

Communications, the Information

Economy and the Arts

Communications: Making Australia Stronger

Communications: Making Australia Stronger is the Coalition's plan for the Australian broadcasting, telecommunications and postal sectors, which are the backbone of a vibrant, modern economy. The Coalition will maintain a vigorous broadcasting sector and will continue to deliver lower prices, more choices and better service to all Australians. The Coalition is strengthening Australia Post's services. We will ensure that all Australians, in the city and the country, have access to the best possible level of communications services.

Communications:

Making Australia Stronger

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TELECOMMUNICATIONS

Executive Summary

The Coalition will:

- Maintain consumer safeguards including universal service obligation arrangements, the price cap system (which "caps" local calls at 25 cents, and payphone calls at 40 cents, unaffected by the Goods and Services Tax (GST)), the customer service guarantee scheme, a legal right to untimed local calls, the Telecommunications Industry Ombudsman and assistance to low income and special needs consumers – and give the Minister power to direct Telstra to comply with these safeguards.
- Legislate to provide that until an independent inquiry certifies that Telstra's service levels are adequate, there will be no further sell down of the government's 51 per cent share.
- Once the Minister's new power has been created, give all Australians a further opportunity to share in the ownership of a further 16% per cent of Telstra into private hands (to take the proportion of Telstra in private ownership to 49%).
- Reintroduce to parliament the competitive legislative provisions, which formed part of the *Telstra (Transition to Full Private Ownership) Bill*, which the Senate rejected in July 1998.
- Legislate to require telecommunications carriers to report price and volume data to the Australian Competition and Consumer Commission, to allow it to provide regular, impartial reports of pricing and market share.
- Legislate to ensure that Telstra's competitors obtain access to the local loop if the Australian Competition and Consumer Commission declines to make access to the

local loop a 'declared service'.

- Allocate up to \$150 million over three years, funded from the proceeds of the further partial sale of Telstra, to provide untime local calls in extended zones in remote Australia. Following this upgrade, all telephone calls within an extended zone will be untime local calls.
- Replace the pastoral call rate of 25 cents for 4.5 minutes, which applies to calls between residents of an extended zone and the community service town, with a new, preferential call rate of 25 cents for 12 minutes.
- Allocate to the Regional Telecommunications Infrastructure Fund a further \$81 million over three years, funded out of the proceeds of the further partial sale of Telstra, of which \$20 million will be for the special telecommunications needs of remote and isolated island communities, \$36 million will provide local call internet access to all Australians and \$25 million will be used to provide 100 per cent continuous mobile phone coverage on key major national highways.
- Vary the universal service plan from 1 July 1999 to require that Telstra provide an interim service using a satellite or mobile phone, where a connection period of up to 12 months is permitted under the universal service plan and a customer has waited more than six months.
- Conduct an investigation of the nature and extent of bandwidth availability and pricing in Australia and to and from Australia.
- Legislate to include in the universal service obligation a requirement to provide a 64 kilobit per second (kbps) Integrated Service Digital Network service (ISDN) on demand to at least 96 per cent of the Australian population (the 'non-satellite 64 kbps service').
- Legislate to include in the universal service obligation a requirement that from 1 July 1999 the universal service provider must make available to anyone not able to obtain a 64 kbps ISDN service on demand, a comparable 64 kbps digital data service, using satellite downlink technology to access the internet ('the satellite 64 kbps service').
- Work towards a solution to Labor's phase-out of the Advanced Mobile Phone System (AMPS) by ensuring that Telstra upgrades its entire AMPS network to a national digital system (most likely using a new generation Code Division Multiple Access system), and by introducing a staged phaseout of AMPS in regional Australia to be completed by 31 December 2000, which will ensure that all mobile phone users continue to have reasonably equivalent coverage and quality of service.

Labor's Record

Labor's Hypocrisy On Telstra's Ownership Status

Labor privatised Qantas, the Commonwealth Bank and other government enterprises after promising the Australian people they wouldn't. Not only does Labor expect the Australian people to forget their deception, Labor is also prepared to hive off Telstra businesses such as the directories, MobileNet and Big Pond.

Labor Failed to Deliver Full and Open Competition

Labor mismanaged reform of telecommunications. In the early nineties, the need for competition was clear. But Labor decided to allow only one new operator, Optus. This precluded vigorous competition and limited price reductions.

Labor failed to develop a competitive telecommunications regime, despite having promising to introduce it by 1997. When the Coalition assumed office in 1996, the reform process was in disarray.

Labor Abandoned Regional Australia

Labor ignored the telecommunications needs of regional Australia. When the Coalition came to office:

- the proportion of telephone exchanges in regional Australia which had been upgraded to digital, under Telstra's *Future Mode of Operations* upgrading program, was much lower than in metropolitan Australia;
- people in regional Australia suffered from very low bandwidth telephone access, making it impossible to access the internet satisfactorily, to send faxes at a decent speed, and to send and receive email at a speed which people in cities take for granted;
- the availability of advanced ISDN telephone services in regional Australia was low compared to what was available to metropolitan users; and
- Labor's policy of phasing out the AMPS network by 2000 threatened to end mobile phone service in many parts of regional Australia.

The Overhead Cables Fiasco

Labor allowed Optus and Telstra to carry out an environmentally damaging and aesthetically repugnant construction program throughout Australia, without any form of planning permission or control and left the suburbs burdened with ugly, sagging overhead cables.

Labor's AMPS Disaster

The Labor government decided to close the AMPS network by 1 January, 2000.

From that date mobile phone users were to be deprived of the use of this popular system. Moreover, Labor had not secured a replacement service for the bush.

The Coalition government investigated options to overturn Labor's decision, but Labor had made it impossible to change the decision without facing crippling legal obstacles and potentially huge compensation payments.

Highlights of the Government's Achievements

Customer Service Guarantee

The Coalition introduced the Customer Service Guarantee with effect from 1 January 1998. A customer receives financial compensation if Telstra or another phone company does not meet specified standard connection and repair times. The compensation payment equals one month's standard line rental, currently \$11.65 for a residential customer, for each day in excess of the standard. After five days, the compensation rises to \$40 a day.

