

○ AUSTRALIAN BROADBAND BATTLES – A WARRIOR'S ACCOUNT

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Review of Paul Fletcher *Wired Brown Land: Telstra's battle for broadband*. (New South 2009 264pp Paperback RRP AUD\$34.95 ISBN 9781742230030)

Paul Fletcher is well known in telecommunications circles in Australia, having been deeply involved for over a decade: first as a staffer in Minister Alston's office and more lately as regulatory head at Optus. He recounts in his book that it was an encounter with Eli Noam while a Fullbright scholar that set him on a journey in telecommunications policy.

Well before that encounter he made his name as a debater, though missing out on the honour of representing his school in the Lawrence Campbell Oratory competition (that honour went to Warren Lee previously of Foxtel and TEN, who was beaten by Bruce Meagher now of SBS fame). Readers familiar with Fletcher's speaking style will not be disappointed in this book, which is delivered with the same light and breezy style, with a few less of the sarcastic statements and acerbic asides that are carried over from his debating to his public speaking.

This book is part history and part policy analysis. The part that is history primarily deals with the development of broadband in Australia, and by extension the access regulation regime and the privatisation of Telstra. It is told in a narrative style that holds the reader's attention (and one suspects it would be much loved by his Liberal colleagues in their side of the history wars).

The policy analysis largely comes at the end of the book, though there are elements scattered throughout it. The policy prescriptions, unsurprisingly, do not vary from the regulatory stances adopted by Optus.

The book is primarily written from the author's reminiscences, both as a staffer to Senator Richard Alston as Minister for Communications, and more latterly as the regulatory chief at Optus. However, to this he has added some original research including interviews with three leading players (Senators Alston and Coonan, and Alan Fels) and two confidential sources. He has also found an article from the US about Phil Burgess that I'd not heard of before.

He does an excellent job with his material, though as all historians do he has to choose which facts represent the 'historical facts'. As E.H.Carr noted in his monograph *What Is History?* 'When we take up a work of history, our first concern should be not with the facts it contains but with the historian who wrote it' (Carr 1964, 22).

While the material presented is useful, there are perhaps elements that are missing and could have added to the story. For example, the very famous meeting on 11 August 2005 in which Telstra proposed its broadband plans for the first time is covered in some detail, including 'confidential source no. 2' advice that the Prime Minister wanted Departmental advice early the following week. It misses the fact, however, that the meeting was not one in which the PM and his Ministers dutifully listened to an impressive submission, but indeed, was one where two observers subsequently reflected that the PM was 'white hot with rage' and 'angrier than I've ever seen him'.¹

The book also suggests that the presentation to the meeting was leaked by some over-zealous Telstra executive, whereas at the time it was pretty much accepted that the leak had come from a Minister's office. Aside from the broadband proposals the presentation seemed to include 'market sensitive information' that hadn't been provided in its full-year results that day. Accordingly some in Government were actually concerned about the implications for the Government as shareholder in this partial release of information.

But ultimately what had so outraged the Prime Minister, apart from the media scrum that had accompanied the visitors, was the implication for Telstra privatisation buried in the word document entitled *The Digital Compact & National Broadband Plan*:

We are aware that our request to reopen the discussion of the regulatory environment that surrounds the telecoms industry (not just Telstra) has potential downsides – including a possible decision not to proceed with the T3 sale.²

The other event that could have been mentioned was the offer made to Telstra by AAPT and Optus, in the period between their November 2005 announcement and their December withdrawal of a commercial FTTN plan, to discuss how the terms for access to the new network could be agreed without needing to engage the regulators. Small though this event is it adds to the essential theme that Telstra was prepared to progress on its terms only.

Where the book ultimately strays as a history is in the way it ascribes one motive and one motive only to Telstra's FTTN proposals, that is, to stymie the DSLAM builds of their competitors. The possibility that Telstra really did have an economic case based on savings in operational expense and gains from sale of exchanges is not considered. The strategic benefit of migrating from PayTV over HFC to IPTV and renegotiation of the Foxtel agreement is also not considered.

