You may have covered this earlier before I arrived, and I apologise if you have, but one of the big structural changes that has occurred is the closure of banks. That has had an enormous impact in a range of different ways, according to submissions that have been made to us. Could you make some comments about what you see as the effect of bank closures on communities, on businesses, on people's futures?

**Mr ARMSTRONG** — I think the banks have been appalling in their program of closures of their facilities, but they probably tried to be smart in terms of the economics of services that are not providing a return or being viable as they see it. But while rural and regional communities were engaging the banks in days gone by, as soon as things changed, the banks have been on their bikes. I think that is a great pity. It is understandable, perhaps, in pure economic terms, but I think the impact again goes back to the loss of services, the loss of feeling that we are important, that we are a community that matters, and so on. One bank after another closing its doors and putting up the 'For sale' signs does not exactly instil confidence in people. I think there is a lot of work to be done to rebuild confidence in the banks with local communities.

Bendigo Bank is showing very clearly that there are opportunities to do things in a different way than has been done in the last decade or so. From what I can gather from the information I have gained, it is working quite well.

Australia Post is another one. There has been a reduction or change in the service style, and that adds to people's insecurity about their own community. If you do not feel good about your own small community or your own large community, it is not all that good, I don't think.

**Ms DARVENIZA** — Do you think it is has an impact on people deciding to go into business or expand their businesses, or on employment, on productivity?

**Mr ARMSTRONG** — Absolutely. If you are making a decision about where you are going to put resources, you will look at the most viable business operation, if you do your homework, but there is no reason why taking into account those smaller communities cannot form part of that business plan. They are out there. They are potential customers. But there has been an institutional view that you cut services and get out. It is an appalling view of the world, in my view.

**The CHAIRMAN** — We have run out of time. Mr Armstrong, thank you for coming along today. We appreciate the time you have put into your submission. We will send you a copy of the transcript of our discussions for you to have a look at and check.

**Witness withdrew.**

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#### Witness

Cr R. Larocca, Mayor, City of Moreland.

**The CHAIRMAN** — We welcome Cr Robert Larocca, mayor of the City of Moreland. Our committee is an all-party investigatory committee of the Legislative Council. We are hearing evidence today in relation to our inquiry into structural changes into the Victoria economy.

I advise all present at this hearing that all evidence taken by this committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

We appreciate your coming along today. We have had a look at your submission. A lot of work has been put into it and I thank you and the people that support you for putting that together. If you would like to make an opening statement, we might ask you some questions. We have half an hour to do that, so over to you.

**Cr LARocca** — We appreciate the opportunity to come along and have our say on the effects of structural change in our local economy. We have chosen to talk about banking services, although I am sure there are many others parts of the economy we could talk about, whether it be textiles, manufacturing, or something like that.

The area of Moreland has been at the receiving end of a lot of changes as a result of structural changes in the economy. Banking is something Moreland council has taken up with quite a bit of vigour in the past three or four years. It has been as simple as we have seen it as a need or demand in the community to respond to the changes in banking services, hence the work that has gone into the submission has come about as a result of the community requests for our involvement in that.

We have found that the structural change in the economy is certainly leading to a loss of banking services. In the City of Moreland we have lost approximately 28 bank branches in about four or five years; over half of the bank branches we had five years ago have now gone from our city. They have shown a pattern of leaving: that we have lost the branches that are not in the largest of shopping precincts, basically. There are a couple of main roads through Moreland, and the banks on Sydney Road have tended to stay, but those on Lygon Street or Melville Road — the roads to either side of Sydney Road — have all gone. Also up in the Glenroy area, around Pascoe Vale Road, banks have gone as well, so they are pulling out of anything that would be below a certain line for them. We believe this has had a major effect on a number of shopping centres, particularly a number of the strip shopping centres. I will get to that in a little while.

It has shown for us a gap between where the market or the banks think they are and where the community thinks they are. The community sees its banking services as akin to basic services like hospitals, but in the minds of the market they are just simple products. The difference between those two views of what banking services are is where we see the general reason for the change. You see those changes in our economy in the health area and in the privatisation of roads as well. The council has studied the effects to the best of its ability on banking services and has found it affects pretty much the whole economy in our area. We divide those up into two things: the effects on businesses, predominantly small businesses, and the effects on people. When I am talking about the effects on people it is predominantly on older members of our community and those with a poorer grasp of English.

In relation to small businesses, we have generally found they experience a loss of trade. They complain about the extra amount of time taken to manage their cash holdings, which is quite an issue when you are talking about a small number of employees and a high level of business. That has led to a loss of staff time that could have been used in other locations. There is also the general structural change that happens when a branch leaves an area, leaves a strip shopping centre or in our case even leaves a major, top shopping centre. In a lot of those circumstances we have seen the banking services being replaced by automatic teller machines (ATMs) in supermarkets. That has a negative effect as well because the supermarket then has the banking services captured within its four walls, which leads to a concentration on the amount of trade going through that supermarket.

People also have to deal with the increased amount of time taken to do their banking due to distances, time and waiting in queues, and things like that, so it makes the lives of individuals a bit more difficult. They have found they experience a loss of service when they are in the branch, so in this day and age when we talk about customer service we are not seeing this replicated in the banks. Often the staff feel harried by queues and there is a perception of a loss of safety at automatic teller machines. Generally, older members of our community feel less happy about using them; they feel concerned about what will happen while they are there with cash on hand. That can lead to people making larger withdrawals less frequently and having more cash on hand, which can also lead to a reduction in someone's personal safety.



There is also a loss of community. This is the hardest thing to put a finger on. We all talk about it in our local communities, but there is certainly a loss of community where you lose a bank branch from a strip shopping centre. So that is an effect what businesses feel and what the community feels. We have two examples of this, which I will highlight. One is an area called Snell Grove in Oak Park. Snell Grove is a small strip shopping centre with all the basic strip shopping centre services. It has a supermarket, a post office, one or two hairdressers, a motor mechanic and it used to have a bank branch. It is about a kilometre south of the Glenroy shopping centre, which is on Pascoe Vale Road in Glenroy, about a kilometre south of the Broadmeadows shopping centre, which is conveniently located on a major road with a transport interchange and those sorts of things.

We have progressively seen all the banks leave Snell Grove and move up the road, initially to Glenroy, and then the Glenroy banks moved up to the Broadmeadows shopping centre, and the trade in that area has followed. The shops around Snell Grove have gone into decline. Shops have left and traders complain about the loss of service. Then it has been replicated again when you go up the road to Pascoe Vale; they have left Pascoe Vale and moved on to Broadmeadows there as well.

That has led to what we would see as the slow decline and probable death of that little shopping centre there. All it leads to is complaint and unhappiness from local communities. They see change in their local area that they do not like and they do not feel they have any part or control of.

The second one is Barkly Square, which is a big-top shopping centre in the south of our municipality. It is located in an area that has Sydney Road in front of it. Sydney Road still has the major banking services, but Barkly Square used to have two bank branches — a National bank and a Commonwealth bank. They both closed on the same day. That led to the local housing representative organisation getting a petition signed by 5000 shoppers within about a week complaining about the closure.

We saw the effects there quite first hand. A number of our council buses used to take senior citizens there to do their banking and shopping and those sorts of things. They no longer wanted to go because they could not do their banking at that centre. So the smaller traders at the centre complained about a loss of trade because of the banks; that certainly seemed to be borne out in what they said to us. It has been an interesting one, because that has formed the core of the campaign to get a community bank in the Moreland area; it has come out of the loss of the two bank branches at Barkly Square. The community has reacted to that, but at the end of the day it probably really should not have.

All in all we find that people are being left behind in this change. There are some people who can go with the change, but there are people who are left behind. The banks describe them as the customers they are not making any money from, so they really do not care. That is certainly how they feel. The people themselves get that impression. They get the impression that the banks do not care about them because they are not big enough customers. So they are left without services and are being left behind by the structural change in our economy.

So change has suited some people but it has not suited others. That is generally the problem with it. That is where the council has seen its role — to try to highlight that change and highlight ways to work with the community to try to deal with that. So it has supported the community in its attempt to get a community bank.