One-Third of Telstra in Private Ownership

The Coalition gave all Australians an opportunity to share in the ownership of Telstra. It did so with a share float with incentives for Telstra employees (92% of employees took up shares); with small, affordable share parcels for individual applicants; and with loyalty bonuses for people who held their shares for at least 12 months – as promised before the last federal election.

The one-third float was a resounding success. Some 1.8 million Australians purchased shares.

Open Competition in Telecommunications

The Coalition opened the industry to competition from 1 July 1997, when the new *Telecommunications Act* and related legislation took effect. This legislation provides for:

- a liberalised open-entry regime in which competition can flourish, resulting in lower prices and better service to consumers;
- world class consumer protection to give consumers strong rights and benefits; and
- incentives for the industry to employ leading edge technology and innovative products and services.

This new regime already has provided:

- lower prices - with some operators offering calls to the United Kingdom, the United States and New Zealand for as little as 37 cents a minute compared to Telstra's \$1.28 a minute for calls in peak weekday periods to the US;
- more and better services - in the internet market, for example, Austar has launched a wireless data trial in Ballarat, AAPT has begun offering Internet connectivity via combined terrestrial and satellite technologies, and Optus has moved into the wholesale internet market; and
- more operators - with 22 licensed carriers in August 1998, compared to three under Labor.

Improved Services to Regional Australia

(i) Improved infrastructure in the bush

The Coalition insisted on an acceleration of Telstra's *Future Mode of Operations* program to upgrade all exchanges to digital, and now it will be effectively completed by 30 December 1998. We insisted that by December 1997 85 per cent of metropolitan and non-metropolitan exchanges be digitised.

The Coalition negotiated with Telstra to make even quicker access available to most Australians. Since 1 July 1997 93.4 per cent of customers have been able to obtain an ISDN service within 90 days of request. By December 1998 the number will be 96 per cent.

(ii) Networking the Nation

The Coalition established *Networking the Nation*, the \$250 million Regional Telecommunications Infrastructure Fund, in 1997, using funds from the sale of the first one-third of Telstra. As at August 1998, the independent board of the Fund had approved 140 projects worth \$69 million. *Networking the Nation* aims to assist the economic and social development of regional, rural and remote Australia by funding projects which reduce disparities between urban and non-urban Australia.

Fixing Labor's Overhead Cables Mess

The Coalition acted quickly to discontinue the rollout of overhead broadband cables and towers erected without local approval. Under the Telecommunications Act 1997, from 1 July 1997 carriers installing new telecommunications facilities no longer are immune from planning controls and will have to comply with state and territory planning laws, with limited exceptions.

Resolving Labor's AMPS Mobile Phone Disaster

Labor locked future Governments into a phaseout of the AMPS network by 1

January 2000, but left residents of regional Australia without a replacement.

The Coalition announced measures to ensure that all areas of regional Australia, which have coverage, will continue to enjoy reasonably equivalent coverage after 2000. AMPS will stay, or Telstra, Optus and Vodafone will provide reasonably equivalent coverage using Global System for Mobiles or an alternative technology.

The Coalition and the carriers have reached in principle agreement that Telstra will upgrade its entire AMPS network across Australia to a new generation digital system with the same coverage characteristics as AMPS but with improved digital technology, most likely using a format known as CDMA. Every AMPS base station will be replaced with a base station for Telstra's new service.

To maintain uninterrupted mobile phone service in regional Australia, the carriers have agreed to extend the operation of some AMPS base stations in regional Australia to either 30 June 2000 or 31 December 2000.

Some issues remained unresolved when the Parliament was prorogued.

Calling the Future

A Protecting Telecommunications Consumers

The dramatic rate of change in telecommunications makes it more important than ever that telecommunications consumers have legislative and other protection.

(i) Universal service obligation

The Telecommunications Act establishes the Universal Service Obligation which guarantees people access to a standard telephone service and access to payphones, within a specified time. The cost of providing the Universal Service Obligation to everyone is funded by a levy on telecommunications carriers. This means that the cost of installing and maintaining a phone line in unprofitable areas of regional Australia is subsidised by shareholders, not taxpayers.

The Coalition will maintain the Universal Service Obligation arrangements and strengthen them as necessary.

(ii) Price caps

Telstra is subject to price caps which require it to reduce the price of a basket of its main services by 7.5 per cent in real terms each year; to reduce its standard prices for residential customers for connections, line rentals, trunk calls and international calls by 1 per cent in real terms each year; and to not increase the price of untimed local calls above 25 cents a call (this will not be affected by the Coalition's tax plan) or 40 cents per call from a payphone.

The Coalition will maintain the present system of price caps on a basket of services supplied by Telstra, under which real prices must fall by a specified

amount. The Coalition also will maintain the sub-basket for residential services. In determining the rate at which real prices fall, the Coalition will have regard to the recommendations of the review of the regime now underway.

(iii) Regional price caps

The Coalition has introduced special price caps on local call costs in regional Australia. The cost of local calls in the capital cities is averaged each year, and in the next year Telstra may not charge more than that average for local calls in regional Australia.

The Coalition will maintain regional price cap arrangements.

(iv) Customer Service Guarantee

The Coalition introduced the Customer Service Guarantee, which guarantees financial compensation if Telstra or another carrier does not meet connection and repair times.

The Coalition will retain and strengthen the Customer Service Guarantee by empowering the Australian Communications Authority to direct Telstra and other carriers in the event of systemic failure to comply with the standards. Failure to comply with a direction will attract a fine of up to \$10 million.

(v) Untimed local calls

All residential customers are entitled to untimed local voice and data calls, and all business customers are entitled to receive untimed local voice calls.

The Coalition will maintain legislated rights to untimed local calls.

(vi) Telecommunications Industry Ombudsman

The Telecommunications Industry Ombudsman offers consumers independent investigation of complaints about charging and billing.

The Telecommunications Industry Ombudsman arrangements will be maintained.