It is not so much the choice of this motivation, but the failure to consider there might be other motivations that makes it hard not to escape the feeling that the facts are being shaped to support the argument. This does not invalidate the work as a piece of history; after all, as Carr also noted: 'Every historical argument revolves round the question of the priority of causes.' (Carr 1964, 90) However, the best history demonstrates that there are a number of possible causes and chooses among them.

Fletcher mounts the case that Telstra first stifled the development of broadband in Australia, and then attempted to mount a regulatory case based on the crisis in broadband. In this theory the 'great leap forward' occurs when Optus enters the fray in 2004. The problem with this theory is two-fold. The first is the claim that Telstra voluntarily decided not to offer ADSL based broadband until 2000, which ignores the fact that following the declaration of the ULL in 1999 Telstra was prohibited from offering a retail service until the ULL was available for use. The second is that the much-vaunted pick-up in ADSL penetration aligning to the entry of Optus doesn't show up if broadband penetration rates are fitted to S shaped (or, in the earliest phases, exponential growth) curves.

The book also tends to drift to a focus on three of the personalities at Telstra: Chair Donald McGauchie, CEO Sol Trujillo and public affairs chief Phil Burgess. It is disparaging about each in turn, and perhaps unnecessarily so. In the treatment of these men we are treated to a 'great man' view of history – that events are shaped by a few individuals. However, as Carr has noted, 'What seems to me essential is to recognise in the great man an outstanding individual, who is

at once a product and an agent of the historical process, at once the representative and the creator of social forces which change the shape of the world and the thoughts of men' (Carr 1964, 55).

A deeper appreciation of the recent history of telecommunications in Australia is achieved if it is recognised that all the players are shaped by the forces around them. In particular in Telstra's case that includes big issues like the conception of what is the purpose of a large corporation (nowadays reduced to 'creating shareholder value'), the change in emphasis of competition policy (from something championed by big business in the 1980s to something reviled by them today), and even the nature of media reporting (now all focussed on celebrity and horse race – that is the people and who is winning, rather than policy and what its consequences would be).

The principal policy conclusion in the book is that the structure of the telecommunications industry needs to change; through the functional or structural separation of Telstra. What is disappointing is that in leading to this conclusion Fletcher is way too loyal to his Liberal party roots and continually rests the blame on the ALP and Kim Beazley for not dealing with the structure in setting up Telstra. That is, it would have been better to separate before privatising.

But in his recounting of the actual processes leading up to the sale Fletcher notes that it wasn't the ALP who commenced privatisation. He also notes that Minister Alston only ruled out separation in response to ALP proposals prior to the 1996 election to impose horizontal separation.

This review has tended to focus on some narrow aspects of the book, but these are not intended as criticisms. They are meant merely to highlight that the book is, indeed, good history. But like all good history it isn't just an assembly of facts presented in linear progression. The purpose of history is to explain things today, in this case a policy prescription.

This book is a useful addition to the telecommunications history of Australia, and should share library space with Moyal's *Clear Across Australia*, Reinecke and Schultze's *The Phone Book* and Westfield's *The Gatekeepers*. The period not yet well served is the period from after the Davidson inquiry up to the beginning of PayTV, and in particular that period in which Telstra was formed and Optus chosen as the second operator. One former head of OTC has threatened in the past to write such a book, and when it is written maybe someone will find out what Kim Beazley and Frank Blount discussed in Darwin before Blount accepted the job.³ In the meantime Paul Fletcher's book is an excellent narrative of the period 1997 to 2008.

ENDNOTES

- ¹ One was the description to the reviewer by Helen Coonan, the other was ascribed to the PM by Peter Shergold as relayed to the reviewer by a third person.
- ² Telstra's ASX announcement of 7 September 2005 releasing the briefing paper available at http://www.telstra.com.au/abouttelstra/investor/docs/tls339_briefingpaper.pdf (accessed 12 May 2009).
- ³ The reviewer recently contacted Blount to ask directly whether he would like to confirm that at the meeting they had discussed the ALP's plans to privatise Telstra, to which Blount replied that it was a private discussion and he didn't intend to reveal the details.

REFERENCES

Carr, E.H. 1964. *What Is History?* Penguin.