The council also believes banks have a social obligation and should be forced to subscribe to and provide for that social obligation. I believe a lot of the major banks respond by saying, 'We do have low-fee accounts', and those sorts of things, but I have not seen that meeting the actual needs of those customers. At the same time as the ANZ saying, 'We have this wonderful social charter of our own', it closed the bank branch in our area. So while they were told they could get access to accounts, people could not go anywhere to get access to those accounts. Part of that social obligation is the presence of branches.

We also subscribe to the list of recommendations the Financial Sector Union (FSU) came up with, to be met when a bank branch closes, such as notice to people. I think they talk about six-month notice and the maintenance of some level of over-the-counter cash transactions for people. We certainly feel that is something that would help the circumstance. But it really is a difficult issue, because you are dealing with the profit requirements of the banks' shareholders versus the needs of the community, who view them as services while the shareholders do not. That is the end of my opening statement.

**The CHAIRMAN** — Thank you. Your recommendation of six months notice is double what the FSU is recommending.

**Cr LAROCCA** — Yes; the more time the better for people to get used to the changes and to try to find other ways to go about it. It is also a way of making the banks stop for a bit to think about what they are doing and give a chance to the customer to talk to them. Too often they say, 'We are off, we are gone'. The customers jump up and down, but they are not listened to.

**The CHAIRMAN** — Under the heading of education you recommend that neighbourhood houses run training programs for those people who wish to use the Net, EFTPOS, or whatever, but who are scared of it, do not know how it works, and so on?

**Cr LAROCCA** — Yes.

**The CHAIRMAN** — Who do you see funding that?

**Cr LAROCCA** — That would be part of the role of the banks, I would expect, in terms of allowing the community to deal with the changes they are foisting upon them. That recommendation was made in the knowledge that the banks will continue to propagate that change and leave areas. They should be forced to take care of those customers they are leaving behind. If the best way to do that is through better education, then certainly that would help. It will not solve the problem, but it will certainly help.

**Mr THEOPHANOUS** — Thank you for that presentation, Robert; it was very interesting. I will refer to a couple of your recommendations. One of them seems to be contradictory, because you say that when there is a closure there should be a maintenance of over-the-counter cash transaction services.

**Cr LAROCCA** — Yes.

**Mr THEOPHANOUS** — For both personal and small business accounts, which should continue to be provided. I do not know whether you mean that the banks that will remain open should continue to provide those, or that some other arrangements should be put in place at the point where a bank is closed, but it seems to be contradictory.

**Cr LAROCCA** — I do not believe it is contradictory; other arrangements should be put into place. In many cases when banks go the post offices pick up part of the cash transaction role. It does not fix the problem, but it provides a bit of a stopgap, I suppose.

**Mr THEOPHANOUS** — The other one that interests me a lot more is the one about fees for account closures being waived.

**Cr LAROCCA** — Yes.

**Mr THEOPHANOUS** — I do not know who has taken that up or where it comes from, or whether it is your own idea, but it seems to me that when a person enters into an arrangement with a bank as a customer — and correct me if this is not your thinking — there is a sense that it is not just with the bank as a huge multinational organisation but it is also with that particular branch of the bank. If that is the logic, then in referring to a bank branch wanting to pack up and go somewhere else, I suggest if you had a similar account with a local hardware shop or something and it wanted to pack up and go somewhere else you would not be forced to continue to deal with it at some other location it might decide to go to. As I understand it, you are suggesting that the fees for leaving such a bank and going to another bank be waived. I understand account closures, although I do not know whether there are that many fees on account closures. I think the biggest issue for most people is not really with the accounts themselves but with the loans.

**Cr LAROCCA** — Yes.

**Mr THEOPHANOUS** — People who have loans with banks may want to close their loans and go to different banks without suffering a cost.

**Cr LAROCCA** — Yes.

**Mr THEOPHANOUS** — This is where the banks have been very resistant, I think. Would you like to comment on exactly what you mean by that particular recommendation?

**Cr LAROCCA** — It is really an inconvenience factor. People establish a relationship as a customer with an organisation, and for them in many cases the service is not just the fact that they hold an account but also that it

is at a particular location. That is not accounted for in any way in branch closures or anything like that. Banks just send a letter saying, 'Off you go; we have moved your account for you' to the nearest branch. As I pointed out in my submission, it leads to a certain amount of inconvenience for a person or a business. As they are not compensated or accounted for in any way, I do not believe customers should have to pay for that loss of convenience. So I would agree with what you say.

There is another interesting point on that. A very plucky individual in our city had a safe deposit box with one of the banks. When it closed he went through the terms and conditions on his safe deposit box, and they indeed referred to a location. He has taken up the matter with the ACCC. He is saying, 'Right, you owe me. You cannot move my service; you did not give me 31 days notice as per your contract with me'. It would appear that the banks are having problems with their contractual obligations with that, and I would certainly encourage anybody to try to hold their bank to account on that.

**Mr THEOPHANOUS** — What I am getting at is that we need to make a set of recommendations. The recommendation you have made relates to the Australian Bankers Association (ABA) bank closure protocols. It would be possible for us to recommend legislation along the lines that a bank wanting to close a branch must give to each and every person with an account at that branch the option of leaving and going to another bank at no cost to themselves. I think that would do more to stop closures than virtually any other requirement that could be put on the banks. You have said that this should be a matter of ABA bank closure protocol. However, it is doubtful that the ABA would take up such an offer.

**Cr LARocca** — It certainly is doubtful.

**Mr THEOPHANOUS** — Is it your recommendation to this committee that it should investigate other legislative needs?

**Cr LARocca** — Certainly, for social obligation issues through to issues like this; we should be looking at legislative fixes to these sorts of things. Through our parliaments, organisations like this should be held to account. I reckon your suggestion would lead to a change in the way the banks operate, particularly in the country areas, where it would be harder for them to argue, 'There is a branch a kilometre away'. Certainly it would be a way to hold them to account for their effects on small businesses and customers.

**The CHAIRMAN** — Thank you. Mrs Coote.

**Mrs COOTE** — Thank you very much, Cr Larocca; I agree that it is a very comprehensive report. You made some comments that I am fascinated with, one of which is that with the banks closing the local community does not feel any part of it and is not involved, and has a sense of despair. I think about four Commonwealth Bank branches have closed in my electorate over the past six months. They have come to me in a very timely manner, have given me an indication of what they have been doing, and have referred to people coming to me. Not one person has come to me as the local member to say that they have a concern about the closure of a bank branch. That is from my personal involvement.

**Cr LARocca** — Yes.

**Mrs COOTE** — Perhaps it is different in your electorate. I was also fascinated to hear you say that banks have a social obligation. I go back to the despair issue and your comprehensive report. Obviously the City of Moreland has spent some considerable amount of money on looking into the banks. Have you done the same sort of investigation looking at what else and what other infrastructure changes have caused despair for the people of Moreland?

**Cr LARocca** — I am a bit confused; you might want to clarify the question, please.

**Mrs COOTE** — You have put a lot of money and time into looking into what the banks are, and as to their being commercial organisations Mr Theophanous has referred to transactions between clients and operators. You have obviously spent a lot of time on investigating the implications of banks for your community.

**Cr LARocca** — Yes.

**Mrs COOTE** — On the same sort of proportion, what else has the City of Moreland done to look into social changes and the implications of infrastructure changes in Moreland? Is there a similar sort of — — ?

**Cr LARocca** — Where would you want to start? We involve ourselves in issues of concern to our community, as we are expected to under the Local Government Act. That means that we are involved in looking at the effects of education changes in our area, and we are working with our local school communities on how best to deal with that. We do the same in the manufacturing area; the council has a large economic development unit which works with employers in our city to deal with changes on that level. The amount of time and effort that goes into this pales in comparison to the amount of time and effort that goes into looking after the basic infrastructure in our city.

**Mrs COOTE** — So it is not just banking? I just want to get it into perspective.

**Cr LARocca** — No.

**Mrs COOTE** — So it is not just banking that has had some ramifications and that has caused problems for the shopping centre strips and those other areas as well?