B Telstra's Ownership Status

(i) Reasons for transferring the rest of Telstra's ownership

There are good reasons to continue the transfer of Telstra to private ownership. They are to:

- give Australians another opportunity to own part of this great company, helping to transform Australia into one of the great share-owning democracies of the world;

- take up the opportunity to better balance the national books - the proceeds of a float of the rest of Telstra would be sufficient to wipe out up to 40 per cent of the government's debt bequeathed by Labor;
- reallocate some of the funds invested in Telstra to other priorities, especially addressing communications and other service inequities in rural and regional Australia;
- complement the changes occurring in the telecommunications industry following the introduction of open competition on 1 July last year; and
- spur Telstra to operate better, by a sharper focus on performance and by giving employees the opportunity to become owners, increasing their motivation and commitment.

(ii) Consumer safeguards

The Coalition is committed to a full sale of Telstra but only after adequate and ongoing consumer safeguards are in place.

Before legislating to sell more of Telstra, the Coalition will first bring together in a single Act, the *Telecommunications (Consumer Protection and Service Standards) Act*, all customer safeguards.

These safeguards will then be guaranteed irrespective of any further changes in Telstra's ownership.

The Coalition will legislate to give the Minister for Communications, the Information Economy and the Arts, the power to direct Telstra to comply with service standards and other obligations specified in the *Telecommunications (Consumer Protection and Service Standards) Act*.

These arrangements will mean that Telstra will continue to be subject to the wide range of consumer and competitive safeguards which currently apply to it whoever owns it.

(iii) Structure of the sale

The Coalition will legislate to authorise the sale of Telstra in two or more stages.

In the first stage, the Coalition will seek to sell a further 16 per cent of Telstra to take the proportion of Telstra in private ownership to 49 per cent. The legislation will provide that the first stage may not occur until the *Telecommunications (Consumer Protection and Service Standards) Act* is in place.

As part of the Telstra sale legislation, the Coalition will establish an independent inquiry, which will assess Telstra's service levels to customers in metropolitan, rural

and remote areas. The assessment will occur against performance criteria, which the Coalition will specify in legislation.

The Coalition will legislate to provide that unless and until the independent inquiry certifies that service levels are adequate, there will be no sale beyond 49 per cent.

The Coalition will legislate the following additional matters in relation to any further sale of Telstra:

- Whenever a portion of Telstra is made available for sale to private investors, 65 per cent will be reserved for Australian investors, with the remaining 35 per cent available to either foreign or Australian investors. These percentages are the same as applied to the first one-third sale, which means Telstra will stay in Australian hands.
- No single, foreign investor will be allowed to acquire a holding of more than 5 per cent of the shares sold in a tranche of the Telstra sale.
- To encourage first-time investors to participate in the float, discounts will be offered to individual Australian investors. To further encourage lower income earners, the float will offer small, affordable parcels of shares. The float will be structured with incentives to encourage those who acquire shares to hold them for at least 12 months.
- There will be incentives for Telstra employees to hold a further share in their company.
- Telstra's operations, base and headquarters will remain in Australia. Telstra will remain incorporated in Australia. A majority of the Telstra board will be Australian citizens. The chairman of the board will be an Australian citizen.

C Open Competition in Telecommunications

(i) Strengthening and improving competition

The new, competitive regime is delivering substantial benefits.

The Coalition will seek continuous improvement to ensure the industry delivers better services and lower prices.

The Coalition will reintroduce to Parliament the competition provisions, which formed part of the *Telstra (Transition to Full Private Ownership) Bill* rejected by the Senate in July 1998.

These reforms included rules:

- requiring carriers to share information about network upgrades with their competitors;

- allowing industry players, rather than just the Australian Competition and Consumer Commission, to seek injunctions for breaches of the competition rules;
- under which Telstra or another carrier can be required to disclose or publish information about its costs;
- under which Telstra or another carrier may not misuse information supplied to it under the access regime; and rules
- giving the ACCC new powers to facilitate access negotiations.

(ii) Putting the Universal Service Obligation out to tender

In parts of Australia Telstra incurs a loss providing the standard telephone service under the Universal Service Obligation. Currently, a levy is imposed on all carriers to cover the cost of providing the Universal Service Obligation, which results in a net transfer from other carriers to Telstra.

Other carriers may be interested in bearing at least a proportion of the universal service obligation. It may be that other carriers could provide the Universal Service Obligation more cheaply, perhaps by using satellites or wireless local loop.

The Coalition will develop a process to put the Universal Service Obligation out to tender, for example, on a region-by-region basis. The introduction of a tender system for the Universal Service Obligation will increase competition and deliver efficiency gains.

(iii) Compulsory price and market share disclosure

More publicly available data about prices, traffic volumes, market shares, and other such matters would better inform the market and make competition more transparent.

The Coalition will legislate to require telecommunications carriers to report price and volume data, across a range of specified services to the ACCC to allow it to provide regular, impartial, public reports of pricing and market share.

Publication of this material by the Australian Competition and Consumer Commission will be subject to commercial confidentiality considerations.

(iv) Access to the local loop

Telstra has a near-monopoly on local call services as consumers do not enjoy the

benefits of competition and because it is very difficult for Telstra's competitors to serve this market.

The Australian Competition and Consumer Commission is examining whether Telstra's competitors should be guaranteed access to the local loop by making it a 'declared service' under the access regime in the *Telecommunications Act*. This access would put Telstra's competitors in a much stronger position to provide local call services to Telstra customers.

If the Australian Competition and Consumer Commission declines to make access to the local loop a 'declared service', the Coalition will legislate to ensure Telstra's competitors obtain such access.

(v) Data services

High capacity data services at world competitive prices are essential.

The Coalition will monitor the work of the Australian Competition and Consumer Commission to ensure that competitive access to data services of all kinds is available to Telstra's competitors. This matter also will be examined by the Coalition's National Bandwidth Taskforce.

D Better Telecommunications in the Bush

(i) Untimed calls in remote Australia

There are about 37,000 households and farming families in Telstra's extended zones in remote parts of Australia, who pay a timed 'pastoral call' rate of 25 cents for each 4.5 minutes, for many of their calls, including calls to essential business and community services in a designated community service town. People in more remote parts of the extended zones, the 'outer extended zones', do not get any untimed local calls.

The Coalition will allocate up to \$150 million over three years from the proceeds of the next Telstra sale, to abolish Telstra's pastoral call rate and provide untimed local calls in extended zones. All telephone calls within an extended zone will become untimed local calls.

Funds allocated by the Coalition will upgrade the telecommunications network in remote Australia to handle the expected increase in traffic.

In addition, the Coalition will abolish the pastoral call rate of 25 cents for 4.5 minutes, which applies to calls to the community service town and replace it with the Coalition's new preferential rate of 25 cents for 12 minutes. This will benefit over 700,000 Australians who live in extended zones or community service towns.

The \$150 million will be allocated by tender. The Coalition will encourage tenders from carriers using technologies like satellite which could, in addition to providing

local calls in remote Australia on an untimed basis, also provide internet services.

(ii) Regional Telecommunications Infrastructure Fund

The Coalition will build on the success of Networking the Nation, the Commonwealth Government's Regional Telecommunications Infrastructure Fund.

The Coalition will allocate \$81 million more over three years to the Regional Telecommunications Infrastructure Fund, beginning 1 July 1999, funded out of the proceeds of the further sale of Telstra. This allocation will not be subject to the state and territory sub-caps, which presently apply to the Regional Telecommunications Infrastructure Fund.

\$20 million of this fund will be allocated to telecommunications needs of remote and isolated island communities such as the Torres Strait; the Cocos (Keeling) group; Christmas, Norfolk, King, Flinders, Kangaroo and other Islands; and in the Australian Antarctic Territories.

The remaining \$61 million will be allocated to increased internet points of presence (\$36 million) and 100 per cent continuous mobile phone coverage on key major national highways (\$25 million).

(iii) Interim connection arrangements

Under the Universal Service Plan people in settlements of fewer than 200 people and who are not close to existing infrastructure can wait up to 12 months for a new service.

While a 12 month connection time is better than the 27 months which applied under Labor, the Coalition considers that it is unacceptable. Telstra's customers should be offered an interim service using satellite technology if a permanent service cannot be provided more quickly.

Providing an interim service is costly. Equipment costs around \$8,500 and satellite talk time costs around \$2 a minute. The Coalition believes that the cost of this interim service should be shared equitably between Telstra as universal service provider and the customer.

The Coalition will vary the universal service plan from 1 July 1999 to require an interim service using a satellite phone where a connection period of up to 12 months is permitted under the universal service plan and a customer has been waiting more than six months after having placed an order and paid a connection fee, subject to certain credit procedures.

The customer will receive the satellite phone free. The customer will bear the cost of the satellite talk time for three months, after the six month waiting period. After nine months, Telstra will pay for the talk time and charge the customer the tariff for a permanent service.

(iv) Telstra regional directors

Telstra should understand the communications needs of customers in regional Australia. The Coalition has recently announced the appointment to the Telstra board of two directors with strong regional backgrounds: Mr Don McGauchie, former president of the National Farmers' federation and Ms Celie Moar, a grain farmer and former ABC rural woman of the year.

The Coalition will legislate to require Telstra to have at least two directors on its board who are familiar with the communications needs of regional Australia.

E World Class Telecommunications Infrastructure

(i) National bandwidth taskforce

The Coalition will establish a national bandwidth taskforce to consider bandwidth availability and pricing within Australia and to and from Australia.

Bandwidth affects Australia's ability to compete effectively in the information economy. The taskforce will report on any deficiencies and make recommendations for government and private sector action to overcome them.

(ii) High bandwidth services available to all Australians

The Australian Communications Authority recently conducted a review into whether the Universal Service Obligation should be upgraded to include a digital data capability of 64 kilobits per second, similar to ISDN.

The review noted that ISDN will be available on demand to at least 96 per cent of the Australian population by the end of 1998, with only the most remote Australians denied the service.

The Coalition will legislate to include in the Universal Service Obligation a requirement to provide a 64 kbps ISDN service on demand to at least 96 per cent of the Australian population (the 'non-satellite 64 kbps service').

Residents of rural and remote Australia unable to access an ISDN service are at a disadvantage. The Australian Communication Authority's review found that a broadly comparable 64 kbps digital data service, using satellite technology to provide the downlink from the internet, is likely to be available to all Australians by the end of 1998.

However the Coalition is concerned at the cost of satellite receiving equipment which residents of remote Australia will pay to receive a 64 kbps digital data service - a cost not faced by people able to receive ISDN on demand.

The Coalition will legislate to include in the Universal Service Obligation a requirement that from 1 July 1999 the universal service provider make available to any Australian not able to obtain a 64 kbps ISDN service on

demand, a broadly comparable 64 kbps digital data service using satellite technology to provide the downlink from the internet ('the satellite 64 kbps service').

The Coalition will include in the Universal Service Obligation a requirement that anyone not able to receive the non-satellite 64 kbps service must, upon purchase of the satellite receiving equipment necessary to use the satellite 64 kbps service (typically a dish, a card inserted into the user's PC, a CD-ROM and associated wiring), be reimbursed for 50 per cent of the cost of purchase. This subsidy will be funded under the Universal Service Obligation.

(iii) Increased availability of internet points of presence

The Coalition is determined to achieve affordable internet access for everyone. However, many people in regional Australia do not have a local internet service provider (or point of presence), so they tend to pay higher internet usage charges.

The Coalition will allocate \$36 million over three years funded from the proceeds of the further sale of Telstra, to stimulate internet service delivery in regional and rural Australia, in a manner that will enhance the commercial, competitive roll-out of these services. As a result, all Australians will have local call access to the internet. Funds will be allocated to establish community-owned internet points of presence.

F Overhead Cables

The Coalition has convened a working group of interested parties to consider the technical feasibility and cost of putting all overhead cables - including telecommunications cables and electricity cables - underground. The group should report in the second half of 1998.

The Coalition will carefully study the findings of the working group, with a view to supporting policies which would facilitate cables being placed underground over time.