**Cr LARocca** — One of the prime issues for them is banking. But it is part of the larger structural change, and the brief your committee has is to look at that larger change as well, and we have chosen banks to highlight as an example of that. There are many other changes that have gone on in our economy. I have lost four of the eight milk bars in my ward in the last two years. I draw a line from that effect to the convenience of 24-hour supermarkets. But, yes, this is one which has been a concern for our community, so we have taken action on it.

**Mrs COOTE** — I go back to the issue of strip shopping centres. I do not know your area, and I apologise for that. Do you have any large shopping centres in your area? We certainly do; we have the Chadstone shopping centre, which has caused a lot of problems for strip shopping centres. Do you have the same sorts of problems with the strip shopping centres?

**Cr LARocca** — The largest strip shopping centre we have is Barkly Square, which is in the very south of the municipality and tends to service part of the Carlton and Fitzroy communities as well. It is our largest big top shopping centre. Moreland is quite unique outside of that, because we are ringed by them. We have the Highpoint, Broadmeadows, Airport West and Northland shopping centres — all of which provide competition for our strip shopping centres. Despite that, at the Coburg end of Sydney Road is probably the highest occupancy rate of any strip shopping centre in Melbourne at the moment. So that strip shopping centre is going quite well. It is of a medium size and provides a good range of basic services. It is the small ones that really have — you do not have to do a great deal of work to work it out; when you drive around you can see it. All the smaller ones have gone by the way.

**Mrs COOTE** — I have a quick question, and could you give me a really concise answer? Could you tell me why you think the banks have a social obligation?

**Cr LARocca** — Because they provide a service to an incredibly large proportion of the community, and their service is not completely recognised by the relationship between them and their shareholders. I believe they see that relationship as being more important to them than their relationship with their customers. It is like what I said in the first part — the services are akin to basic services in the community, and the community sees them as that, but the banks do not; they see them as a moneymaking service for them. So there is a difference in view between the two parts of the world there. Simply because they provide that service to probably almost everyone in the community, I think they do owe an obligation for that. They make a profit from our community, and for that reason they have an obligation to provide that service back.

**Mr THEOPHANOUS** — It is a bit like the electricity and gas companies, isn't it?

**Cr LARocca** — Yes; it is a basic service. Everyone uses it, therefore they have some obligations back to the community, and they are not meeting them.

**Ms DARVENIZA** — I want to ask you about the education of people who use banking services so they are able to use some of the newer services, such as the Internet and ATMs. There is a group within the community who find this very new and very difficult, and you have talked about the banks having some responsibility, and it perhaps being done through neighbourhood houses. Could you expand on that and tell us a little about what you see as the extent of the need for that education, how it might be met, and who should be responsible for meeting that need?

**Cr LARocca** — In the first instance the banks should be responsible for meeting that need. I draw a line to what the Deputy Chairman said before. If they are the ones taking that action, then they have a certain responsibility to make the community aware of the change and accommodate their customers for that change. The neighbourhood houses would be a great place; in our city we have pretty much got one in every suburb, and they are good places for neighbourhood learning. In my view they are certainly organisations that can reach and speak to those groups in our community which are not dealing with the change. They are a good way to get to them, I suppose. I do not use neighbourhood services, but I can deal with the change in banking services quite okay. So they would be a good location for it to be done.

That recommendation is based on a realistic understanding that the banks will not start propping up branches and returning the basic face-to-face services back to our community. They really need to do more than they are currently doing to educate people about the change and get them au fait with and able to deal with it. They do a little bit at the moment by offering videotapes and, I think, sometimes offering to go out and help people. But there is nothing that makes up for that face-to-face contact. They need to provide that face-to-face contact to help people deal with the change from what used to be provided to them with their banking services before. They have to take more care in dealing with that change and in giving people the opportunity to be a part of it.

**Ms DARVENIZA** — It probably also assists the bank in keeping customers. If I have a passbook account and my bank branch is closed, they could show me how to do Internet banking or phone banking and then I might stay with them and not go with the community bank.

**Cr LARocca** — It would make good commercial sense and they are doing it to a point already, but they could do it more. The great problem with Internet banking for passbook customers is they cannot yet get money out over the Internet. That will not fully account for the changes.

**Ms DARVENIZA** — True. Thank you.

**The CHAIRMAN** — Cr Larocca, thank you very much for coming along today. We will send you a copy of the Hansard transcript of our discussions for you to check. We appreciate the time you have given us and, in particular, the submission you have given us.

**Cr LARocca** — Thank you for the committee's time.

**Witness withdrew.**

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

### Inquiry into structural changes in Victorian economy

Melbourne – 19 November 2001

#### Members

Mr R. A. Best  
Mrs A. Coote  
Mr G. R. Craigie  
Ms K. Darveniza

Mr N. B. Lucas  
Mr J. M. McQuilten  
Mr T. C. Theophanous

Chairman: Mr N. B. Lucas  
Deputy Chairman: Mr T. C. Theophanous

#### Staff

Executive Officer: Mr R. Willis  
Research Officer: Ms K. Ellingford

#### Witnesses

Mr R. Lomdahl, Director of Public Affairs;  
Mr C. Doody, Area General Manager, South-West Victoria; and  
Mr G. Wiltshire, Victorian Account Director, Telstra Country Wide.

**The CHAIRMAN** — The Economic Development Committee is an all-party investigatory committee of the Legislative Council. Today we are hearing evidence in relation to our inquiry into structural changes in the Victorian economy. I advise all present at this hearing that all evidence taken by this committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

I welcome representatives of the Telstra Country Wide Advisory Board and thank you for coming along. The reasons you are here are twofold. Firstly, we have an inquiry into structural changes in the Victorian economy — you have probably seen a copy of our reference — and we are finding out what is going on in rural and regional Victoria in a whole range of matters. That is the first reason we are interested to hear evidence about these matters.

Secondly, I received in my mailbox at the Parliament a document from you explaining your project and your responsibilities for putting out better telecommunication equipment and services into regional and rural Victoria. We took evidence in western Victoria from a number of people who spoke to us on a range of issues, including being cut off the Net, not being able to get onto the Net at all, and having the electric fence of the property next door affect their telecommunications connections, so when I heard of what you people were doing I thought it would be very interesting to hear about it first hand. That is the background.

I would be interested to hear an opening statement about who you are and what you do, so to speak, and what is going on particularly in rural and regional areas in terms of the rollout, the program and the timing of your service, if you have that available, and then we might ask some questions. We have about half an hour to do that.

**Mr DOODY** — Thank you, Mr Chairman, and members of the committee. Firstly, thank you for giving us the opportunity to present to you what Telstra Country Wide does in rural Victoria in particular, which we will focus on today. Obviously our current program as well as our future plans address some of those issues you just spoke about.

Today we will run through a couple of key areas that we think would be of interest to the committee. I will give a short background on Telstra Country Wide, including where it came from and its principal goals. Mr Lomdahl will talk a little about the legislative and regulatory framework we have to operate in, because that is extremely important from a regional perspective and places some boundaries around what we do. I will talk specifically about service quality, infrastructure and also some of the issues you spoke about, such as Internet access. Mr Wiltshire will be talking about mobiles, including mobile coverage, which is obviously one of the hot topics, pricing and zoning, as well as the impact Telstra Country Wide has had on economic development within regional Victoria.

Telstra Country Wide was formed over 12 months ago in June 2000. Specifically, our aims are to improve communications within rural Australia. We obviously have a mission and a vision. The mission is to provide high-quality and constantly improving communications and information technologies for the use by regional business and customers. Our vision is to be a continually improving successful and growing business in regional Australia.

There is a perception that the viability of communication companies in regional areas is suspect, but the reality is that Telstra Country Wide moved into being on the basis of a business — that is, we were going to make it successful. Mr Wiltshire in particular will outline some of the ways we are actually doing that.

Telstra Country Wide is probably quite different to other parts of Telstra in that we are geographically based. It would be fair to say that some level of disenfranchisement of country customers was felt within Telstra. To address that we felt we had to change the way we managed the country areas. Specifically, what we have done is move back to regionally and geographically based management structures.

I have an office in Ballarat; I have, as do the other 28 area general managers (AGMs) in country Australia, total accountability for service and sales within that geographical area. Irrespective of what part of Telstra provides the service, at the end of the day the accountability for service and sales and being able to grow the business comes back to me. That is quite a change from the traditional structure we have had for probably the past 10 years within Telstra, which has been very vertically integrated. That has been a significant change.

As I said, there are 28 area general managers in Australia. Within Victoria we have one AGM based in each of Gippsland, with offices in Sale and Healesville, Bendigo and Mildura; one AGM has two offices — one in Benalla and one at Shepparton; and I have two offices — one at Ballarat and one at Warrnambool. As you can see, we are very much a regionally focused organisation. We report to Lawrence Paratz — and I must mention

here that Lawrence sends his apologies for not being able to be here today, he had a pressing engagement yesterday — he got married!

Lawrence is one of four regional managing directors who report to Doug Campbell, and Doug reports directly to Ziggy Switkowski. As you can see, we have a very flat structure. We are very lean as far as numbers: there are 425 Telstra Country Wide staff in Australia. The way we operate is very much by contracting our services either back to the internal work groups or to outside contractors. We are doing that more and more as we see a shift in the levels of activities: for example, we contract out all our civil activities — that is, the trenching and putting in of the ducts to lay our cables in the ground. That happens through contractors.

Mr Chairman, we have some packs to hand out which contain information that we will refer to as we go through. They cover all the topics we will be talking about today.

Telstra Country Wide has a very different structure. It is in essence a lobbyist group within Telstra for the benefit of and with a focus on country outcomes. Local call access to the Internet was brought in in April this year, and that was one of the requirements we saw when we came into business about 12 months ago. We have rolled out asynchronous digital subscriber line (ADSL) broadband technology to a large number of regional areas in Victoria, as well as having rolled out our Internet satellite service over two and a half years ago, saying, 'Any person in Australia can have broadband access to the Internet at a price that is comparable to metropolitan areas'. That is most important.

We have done a large number of rural exchange upgrades — 267 in the past nine months in country Victoria alone, and 1500 nationally. We obviously have code division multiple access (CDMA) mobile coverage, and Mr Wiltshire will touch on that in a few moments. As well as that we have participated with the government in a number of programs. The most significant of those is a program called the Internet assistance program, which is a \$50 million project that allows customers to self-diagnose issues surrounding how their Internet performance is going. Customers do some checks, and if those checks prove they are not getting a certain speed, which is now legislated at 19.2 kilobits per second, an escalation process results in a service person going out to their homes and improving their quality of Internet access.

Without any further ado, I will pass over to Mr Lomdahl to quickly outline the legislative framework we operate within.

**Mr LOMDAHL** — It is important, Mr Chairman, to understand some of the legislative and regulatory framework in which Telstra operates to see some of the things we do in context. Telstra Corporation is listed on the Australian Stock Exchange. It is subject to the Corporations Law and ASX listing requirements. The commonwealth owns 50.1 per cent of Telstra stock. The board and officers of Telstra have to act in the interests of all shareholders — the minority shareholders and the majority shareholder. Some special commonwealth powers and legislation apply to Telstra: for example, there are special reporting requirements and a power of direction that can be exercised by the communications minister. That is broadly the sort of governance framework in which we operate.

Within the structure of Telstra is the board; the CEO, Ziggy Switkowski; and in Telstra Country Wide my boss, Doug Campbell, reports to the CEO. I have included in the pack of materials an organisation structure for your information.

It is also important to understand the special regulatory framework that applies to telecommunications. The Australian Competition and Consumer Commission is the competition regulator for telecommunications and special provisions of the Trade Practices Act apply to telecommunications. Broadly speaking those special provisions ensure that competitors can get access to our network for the key services — for example, they ensure that if a competitor is operating a telephone service in Australia its calls can be completed on the Telstra network. The ACCC has a role in arbitrating on the price that might be paid for that, and there is quite a range of provisions covering that.

Over and above those access provisions is a special anticompetitive behaviour rule which is overseen by the ACCC and which goes beyond the normal tests in the Trade Practices Act for anticompetitive behaviour. It is called the competition rule and it applies only to telecommunications. In addition, the ACCC has special information-gathering powers and the ability to compel us to report on our costs, services and so on. Local and mobile number portability is also required under the competition regulations.



The second leg of a three-part introduction to telecommunications regulation is price controls. We are subject to a wide range of retail price controls, and in the pack of materials you will see a diagram that attempts briefly to set that out. The most important price control is the requirement that every year Telstra is to deliver price cuts worth 5.5 per cent in real terms to consumers across a basket of our standard telephone services. We have to cut the price of those services by 5.5 per cent every year. That, in effect, is quite a requirement on the corporation. Every year when we sit down to do the budgets we have to take 5.5 per cent out of the cost base of Telstra before \$1 is returned to shareholders because of this requirement to deliver consumer savings.

**Mr THEOPHANOUS** — That is not on all services, though?

**Mr LOMDAHL** — That is across the major ones. That requirement applies across mobiles, line rentals, fixed-line connections, leased lines, local calls, subscriber trunk dialling (STD) and international direct dialling (IDD), so it applies to a basket of the most important consumer services.

**Mr THEOPHANOUS** — But not the calls themselves, where the biggest revenue comes from?

**Mr LOMDAHL** — It includes local calls, STD and IDD calls.

**Mr THEOPHANOUS** — Why do local calls come under the consumer price index (CPI) minus 0 per cent category? That is a double entry, is it?

**Mr LOMDAHL** — No, that is an additional provision saying that that basket of CPI minus 0 per cent applies over and above the CPI minus 5.5 per cent cap. That provision is in there to say that irrespective of what you do to the large basket where you are required to deliver 5.5 per cent of price cuts you are not allowed to change the price of a bundle of local calls and line rentals by more than CPI minus 0 per cent.

Some of those other provisions — there is an extensive array of them — are designed as consumer protections to prevent some prices moving around very rapidly and thus disadvantaging some consumers. In addition, for example, there is a bottom-50-per-cent rule which says that we cannot put up prices more than CPI minus 1 per cent for low-bill preselected customers. It is quite a detailed set of pricing regulation.

The third element of telecommunications regulations is the social and technical regulation that applies. That is overseen by the Australian Communications Authority. The customer service guarantee covers the time it takes to install and repair services. A quarterly report is put out by the Australian Communications Authority (ACA) on our performance. The latest report is included in the pack of materials.

We have the universal service obligation to make standard telephone services available across Australia and to make them reasonably accessible to all people. The cost of the universal service obligation is shared among the industry. We have a special digital data service provider requirement to make available the equivalent of a 64-kilobyte service anywhere in Australia. A number of other detailed regulations apply under the category of social and technical regulation — for example, preselection, access to property, numbering, industry development, directory, operator services and so on. That is a brief sketch of the regulatory and legal framework within which we operate.

**Mr DOODY** — Mr Chairman, obviously service is a primary accountability for Telstra Country Wide, and as I mentioned during the introduction, the area general managers have the sole accountability for that. It is pleasing to note that over the past two years in particular we have had made significant improvements in the delivery of service to rural Victorians as well as to rural Australians.

Inside the pack you have is a report from the ACA. That has the quarterly report card for which all the major carriers have to provide performance data. The document is obviously extremely detailed and has an enormous amount of information based not only on Telstra but also on all the other carriers. From Telstra Country Wide's perspective it is one of our key focuses, so obviously we ensure we are seeing continual improvements within the service delivery within rural areas.

All the performances measurements are based on the customer service guarantee, which is a legislated performance indicator against which all the communications carriers have to perform.

Fault restoration for rural areas in Victoria has improved 10 per cent in the last 12 months and is up to the mid-90 per cents depending on whether it is major rural or minor rural — one is 96 per cent and the other is 95 per cent. Within the delivery of service — that is, new telephone services — we have also had significant

improvements over that two-year period. Within Victorian rural areas new services to customers are being installed at 95 per cent within the required time frames set down by the Australian Communications Authority.

Obviously to achieve that improvement in conjunction with, as Rob outlined, the reduction in cost structure has meant we have had to improve efficiencies. We have done that in a number of ways within Australia and obviously within country Victoria. Two in particular have had a major impact. The first was to multidiscipline our staff and to train them in a number of activities and not just in one core activity. That has seen a considerable saving on breakdowns in demarcation over the last two years, as well as building up expertise within the field staff so they are able to handle anything from an exchange issue to looking after a customer's telephone service.