G Better Mobile Phone Services

(i) Telstra's new generation digital mobile phone system

The Coalition will ensure that Telstra observes its public commitment to upgrade its entire AMPS network to a new generation digital system, most likely using a format known as CDMA. This commitment means that an AMPS base station will be replaced by a new base station.

(ii) New players

The Coalition will oversee the introduction of services by new operators in mobile telephony, following the auction of radio frequency spectrum in the 800 MHz and 1.8

GHz bands in the first half of 1998. Hutchison, AAPT and Ozphone gained spectrum in the 800 MHz band, and One.Tel and Catapult Communications gained spectrum in the 1.8 GHz band.

(iii) Mobile phone coverage on major national highways

Upgraded mobile telephony coverage on key major highways, many of which have significant gaps in coverage, is urgent.

The Coalition will allocate \$25 million over three years, from the proceeds of the further sale of Telstra to ensure 100 per cent continuous mobile phone coverage on key major national Highways: the Princes, Pacific and Bruce Highways (Highway 1) from Adelaide to Port Douglas (via Melbourne, Sydney and Brisbane); the New England Highway from Sydney to Brisbane; the Hume Highway from Melbourne to Sydney; the Western Highway from Melbourne to Adelaide; the Sturt Highway from Sydney to Adelaide; the Newell Highway from Melbourne to Brisbane; the Barton and Federal Highways into Canberra; and the Midland Highway from Hobart to Burnie.

The Coalition will co-operate with mobile phone companies to provide coverage. The Coalition will develop a list of the sites to be covered and allocate funds to the mobile phone companies by a public tender process.

BROADCASTING

Executive summary

- **In its next term of Government, the Coalition will:**
- guide Australia into the era of digital television and digital radio;
- with \$120 million over 5 years, establish the **Television Fund** to further extend SBS television into regional Australia and eradicate between 200 and 250 transmission reception black spots;
- direct the Australian Broadcasting Authority to decide whether there should be a **uniform Code of Practice** for the free to air television industry;
- provide nearly \$10 million to assist viewers in remote Australia to **purchase digital equipment**;
- ensure that 10 per cent of spending by pay television operators on predominantly drama channels will be spent on **new Australian drama**;

- enhance the role of the national broadcasters in the **digital** environment and continue to provide them with the financial certainty to convert to digital;
- **increase the current sponsorship limit** on community television and radio from four minutes per hour to five minutes per hour.

Labor's Record

Labor:

- failed to address inequities in broadcasting services in rural and regional Australia, particularly SBS;
- failed to plan for the introduction of new broadcasting technologies such as digital television;
- left Australia as the last advanced country in the world to get pay TV. Attempts to second-guess technologies, flawed auctioning processes and the unpopular duplication of cabling infrastructure caused unacceptable delays and false starts;
- failed to accelerate the allocation of new commercial and community radio and commercial television licences, especially in regional areas;
- failed to ensure that programs on commercial free-to-air television and radio met community standards;
- allowed the Australian Broadcasting Corporation (ABC) to embark on risky commercial ventures at taxpayers' expense, such as Australia TV; and
- failed to give the national broadcasters the flexibility to take direct responsibility for their own transmission needs.

Highlights of the Government's Achievements

In its first term the Coalition:

- passed legislation and established a framework to ensure the smooth passage of the commercial national and community television and radio industries into the digital era;
- committed to assisting regional and remote broadcasters to move to digital to benefit views outside our cities;
- allocated an extra \$38.5 million over five years to assist the national broadcasters'

conversion to digital television;

- ensured the Federation of Commercial Television Stations and the Federation of Australian Radio Broadcasters revise their codes of practice, given concern that some programs have not satisfied community standards;
- introduced legislation to prevent pay television operators from retransmitting free-to-air signals without the consent of the original broadcaster as committed to during the last election;
- provided subsidies totalling \$1.5 million to assist Western Australians to upgrade to digital transmission equipment through the Regional Telecommunications Infrastructure Fund;
- strengthened the anti-siphoning regime by introducing television anti-hoarding rules to provide greater opportunities for live coverage of sporting events on free-to-air television;
- allocated \$7 million over four years to enable the national broadcasters to fully closed caption their early evening news service for the deaf and hearing impaired;
- established a mechanism to give the national broadcasters direct responsibility for their transmission needs;
- allocated just over \$10 million to extend the Special Broadcasting Service (SBS) television to an additional 700,000 Australians, as promised at the last federal election;
- allocated nearly \$19 million over four years to ensure the continued viability of the *SBS Independent Production Fund*;
- provided \$4.5 million over three years to assist the community broadcasting sector;
- guaranteed that the community television sector could continue to use the sixth analog channel until at least 2001;
- introduced temporary community broadcasting radio licenses to alleviate the uncertainty suffered by aspirant community stations. Except in a few high demand areas, this gives communities their first opportunity to provide and receive full time broadcasts. In high demand areas, aspirants can share available spectrum; and
- provided \$1.5 million over three years to develop a *National Community Satellite Network* and an internet radio station providing 100 per cent Australian programming.

Australia's Broadcasting Future

A - The Commercial Broadcasting sector

(i) Commercial television

Digital television

The Coalition is guiding Australia into the exciting era of digital television. Early in the next century, Australians will be offered startling cinema quality pictures with compact disc quality sound and the option of interactive television offering new and better programming.

The Coalition will ensure that viewers in regional and remote Australia share the benefits of digital television. The Coalition has legislated to ensure that people in regional and remote Australia, who receive analog television services now, will have access to a digital service of a least equivalent coverage and potential reception.

Before digital television begins, the Coalition will determine how, in the new digital environment, additional television services may be provided to those regional areas, which now have fewer than three commercial services.

Acknowledging that broadcasters will incur higher costs moving to digital in regional and remote areas, the Coalition will provide assistance to ensure services are delivered.

Details of assistance to regional broadcasters will be finalised after an independent analysis of the transition costs.

Television reception

In its next term, the Coalition will allocate \$120 million over five years to establish a *Television Fund* to extend SBS television to transmission areas with more than 10,000 people, and will eradicate between 200 and 250 television reception black spots.

Reception black spots can be overcome by installing new or better transmitters, leading to improved reception of national and commercial broadcasters. Funding for black spots will be made by application and awarded on the basis of need.

The *Television Fund* will be funded from the social bonus derived from the next 16% sale of Telstra.

Australian content on television

Television networks must meet a 55 per cent quota of new Australian content on television. The Australian content standard will be maintained in the digital television environment.

The Coalition is committed to the Australian film and television production industry and use of the Australian Content Standard to promote it.

Though concerned about the effect on the Standard of the recent High Court decision in the case of Project Blue Sky, the Coalition is confident that after thorough consultation, the Australian Broadcasting Authority can revise the standard to balance the complex cultural and trade issues involved.

The Coalition will reconsider the issue once the Australian Broadcasting Authority has developed its new draft standard and recommendations have been received from the Senate's Environment, Recreation, Communications and the Arts Committee, which is also examining the issue.

Codes of practice

Some viewers may be confused by the use of different codes of practice by the national and the commercial networks.

To address these concerns, the Coalition will direct the Australian Broadcasting Authority to decide whether viewers would be better served by a uniform code of practice across the free-to-air industry.

Remote area broadcasting services

The Coalition will help viewers to purchase the new equipment needed to convert remote satellite operations to digital for about one-third of the cost.

So far, subsidies worth about \$1.5 million have been provided to remote Western Australian viewers. In its next term, the Coalition will provide nearly \$10 million to assist the balance of viewers in Western Australia and in remote areas of other states.

Closed captioning

From 2001, as far as practicable, all television programs in prime time and all news and current affairs programs will be closed captioned. The Coalition has legislated this obligation.

(ii) Commercial radio

New radio services

The Australian Broadcasting Authority is planning new radio services. Planning in Adelaide, Brisbane, the Sunshine Coast, Gold Coast, Richmond/Tweed, Gympie, Melbourne, Geelong, Colac, Perth, Sydney, Katoomba and Gosford will be completed early in the Coalition's next term.

Several factors must be considered when allocating new licenses. The Coalition appreciates that, although additional licences can often provide a greater range of services, it is important they do not threaten the financial capability of existing

stations to deliver high quality programming with emphasis on local content.

The impact of digital radio also must be taken into account in planning additional commercial services.

Digital radio

The Coalition has formed a *Digital Radio Planning and Steering Committee* to develop a framework to enable services to start in 2001.

Existing commercial, community, ABC and SBS radio broadcasters will be able to automatically convert to digital. The number and timing of new entrants in the digital environment will be determined by the government in planning the new digital spectrum.

(iii) Pay television

Unlike Labor, the Coalition will not second-guess the most appropriate technologies for pay television services.

Coalition policy will continue to ensure that everyone will have maximum opportunity to access services, while recognising that pay television will continue to extend to viewers on a commercial basis.

Australian content on pay television

Spending by the industry on new Australian drama is well below the legally unenforceable 10 per cent level set by Labor. In its next term, the Coalition will legislate to legally enforce the requirement.

In contrast to Labor, under the Coalition, 10 per cent spending by licensees on their predominantly drama channels will be spent on new Australian drama.

B - The National Broadcasting Sector

(i) General

Digital

On 1 January 2001 Australia will enter the digital era of broadcasting.

Because of their unique role in the Australian broadcasting environment, the Coalition is providing the ABC and SBS with the opportunity to offer high-quality cinema-standard pictures, CD-quality sound, and enhanced services in line with their charter responsibilities.

In a digital environment there may be benefits, particularly to regional viewers, in the national broadcasters providing multiple channels of programs, which are non-commercial and linked to their specific charter responsibilities. The Coalition

will decide whether the national broadcasters may multichannel before the introduction of digital television in 2001.

Digital funding

Recognising the burden of upgrading to digital, the Coalition has provided already, funding of \$38.5 million over five years. This is additional to the annual allocations to the ABC and the SBS.

The Coalition has provided the ABC with \$20.8 million over five years to assist with the first phase. This money is being used to pay interest charges on additional borrowings raised to meet the costs of conversion or to directly fund the conversion.

The Coalition has provided \$17.7 million over five years to SBS to assist with the first phase of its digital upgrade.

Consideration will be given to funding for the second and third phases for ABC and SBS when there is greater certainty about the costs of Phases 2 and 3 and in the case of the ABC, greater certainty about the proceeds from the property rationalisation process presently underway.

Codes of practice

Despite the over-arching guidelines of the Office of Film and Literature Classification, which govern the programming standards of the commercial and the national broadcasters, the codes are drafted differently.

Some viewers may be confused by the different codes. In its next term, the Coalition will direct the Australian Broadcasting Authority to determine whether viewers would be better served by a uniform standard across the whole free-to-air industry.

Transmission

Fulfilling its election commitment, by funding the national broadcasters directly, the Coalition will provide the national broadcasters with the flexibility to take direct responsibility for their own transmission needs.

The sale of the National Transmission Network will achieve this objective while safeguarding service to the national broadcasters and protecting access rights for the *Radio for the Print Handicapped*, emergency service users, self-help groups, remote commercial satellite broadcasters and community broadcasters.

(ii) The Australian Broadcasting Corporation

Through television, radio and *ABC Online*, the ABC is a very significant communications provider in Australia.

As Australia's pre-eminent national broadcaster, the ABC must be committed to excellence, impartiality and independence. As a major content provider, the ABC

differentiates itself from the commercial broadcasting sector, providing high quality services to all Australians.

With the introduction of digital technology in 2001, the ABC is well placed to build upon its existing strengths and diversity through the introduction of datacasting services and improved and enhanced television and radio services.

Funding

In the 1996-97 budget, the Coalition announced that funding for the triennium would be \$500 million a year. This has been maintained in real terms in subsequent budgets.

Reflecting the need for all Government agencies to assist in eradicating Kim Beazley's \$10.5 billion budget deficit, the ABC has achieved the savings required of it with minimal reduction in its services or programming content.