Secondly, obviously we have improved markedly our work management processes. Today all field staff are connected via laptops to a central dispatch centre in Victoria which is based in Bendigo for country Victoria. The performance of that has improved markedly and we measure that in a number of ways. One is by the reduction of travel time. How much time does a field person spend on the road? We have seen that decrease over the last couple of years, which comes as a surprise to most people. Again, it is a case of experience. We are learning as we use the system, and we are getting much better at it.

Thirdly, and probably the most important, we have been able to achieve significant service improvements by a much more targeted approach to the expenditure of capital. Obviously we have a very large capital expenditure within country Australia, and obviously within rural Victoria. We have become very targeted as to how we spend those dollars. The particular way we have done that include aggressively increasing our optical fibre network throughout country Victoria. I will pass some plans to the committee — I have a large plasticised one but I have some A3 handouts. The committee will probably get the gist of the map during my explanation. Those red lines across Victoria are the optical fibres that we currently have running through country Victoria. The blue ones are the microwave network that we have operating throughout Victoria. As the committee can see, our program — this is up until June this year so it is reasonably current — shows an extensive breadth and width of optical fibre coverage.

**Mr McQUILTEN** — One goes through my property.

**Mr DOODY** — I suppose they have to go through some properties to get to the locations and exchanges. It is important to note that optical fibre does two things. One of the major things in the rural environment is electrical fences. Optical fibre cuts down on the impact of electrical fences. Secondly, it also makes the cable fairly resistant to electrical lightning strikes. One of our major issues is copper cables in the ground getting hit by lightning. This is a demonstration of the commitment we have to ensure the improving quality of our data network to all our telephone exchanges.

To give the committee a bit of an idea, once the cable is in the ground the reality is we can upgrade that particular optical fibre in the future to meet growing demand. Most of the sites the committee sees there have a minimum of what we call 8 megabits, so that is 8 megabits per second of data transferred to them. To give you an idea of where we can scale that up to, we have recently announced that we are upgrading the intercapital route between Sydney and Melbourne to 10 gigabits per second. That allows us to upgrade the network as we see the need within the local communities.

As I said, we are very much committed to improving the communications infrastructure within rural areas. Our perception in regional areas is that there is not enough infrastructure to cope with or handle the growth in particular areas, such as the Internet. The reality is that the infrastructure that we have now in place to every telephone exchange in country Victoria allows us to increase that capacity very quickly, and in fact we normally carry a large headroom of somewhere between 20 per cent or 30 per cent into each of those areas, which means we can quickly upgrade it. We do not have to wait for the equipment to be upgraded over a longer time.

As I have said, we have upgraded 267 small telephone exchanges which give the full range of easy call facilities including message bank and others that facilitate business growth.

**Mr McQUILTEN** — You have one to go — Bet Bet.

**Mr DOODY** — We have two to go in Victoria. There are 269 and we have two to go, so I will check when Bet Bet is being upgraded. The Internet obviously plays an important part within regional areas. One of the reasons we have been so aggressive in putting in place an extensive optic fibre network is the increase in growth, particularly in data transmissions and particularly for Internet capability. As I mentioned before, any person in

Australia can access broadband Internet access now at a price that is comparable to metropolitan areas via satellite services.

**Mr THEOPHANOUS** — What do you mean by broadband?

**Mr DOODY** — High-speed Internet access from up to 1.5 gigabits per second.

**Mr THEOPHANOUS** — So it is at the top end.

**Mr DOODY** — It is at the top end but the important thing is it is at rates that are comparable with metropolitan customers. There is no differentiation between a metropolitan customer and a person in a rural area opting for high-band satellite Internet access.

**The CHAIRMAN** — A lady came to see the committee at Edenhope. She was from a place called Telopea Downs, which is quite a way north of the highway in the middle of uninhabited country. At the moment she cannot hook up at all to the Net. However, you are saying if she got a satellite she would be able to more than adequately hook up.

**Mr DOODY** — More than adequately. I have to make a couple of qualifying points. The current satellite service we operate is one way, so it is downwards. The upward link is via the normal telephone service. We have been operating that service for about two years.

**The CHAIRMAN** — If she wanted to get the weather, the stock prices or other information down to her screen at Telopea Downs, she could do that, but if she wanted to Internet bank she could not.

**Mr DOODY** — She could Internet bank but it would be a bit slower at this stage. This is part of Telstra Country Wide's commitment to improve communications.

**The CHAIRMAN** — How would she get back, through the satellite?

**Mr DOODY** — She would do it via her normal PSTN, or public switched telephone network, hook-up.

**The CHAIRMAN** — What does that mean?

**Mr DOODY** — Through her normal telephone via a modem connection.

**The CHAIRMAN** — Where that is not good enough to operate, all is lost.

**Mr DOODY** — The point is that Telstra Country Wide, in conjunction with the federal government, has announced the Internet Assistance Program, so it is a guaranteed minimum 19.2 kilobits per second. We would expect much higher rates than that for the vast majority of customers within country Victoria because of the way our infrastructure is set up — as the committee can see from the map — but the guaranteed minimum — —

**Mr LOMDAHL** — If I could make a comment, our experience of many customers who say they have Internet problems is that when you look at their Internet performance there is a wide range of reasons for their problems. I know, for example, when I have set up my PC at home sometimes I have done it in an incorrect way, sometimes it depends on the Internet service provider's (ISP) configurations, sometimes it is the line, sometimes it is a repair that might need to be made. There is a wide variety of possible causes for poor Internet performance so we established the Internet Assistance Program, which is really a structured way in which we can help customers of any carrier. You do not have to be with Telstra, but if you have a problem with your standard Internet over the telephone service you can ring up this help centre and they will guide you through a process to get you up to a reasonable Internet.

**Mr THEOPHANOUS** — With the greatest of respect for what you are telling the committee, the fact is that what you are talking about, using the particular example raised by the Chairman, is that you can access the Internet by your normal telephone, which you are saying you can get 19.2 kilobits on; correct?

**Mr DOODY** — Yes.

**Mr THEOPHANOUS** — And you are guaranteeing that. That would not be any different in the city either; you would be able to get your 19.2 kilobits. Mine is only 18.5; I do not know why that is the case. Nevertheless, I am in the city and perhaps I deserve it. What you have neglected to tell the committee is that to

access the 19.2 kilobits in country Victoria using your normal line costs you a lot more. You have not told the committee that.

**Mr DOODY** — That is not correct at all.

**Mr THEOPHANOUS** — You do not have to use STD rates?

**Mr DOODY** — No. I did not get to it, but one of the other initiatives in conjunction with the infrastructure rollout, and Grant will probably touch on this more, is that in about April of this year Telstra came out with a wholesale product called Megapop, which allows any ISP to buy a product that will give anyone local call access to the Internet. Telstra Country Wide has adopted the wholesale Megapop product, and has a couple of specific products such as Big Pond Home Essentials, which is a local call access to the Internet anywhere in country Australia. There are a couple of key components. It gives unlimited hours and a maximum of 300 megabit download before you incur additional charges.

So that is not correct any longer — although up until April this year you had to pay STD rates to get some ISPs, but not all because some had local points of presence. Customers now have the option of a number of ISPs that will give them local call access to the Internet anywhere in country Australia, and obviously in country Victoria.

**Mrs COOTE** — Can you tell the committee about the costs of the satellite and who pays for that? I refer to the example given by the Chairman before.

**Mr LOMDAHL** — We have an array of products, depending on your need. The satellite service is a step up from your normal telephone service. Including the Internet service provider charge — that is the \$25 a month, or something like that, that you might pay for Internet service — the current satellite monthly charge is about \$60.

**Mr DOODY** — It is \$60 for a 64K guarantee download speed. For 400 kilobits per second it is \$76.50 a month.

**Mrs COOTE** — How much does the thing cost to start up? We all have to put up with the costs of installing a normal telephone. How much does it cost to get the satellite service and Megapop et cetera?