The Government has assisted the ABC in meeting its savings targets through a range of measures including deferred repayment of loans, revised indexation requirements and targeted funding Radio Australia.

The Coalition will maintain the ABC's funding for the balance of the current funding triennium. Thereafter, in accordance with normal practice, the Coalition will negotiate with the ABC to determine an appropriate level of funding, having regard to the ABC's responsibilities.

(iii) Special Broadcasting Service

SBS is a strong independent, national television and radio broadcaster, representing our nation's culturally diverse strengths. SBS provides an innovative mix of documentaries, current affairs, sport and high quality films, which reflect the interests of many in multicultural Australia.

The SBS fulfils a unique role complementing the ABC and commercial and community broadcasters.

With its guaranteed independence from the government of the day, the Coalition believes SBS is best able to determine its language and programming mix on television and radio.

Further extension of SBS

In its next term the Coalition will allocate \$120 million over five years to establish a *Television Fund* to extend SBS television to transmission areas with more than 10,000 people.

The Fund will also eradicate between 200 and 250 television reception black spots.

The *Television Fund* will be funded from the social bonus derived from the further sale of Telstra.

SBS online - new media unit

In its next term the Coalition will provide SBS with \$2 million over three years to assist it to establish its new media unit.

The unit will improve SBS's multimedia services by expanding the availability of SBS radio and television programs. The first priority of the unit will be to make SBS Radio's language programs available on the internet.

SBS's new media unit will be funded from the *Television Fund*.

SBS funding

The Coalition will maintain SBS's funding for the balance of the current funding triennium. Thereafter, in accordance with normal practice, the Coalition will negotiate with SBS to determine an appropriate level of funding, having regard to SBS's responsibilities.

C - The Community Sector

Recognising community television as an alternative to commercial and national services, the Coalition will assist the industry's entry into the digital environment.

The Coalition has required new datacasting operators to provide free access to spectrum to the community sector.

Sponsorship is the community sector's main source of revenue. To assist the viability of the individual stations, the government will increase the sponsorship limit from four minutes an hour to five minutes an hour. This will bring the community sector into line with the limits permitted on the SBS.

(i) Australian music

With their access to CD launches, interviews, festivals, concerts and in some cases their own recording studios, community radio stations have built a strong relationship with the Australian contemporary music industry.

The Coalition will encourage the community sector to develop this relationship.

As part of its \$10 million package to assist the Australian contemporary music industry, the Coalition has allocated \$1.5 million over three years to develop a national community satellite network and an internet radio station providing 100 per cent Australian music content.

The stereo music satellite network will distribute accessible programming to more than 150 community radio stations throughout metropolitan, regional and remote Australia. Stations will be able to incorporate the material into their programming.

The satellite music service also will be distributed on-line by an internet website. The

interactive site will provide different music genres on demand.

Australia Post and Postal Services

Labor' s Record

During its 13 years in Government, Labor failed to appropriately address the Australian community's postal needs.

National Competition Council's Review of the Australian Postal Corporation Act 1989

One of the greatest ironies of Labor's current scare campaign on Australia Post is that it was a Labor Government that initiated the very reform processes it is now so desperately trying to distance itself from in Opposition, including the National Competition Council review of Australia Post and the postal market. Labor will do or say anything for a vote, against the national interest or the benefits from the Government's balanced response to the review.

Ignoring the Bush

Labor failed to provide adequate postal services to rural Australia, resulting in some people receiving only one roadside delivery per week.

Failure to Guarantee a Service Standard

Labor failed to put in place minimum performance requirements to satisfy the postal needs of the Australian community.

Labor failed to actively encourage Australia Post to adopt world's best practice in areas such as delivery times, the provision of retail services, mail security and enhanced postal services for all consumers, including those in rural and remote areas.

Closures Policy

Labor failed to maintain an adequate retail postal presence in Australia, particularly in rural and regional Australia. In the last five years under Labor, the bush

experienced a net reduction of 89 retail outlets. However, Labor's closures were not confined to the bush. In the last six years under Labor, the nation as a whole experienced a net loss of 277 retail outlets.

Highlights of the Government's Achievements

The Coalition Government has met all of its postal sector related election commitments. In meeting these commitments, the Government has been mindful of the important role Australia Post and postal services play in the social fabric of Australian society, particularly in providing a communications link to those living at the approximately 2.35 million rural and remote area addresses.

Public Ownership and the Universal Service Obligation

The Coalition Government has:

- maintained Australia Post in full public ownership; and
- maintained Post's Universal Service Obligation to provide the entire nation - especially those in rural and regional Australia - a standard letter service at a uniform rate

Response to the National Competition Council's final report of its review of the Australian Postal Corporation Act 1989

The Coalition Government has responded sensibly to the National Competition Council with a reform package approved by Australia Post that delivers a range of benefits to all sectors of the community by balancing the needs of industry with a commitment to service standards for rural and regional users of the postal network.

Under the package, the scope for competition in the postal market will be enhanced from 1 July 2000. The key features will be:

- Australia Post's reserved service for Australia origin/destination mail will be reduced from 250g and four times the standard letter rate to 50g and one times the standard letter rate;
- all incoming international mail will be open to competition from 1 July 2000 (with safeguards to prevent this being used to circumvent Australia Post's domestic reserved service); and
- a review will be commenced in 2002 (and completed by July 2003) to assess the effects of these changes and the need for further change.

This means there will be open competition on price and service above 50g and the ability to compete with Australia Post on service, but not price, below this level, thereby providing the prospect of very significant consumer benefits including lower prices and better services.

The Coalition Government has received assurances from Australia Post that its new reserved service will enable it to continue to cross-subsidise the cost of providing Australians with the current nationwide letter service at a uniform price for standard letters (the Universal Service Obligation).

Service Charter

The Coalition Government has put in place an historic Service Charter, which promotes and protects consumers' rights. The Service Charter is underpinned by a set of performance regulations developed under the Act. The regulations require Australia Post to meet the following minimum performance standards:

- 94% of letters to be delivered on time by ordinary post;
- 98% of delivery points to receive a minimum of five deliveries a week with the remaining 2% in remote areas receiving no less than one delivery a week;
- a minimum retail presence of 4000 postal outlets of which at least 2500 must be in rural or remote areas; and
- a minimum dispersion of street posting boxes (10,000).