**Mr DOODY** — It depends on where you are. The reason I say that is that currently there is a subsidised program through the federal government which pays for half the installation costs of the dish as well as the desktop unit.

**Mrs COOTE** — Is that right across Victoria or in regional or rural Victoria, or are there some geographical constraints?

**Mr DOODY** — There are geographical constraints. Outside 4.5 kilometres from your telephone exchange is where the subsidy is available.

**Mrs COOTE** — Can you give the committee some idea of the cost?

**Mr DOODY** — Certainly. It is around \$750-odd; that is the maximum installation charge.

**Mrs COOTE** — Presumably you get some sort of proportion back from the federal government?

**Mr DOODY** — Fifty per cent.

**Ms DARVENIZA** — If you live in a particular area.

**Mr DOODY** — Outside 4.5 kilometres from the local telephone exchange.

**Ms DARVENIZA** — Do many people live outside 4.5 kilometres or do most fall within the 4.5?

**Mr DOODY** — It would be fair to say that the majority would fall within the 4.5 kilometres.

**Mrs COOTE** — You said the satellite and so forth uses the newest technology. Therefore, in the future is this what will be encouraged, even though at the moment it is \$350 a year to put in, rather than the optic fibre?

**Mr LOMDAHL** — If I might comment here: it depends on your particular need. We will be introducing, for example, a two-way satellite, which is a further enhanced product, and that is a more valuable

product. It essentially means you can get very high speed Internet going both ways; you do not have to rely on the telephone going one way.

**Mrs COOTE** — Is that twice as expensive?

**Mr LOMDAHL** — The pricing is yet to be announced, but we are looking to make sure it is affordable and comparable between regional and metropolitan areas. Perhaps for the benefit of the committee we can supply the actual prices of the satellite service. In our view it is quite an affordable service if you want high speed Internet, and its costs are not prohibitive. Its costs are in the hundreds of dollars. We have a self-installation option where for \$99 or so you can install it yourself, and that cuts the cost from \$700 down quite substantially.

**Mrs COOTE** — I am surprised at the cost.

**Mr McQUILTEN** — Will you refer to mobile phones, because we have almost run out of time?

**Mr DOODY** — Yes, unless there are any more questions.

**Mr THEOPHANOUS** — The only question I have on this is that you have told the committee that broadband is accessible anywhere in Australia. You have told the committee that normal Internet access can be had by using local calls and that STD calls are no longer necessary. With all that happening, why is it that during the course of the federal election the whole debate was about the need for you to get into country Victoria a level of service which was appropriate in order to allow privatisation? That suggests to me that you have not reached that level of service. What you are telling this committee, in all the evidence you have presented here today, is that you have. What is going on?

**Mr LOMDAHL** — Being a commonwealth majority-owned organisation we have to be somewhat circumspect about the comments we make about the election and party policies.

**Mr THEOPHANOUS** — I want to know about the service. What do you need to reach so that people are satisfied? What are the things that have not been done or that need to be done? From what you have told the committee it sounds as though there is nothing else that needs to happen, but there is obviously a gap between what country people are getting and what city people are getting. We want to know about that gap.

**Mr DOODY** — There are a couple of areas. One is obviously an upgrading of the current infrastructure we have in place, because at the end of the day some of the cabling we have in the ground is 25 years to 30 years old. In metropolitan areas the new estates are obviously growing, and with new cabling into new estates we have far less issues with changing the cable. So we have a big program within country Victoria, in fact rural Australia, with upgrading our cabling. We are also looking specifically at whether or not cabling is the right method for the future, so we are looking at alternative technologies in a number of programs.

We have a long way to go within rural Australia. There is no doubt about that, and we do not hide from that fact. However, what I have to say to the committee is that we have made significant progress over the last couple of years in particular when we have had geographically based managers focusing on the key local issues affecting business. Local business has someone to go to when they have problems with their Internet or they have technical issues. Within my office I have technical specialists, customer service staff, sales executives, and business development people as there are in each of the Area General Managers' Offices, and that is one of the key issues that will move us forward and where we have to go to increase business within regional and rural Victoria.

**The CHAIRMAN** — This map looks very good to me. You have covered everything except the mountains and the desert; everything is wonderful. However, if I lived on a farm — and this is the bit that I do not understand — that is 10 kilometres or 15 kilometres from one of these spots, and there are plenty of farms across rural Victoria in that situation, and if the wire between my farm and wherever the closest red line is that connects me up is an old copper wire and there is an electrical fence and it is a bit wonky and I am trying to get on to the net to get my stock prices, to do my banking, check the weather or whatever, will the ultimate provision that you will be involved with expand these red and blue lines out to all such farms, or will you continue with this concept where you have to have a satellite if you cannot get the connectivity and the speed down the line through these copper wires that connect all these farms across Victoria?

**Mr DOODY** — Mr Chairman, it will be a combination of the red and blue lines that you see on the map, plus new technologies that are currently under development, specifically focusing on mobile communications as

the method. We are not there yet, but at the same time we have to make sure that we continue to improve the services we have in the regional Victorian areas.

**The CHAIRMAN** — So while the gurus are developing new technology you will keep on expanding your red and blue lines around rural Victoria to get to as many people as possible, but ultimately, with technology expanding as much as it is, I assume that satellite communications through dishes will become cheaper and more viable; and it might become more viable than paying the \$750 to get a little dish worth \$50 and stick that on the roof rather than having a wire going for kilometres along a road?

**Mr DOODY** — Absolutely. It will be a combination of everything you have spoken about. We cannot simply say we are going to put optical fibre everywhere, because in a large number of rural areas that may not be the best way to provide service to the customer in a cost-effective method, and it may not be the best way to take up with the new technologies that are continually evolving within telecommunications. We are not locking ourselves into any one product. We will use a combination of methods to deliver the products and services that the customers are looking for.

**The CHAIRMAN** — Fair enough. I would be keen to hear about the mobile side of things.

**Mr WILTSHIRE** — I am handing maps around the table to show what I will cover. Since the inception of Telstra Country Wide one of our key priorities was to expand the digital CDMA coverage. At the moment nationally 97 per cent of the population is covered by digital CDMA, which represents 1.1 million square kilometres, and those statistics are growing. Ninety-eight per cent the population of Victoria is covered by digital CDMA versus the national figure of 97 per cent, and greater than 70 per cent of landmass in Victoria is covered by the digital CDMA network versus a national figure of 13 per cent. In retrospect Victoria is well positioned for coverage. A lot of that has to do with the deployment of the digital CDMA network and the work that Telstra Country Wide has been doing with local government and community groups on expanding our network and working with those groups in support of their Networking the Nation applications.

During the last 12 months we have seen a rollout of some 24 extra base stations throughout Victoria and under the outcomes of the Besley inquiry there is about that number again in the queue to be deployed. Halls Gap, Lavers Hill and King Valley are examples that highlight the regional coverage on digital CDMA. Telstra Country Wide has also been very proactive in the education process.

**Mr McQUILTEN** — Was Halls Gap done in the last 12 months?

**Mr DOODY** — Halls Gap cuts over in December this year. The tower is built, the building is there.

**Mr WILTSHIRE** — It was announced back in June. We have been proactive in the education process. A lot of people will carry a hand-held mobile telephone with them, but a lot of people were not aware that you can get a patch lead and a magnetic aerial which will obviously expand the coverage while you are travelling along. So we have been proactively involved in field days. We have an educational van that travels throughout regional Victoria. We are very proactive in our education process with all the dealers who represent us out in regional centres.

**Mr McQUILTEN** — I have both phones, by the way. I am equally trialling it for you.

**Mr DOODY** — So am I. I have this one and a CDMA.

**Mr THEOPHANOUS** — Does that mean that effectively you have to have two phones if you do a bit of travelling in the bush? Is CDMA a different network?

**Mr LOMDAHL** — Almost. It is a different technology. I use CDMA exclusively when travelling everywhere. It was brought in to replace the analog network which was closed down through a legislative process. We think this technology has particular advantages. The manufacturers say it is clearer. It has good data transmission properties. It is terrific modern technology.

**Mr THEOPHANOUS** — So you are saying you do not need both?

**Mr WILTSHIRE** — No, you do not need both. The key advantage with CDMA is that it has nearly twice the coverage per tower in the same geographical area as the existing GSM. That is why we specifically looked at it to replace the analog network.

**Mr McQUILTEN** — There are black spots on the Calder Highway where neither works. I can point them out. There is just one spot where neither of them works.

**Mr THEOPHANOUS** — I go down to Anglesea quite a bit and I cannot get my GSM to work in the area of Anglesea where my house is.

**Mr DOODY** — In Anglesea we recently installed a new tower at Bellbrae which was to help cover part of a black spot that we had around on the Anglesea area. As well as putting in additional towers we are continually upgrading the capacity and the mobile antenna technology, which has improved.

**Mrs COOTE** — They are not getting any bigger, are they?

**Mr DOODY** — No, it depends on the situation.

**Mrs COOTE** — In those beautiful areas?

**Mr DOODY** — Obviously we are very cognisant of the planning processes we would have to go through. Halls Gap was a classic case of the process working to the benefit of both the environment and the needs of local business.

**The CHAIRMAN** — So does this map show where we are as of today?

**Mr WILTSHIRE** — That is as of June.

**The CHAIRMAN** — So where we are today is probably a bit advanced on that?

**Mr DOODY** — Yes.

**The CHAIRMAN** — Where will we be ultimately? Is the idea to have the whole map brown or to cover it with brown and whatever the other colour is? What is your long-term plan?

**Mr WILTSHIRE** — Obviously it is to get as much coverage out there as we possibly can and to focus on the areas that are important to the communities.

**The CHAIRMAN** — So if we went back five years, this map would not be as colourful?

**Mr WILTSHIRE** — No, not at all.

**Mr THEOPHANOUS** — Have you a map for GSM?

**Mr WILTSHIRE** — Yes, we have. We can provide that as well.

**The CHAIRMAN** — If we looked at the time sequence then the map would gradually get more colourful, so over the past five or six years a heck of a lot has happened, and that is where we are still heading?

**Mr LOMDAHL** — Yes. Coming back to the question of new technologies, you reach the limit of which areas you are going to cover. For example, in the mountainous areas of Victoria you would have to have towers everywhere to cover what is basically a very sparsely populated space. So in those sorts of cases — in the desert areas of Australia and in some of those other areas where very few people are living — you would have to look to the satellite-based mobile phones — —

**Mr McQUILTEN** — That is the point. What about the cost of satellite phones, because I was thinking of getting one myself?

**Mr DOODY** — I suggest that it will go down the same path as we have seen with mobiles. If you can remember the price of handsets back in the days when analog or GSM first came on the market — —

**Mr McQUILTEN** — The first one I bought was \$3800.

**Mr DOODY** — It was very expensive. These days, obviously through a process of subsidisation, the prices of the handsets are down but they are still much lower than they were then, as the technology has evolved and become mature. That will happen with any new technology — for example, satellite mobile phones. You will see that as the technology becomes mature the prices will decrease.

**Mr McQUILTEN** — How much is one now?

**Mr LOMDAHL** — Telstra does not offer a satellite mobile phone. Vodafone is in a consortium with global — —

**Mr McQUILTEN** — Yes, because my mates up in the Northern Territory use them.

**Mr McQUILTEN** — Is that \$5000?

**Mr LOMDAHL** — No, they are down to about \$1800.

**Mr THEOPHANOUS** — I recently did the school bus review and in the end we chose for our school buses a system which is based on satellite and normal GSM and it is in one phone. It does GSM in the country where GSM is available, but it will switch to satellite in those areas where it is not, so it has complete coverage of anywhere in Victoria. They do have to get out of the bus in order to use the satellite system.

**Mr DOODY** — That is just the evolution of technology over a period of time. That is what we have seen and will continue to see.

**The CHAIRMAN** — Is there anything else in your submission that we have not given you the opportunity to provide us with as yet?

**Mr WILTSHIRE** — I was going to briefly cover pricing and also the activity on the economic front if time allows.

**The CHAIRMAN** — All right, if you could quickly do that we might then ask some questions.

**Mr WILTSHIRE** — Rob gave an outline earlier about some of the regulations and acts that are in place for pricing and zonation. On the local front Telstra Country Wide offers local calls as per the geographic areas defined in the act of 1991. Of late we have seen the introduction of neighbourhood calls, which is giving a financial advantage to those customers who are ringing customers or friends on their local telephone exchange. As outcomes of the zoning review, we have seen the introduction of wide area calls that extend the reach of a 25-cent call up to 50 kilometres, and that means that Castlemaine can now ring Bendigo for a fixed price of 25 cents. We have also seen the introduction of regional area calls that allow customers to nominate a call up to 85 kilometres for a fixed rate of up to 99 cents, and that is for a maximum of 3 hours to the emerging business tariffs that we have seen. Of late we have introduced regional advantage, which as the name implies is a regional-specific calling package. It takes away the distance dependency, so it is one flat national-rate call, irrespective of geographics and location.

**Mr THEOPHANOUS** — You are not talking about mobile charges?

**Mr WILTSHIRE** — No, just generic phone calls for business. One of the highlights of that package is one flat-rate call nationally. It gives business the advantage of dealing with other businesses in the area up to 50 kilometres at a much reduced rate. We have introduced call capping. It emphasises the fact that we have come a long way with pricing, and there is no differentiation between a regional telephone call and a metropolitan telephone call.

**Mr THEOPHANOUS** — What about mobile rates?

**Mr WILTSHIRE** — In the early days the model was distance-dependent; it was under two categories — under 165 kilometres and over 165 kilometres. As of probably two to three years ago we introduced generic flat rates on a per-second charging.

**Mr THEOPHANOUS** — How much is that?

**Mr WILTSHIRE** — Around 27 cents per minute. It depends on the call profile.

**Mr DOODY** — It depends on the plan that you are on. You will note that when you take up a service you can go on a \$50 plan, a \$30 plan or a \$100 plan, and that is per month. The amount then subsidises the individual costs of the call. We can say that mobile costs have reduced significantly over the past three to five years and will continue to reduce. The undoubted trend we are seeing in communications, not just in Victoria but nationally and internationally, is that the cost of call structures is decreasing.



**Mr THEOPHANOUS** — In relation to those costs, many people who have spoken to me get confused about the fact that when they go on to one of these plans the cost of the phone is really paid for through a plan by agreeing to have the use of the phone to the value of \$30 per month. The question that follows from that is that if you bought your own phone privately, should you not get the calls at a cheaper rate which does not include the cost of the phone? Somebody is making a lot of money in that regard. Are you able to answer that question?

**Mr LOMDAHL** — What you are seeing now is that the cross-subsidies between the contract and the handset are being phased out across the industry. In the future when people buy a mobile phone they will pay up front however many hundred dollars for the phone and they will pay for the call charges separately, so it should mean the call charges are lower than they have been because that element of cross-subsidy will have been removed.

**Mr THEOPHANOUS** — But that is not the case at the moment?

**Mr DOODY** — We are moving to that now.

**Mr THEOPHANOUS** — They still advertise zero dollars for phones.

**Mr DOODY** — Yes, but you can also pick up plans that are specifically call based and you were not able to do that 12 months ago. That is what Rob is saying.

**Mr THEOPHANOUS** — So if you have your own phone you can get the cost of your calls cheaper now than you could have before?

**Mr DOODY** — Yes.

**The CHAIRMAN** — You have finished your presentations. Are there any questions?

**Mrs COOTE** — In your presentation you referred to the rapid rate of change in technology and perception. Certainly when we have been around the state the perception has been that rural Victoria is disadvantaged. From these maps I can see that you are really making an effort to address all of those issues. My concern is: are we setting people up for unrealistic expectations? We are talking about fast Internet access, greater mobile access, and so on. Is the technology moving so fast that country people are always going to be behind; or, as the technology is improved in the metropolitan area, will that same technology be used right across the state so that from here on we really should not expect any disadvantage in a technical sense?

**Mr DOODY** — You are correct on some aspects in that we are moving to a platform that provides rapid deployment of new products and assistance right across the network — for example, our exchanges are in effect large computers, and when we want to effect a change such as a new product or service we download a new software package to that telephone exchange, so that certainly allows for a rapid deployment of products and services right across the state. Levels of infrastructure and build programs will continually be based on the need we see in that particular location.