In relation to bulk business mail, as part of its response to the National Competition Council, the Coalition asked Australia Post to develop a bulk mail monitoring system as soon as practicable in consultation with the relevant industry group. Once a suitable system has been developed and agreed upon, the Coalition will expand the Service Charter and regulations to include a new performance measure for bulk mail.

Rural Postal Services and Network

(i) Upgrading rural and remote services

The Coalition Government required Australia Post to poll locations that received only one roadside delivery per week under Labor, to determine if customers wanted an increase to two services a week. Where a majority of households voted for an increase, this requirement has been progressively implemented as delivery contracts have been renewed. As a direct consequence of this initiative:

- more than 1400 households in regional Australia will enjoy an improvement in service.

(ii) Protecting service standards

In addition to maintaining its commitment to an unchanged Universal Service Obligation, the Coalition Government has received assurances from Australia Post that its response to the National Competition Council will not lead to an erosion in current service levels.

The Coalition Government has also received an undertaking from Australia Post that it will continue to offer concessional parcel rates for the delivery of distance education material to isolated children.

(iii) Protecting the retail network

In relation to the maintenance of Australia Post's retail network, the Coalition Government has:

- reversed Labor's "closures policy", with the number of retail outlets in 1995/96 and 1996/97 increasing by 168 outlets in rural and regional Australia - a net increase of 151 outlets in just two years;
- secured an undertaking from Post that the National Competition Council response will not lead to the closure of any postal outlets or mail centres in rural or regional Australia;
- secured a further Australia Post undertaking that it will maintain the existing vital top-up payments scheme arrangements for Licensed Post Office licensees in rural and regional Australia under current conditions until at least 2003; and
- provided, for the first time, for a minimum retail presence of 2500 outlets in rural and regional Australia.

Delivering into the 21st Century

The Coalition will ensure that Australians continue to enjoy the widest possible range of postal and related services and that Australia Post and its competitors provide these services efficiently and affordably.

The Coalition will encourage Australia Post to expand the reach and nature of its on-line banking services (giroPost), particularly in rural and regional Australia.

The Coalition is confident that the convergence of communications delivery systems will provide Australia Post with significant opportunities to develop and offer a range of innovative communications services.

A National Competition Council

In its next term, the Coalition will introduce legislation to give effect to the sensible

and balanced reform package that formed the basis of its response to the National Competition Council.

Together with the undertakings and commitments the Coalition has secured from Australia Post, the Coalition will ensure that:

- Australia Post remains in full public ownership;
- the Universal Service Obligation is preserved in its current form (including internal cross-subsidy arrangements);
- the standard letter rate is frozen at 45 cents until at least 2003, even after a Goods & Services Tax is introduced;
- the "top-up payments" scheme will be maintained under current conditions until at least 2003;
- concessional parcel rates for the delivery of reply paid distance education material to isolated children will be maintained until at least 2003;
- all Australians (both businesses and consumers) are able to enjoy the benefits flowing from greater competition in the market (on price and/or service) from 1 July 2000;
- Australia Post's competitors are provided access to its network on a similar basis and on terms no less favourable than Post offers its own customers;
- Australia Post is not cross-subsidising from the monopoly reserved services to the non-Universal Service Obligation services it provides in competition with private operators (such as newsagents); and
- Australia Post's compliance with the Service Charter (and the regulations that underpin it) is monitored.

In addition to the benefits to consumers flowing from enhanced competition, Australia Post has agreed to progressively introduce a range of measures to reduce costs and improve mail service to mailers:

discounts (averaging 8.7%) for major mailers using barcodes - from October 1999;

a reduction in the volume threshold (from 2500 to 300) for bulk mail discounts - concurrent with the introduction of barcoding discounts, that is, from October 1999;

aggregation which will allow smaller mailers to have their letters combined into larger lodgements eligible for bulk mail discounts - from July 2000; and

a Code of Practice which will deal with concerns raised by major mailers during the course

of the National Competition Council review and which will facilitate Post's commercial relationships - by the end of 1998.

The Coalition has also asked Australia Post to develop a bulk mail monitoring system as soon as practicable in consultation with the relevant industry body. Once a suitable system has been developed and agreed upon, the Coalition will expand the Service Charter and regulations to include a new performance measure for bulk mail.

B Initiatives for Regional and Rural Australia

The Coalition will undertake a range of measures to improve country postal services:

repolling of remote communities recording a "no change" result (to the question of whether roadside deliveries should be increased) at least every five years from the date of the last poll or earlier if a significant change in demographics occurs in the community;

examining whether concessional rates - similar to those offered for post boxes where a "to the property" delivery service is not available - should be offered for customers with private or locked bags in a similar situation;

ensuring mail contractors adhere to the general standards which apply to all delivery services;

requiring all mail contracts to be negotiated on the basis that sufficient capacity exists to cater for the delivery of parcels and related material typical of the mail routes in question;

reviewing existing payment arrangements for Community Postal Agents/Community Mail Bags to ensure payments are equitable and appropriately reflect workloads, with particular attention to Aboriginal communities; and

monitoring the provision of services to current and emerging remote communities to ensure the standard of service required is being delivered.

C Tax Reform

The Coalition has made a commitment that the price of the 45 cent standard letter will not rise as a result of the Government's proposed new tax system. This commitment is consistent with the Coalition's announcement that the standard letter rate will be frozen until at least 2003 as part of its overall response to the National Competition Council report.

Australia Post will be required to absorb the cost of the GST on the standard 45 cent stamp but will derive significant benefits from the reductions in its costs arising from the other tax changes in the tax package which are estimated to reduce business costs by 4.9% in the communications sector.

Business users of postal services will effectively receive a 9.1% reduction in their 45 cent standard letter postal costs because they will be able to claim an input tax credit on the GST

they pay for a 45 cent standard letter.

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