You may see a leapfrog of technologies to provide those services and products — for example, there could be a case in the future where we no longer provide cable as the basic means for service provision but we simply skip to a new technology that we are developing. So it is not correct to say that we will rapidly roll out infrastructure; I am trying to emphasise the fact that it will be a combination of technologies that will provide the products and services into the future.

**Mr LOMDAHL** — From our point of view, we are trying to make sure there is equality between regional and metropolitan areas. We think with the array of technologies we have now at our disposal the opportunity to do that is greater than ever.

**Mrs COOTE** — And the gap in these new technologies between metropolitan and rural areas will get smaller? As we go about our committee business right around the state and someone says to us, 'We cannot get telecommunication and you get so much better in the city', will that gap close as you get more and more technology?

**Mr DOODY** — I will go back to your first point. If you look at what we have, is it a perception of gap or is it reality? Can I suggest to you that from the perspective of an area general manager we place a lot of emphasis on education, on telling people about what we have available now in those particular locations. The perception is that in country areas in most cases people are inhibited from buying or having access to the latest products or

services. The reality is in the vast majority of cases the products and services are there now, but we as Telstra have not given them the information to take up those products and services to benefit their business.

**Ms DARVENIZA** — But you have also benefited from the costs. You have explained the cost structures for various equipment that would be needed for a person to be able to get the service that is somewhere close or equivalent to what we have in the city, so there is an additional cost to regional Victoria; is that right?

**Mr DOODY** — As I mentioned to you before, there is a perception that the business of telecommunications in regional areas is somehow subsidised by other areas. In fact in country Victoria it is a very good business to be in. We see great growth potential for business in regional Victoria. If you equate the business opportunities and growth to the cost of infrastructure, you are covering the cost.

**Ms DARVENIZA** — But the up-front cost is greater. If you compare someone in the country with someone who is going to set up an equivalent service in the city, the country person will pay more?

**Mr LOMDAHL** — We would say in most cases that is not the case. In some cases obviously it will — for example, the cost of providing super high-speed Internet to a bank in Collins Street where you have very thick optical fibres will be different from the cost to a farm.

**Ms DARVENIZA** — Where you would have to set up a satellite, which is additional?

**Mr LOMDAHL** — The point we would make is that if you are a normal consumer or a business or a medium-sized enterprise we can provide equivalent services at costs that are broadly equivalent to what you would enjoy in a metropolitan area.

**Ms DARVENIZA** — That seems to contradict what you said earlier, though. Mr Theophanous put to you that one of the issues that has been talked about most recently is that in order for full privatisation of Telstra to occur there would need to be guarantees about provision of service in rural and regional Victoria. Everybody is saying that we are not there yet. When Mr Theophanous asked you, you said, 'No, we are not there yet and we are not going to get there until such time as perhaps there is a range of new technologies; we are looking at a whole range of new technologies — the rollout'. You have talked about the rollout just now to Mrs Coote. That may not be what happens. That may be not be the technology that gets us there. You have said that you are not there yet for rural and regional Victoria; am I right?

**Mr DOODY** — From a business perspective — —

**Ms DARVENIZA** — I am not talking about just the business perspective. I am talking about every perspective. We have it from business perspectives as well as from families who want educational access for their kids and who want it for entertainment — whatever.

**Mr LOMDAHL** — To come back to our view, in terms of the availability of telecommunications in the rural and regional area we believe we can provide the services that are broadly comparable to metropolitan areas now — at prices that are comparable.

**Ms DARVENIZA** — Are you saying you have comparable prices now?

**Mr THEOPHANOUS** — No, not price — the price is the problem.

**Mr DOODY** — Can I make a point? The cost of provision for a standard telephone in Melbourne is exactly the same as at Edenhope, irrespective of how far they are from the telephone exchange; it is \$190-something for the provision of a residential service. Unlike the power industry, for example, we have to provide the infrastructure to the gate of the residence. Telstra bears the cost \$190. As I said, we have a range of products and services and, as Rob said, the majority of those are based on the same pricing structure as we have in metro.

**The CHAIRMAN** — We have run out of time, unfortunately. Do you have a final comment?

**Mr LOMDAHL** — Would it be helpful for the committee if we provided some examples of pricing and the range of services, just to illustrate the point and I suppose to back up some of our contentions.

**The CHAIRMAN** — That would be great.

**Ms DARVENIZA** — Not just where they are the same but perhaps the areas where you have said they are not comparable and where there are a lot of additional costs. That will certainly be helpful.

**Mr THEOPHANOUS** — Can you just clarify one thing, so that we are not going away with a different impression? My understanding of what you are saying is that you can provide a comparable level of service to virtually anyone living in country Victoria as in the city. However, in some instances that is at a higher price than it would be in metropolitan Melbourne; is that the situation?

**Mr DOODY** — Can I make a comment?

**Mr THEOPHANOUS** — If you are saying a comparable service and a comparable price, then you are there already.

**Mr DOODY** — Yes.

**Mr THEOPHANOUS** — And we do not need to continue the discussion.

**Mr DOODY** — No.

**Mr THEOPHANOUS** — I do not think you are there already.

**Mr DOODY** — For the majority of products and services, the prices are comparable for the customer. Telstra may have to bear additional cost to provide the service but the cost to the customer is the same.

**Mr THEOPHANOUS** — You have not answered the question so we will just have to leave it. I asked you a very specific question. Are you saying you have the comparable level of service and the comparable price; is that what you are saying?

**Mr DOODY** — Yes, for the majority of products.

**Mr THEOPHANOUS** — So there is no issue and all the things that happened in the federal election were all based on myth; is that correct?

**Mr LOMDAHL** — We would not comment, of course, on what occurred at the — —

**The CHAIRMAN** — You cannot expect them to talk about an election.

**Mr THEOPHANOUS** — You have to give us sensible evidence and that is putting all the cards on the table. Are you saying to this committee as a matter of evidence — and I want it on the record so we can quote you — that you are able to guarantee now a level of service in rural Victoria comparable to what exists in metropolitan Melbourne and you are able to guarantee a level of price in rural Victoria comparable to metropolitan Melbourne? You can put that on the record; is that what you are saying?

**Mr LOMDAHL** — I think what we are saying is for the vast majority of consumer needs. We are able to provide mobile services that are comparable in price, given the limitations of the technology.

**Mr THEOPHANOUS** — I am happy for you to say ‘vast majority’. But, please, unless you want to say that the service is comparable in rural Victoria and in metropolitan Melbourne, without any qualification, then that is a big step. If you are happy to put that on the record we are happy to accept the evidence and hold you to it. But if you are not happy to put it on the record I am giving you the opportunity to qualify it, if you want to.

**Mr LOMDAHL** — To be precise, we think for most services and most consumer needs we are able to provide broadly comparable services at broadly comparable prices. Where the limitations of that occur are, for example, in the case of mobile services, there are some very sparsely populated areas where it is unlikely you are going to see mobile coverage. In the case of high-speed Internet the technology of choice depends on the location of the end customer. So, for example, in a regional centre, in a town, we would use similar technologies to provide you with high-speed Internet in that regional town as we would in Frankston, Mornington or so on. Outside those areas we would have to use another technology like the high-speed Internet satellite, but again we would contend that the pricing of those services and the utility of those services is not vastly different between one area or another.

**Mr THEOPHANOUS** — In summary, we have come a long way and we are getting there?

**Mr LOMDAHL** — Yes.

**The CHAIRMAN** — And there is a lot of difference between ‘all’, and ‘the majority of’ or ‘most’.

Gentlemen, thank you very much for coming along today. We will send to you a copy of the transcript of our discussions. That transcript is not made public until you have seen it and suggested any alterations to us and we have considered those suggestions. That is important. We thank you for the effort you have made and the time you have given to us. It has been a worthwhile exercise in inviting you to come here in that these issues have come up when we have gone around rural Victoria as key issues that people are interested in. The way you have described it to us today has been quite enlightening. We understand a lot more of what is going with Telstra and the Country Wide program. Thanks for coming along and to those who support you also.

**Committee adjourned.**