

at the moment to see markets purely and simply as tools of liberation. And in the final analysis that goes further than the idea of competition itself. As Mark Latham argues elsewhere in this issue, the public sector would have a better reputation and a stronger support base if it were actually just a little more public. Too often the public sector and its Left supporters are perceived as a producers' monopoly against consumers, and this weakens the social legitimacy of both. For instance, the close identification of the anti-competition case with the Telecom unions in the present controversy probably didn't help the former in the public mind.

The most probable outcome of the Telecom debate now may well be a modified version of the Beazley proposal, with appropriate guarantees of protection for

Telecom's 'community service obligation' (CSO). This is a far from perfect outcome for the Left, not least because Telecom itself now appears to see the CSO as an irksome constraint on its competitiveness. Nevertheless, it leaves open to the Left the task of defining just how it is to cope with the genie of competition in the following instalments of the debate over 'micro-economic reform'.

Notes:

1. "Deregulation, Less Regulation or Change in Form of Regulation?", unpublished paper by Grahame Thompson, Open University, England.
2. *TeleFuture Interim Report*, Evatt Foundation, July 1990.
3. Charles Leadbeater, *The Politics of Prosperity*, Fabian Tract 523, November 1987.

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## Lost in SPACE

**O**n the furore over the future of Australia's telecommunications the Left seems set to fend off privatisation at any cost. That may include being forced into defending Aussat, whose establishment it bitterly opposed from the start. *Kitty Eggerking* traces Aussat's history and some of the options for its disposal.

The idea of an Australian satellite in the 1970s meant different things to different people. For the boffins the satellite was state-of-the-art technology; for political boffins it was not only a gee-whizz space toy but it also held out the promise of a new structure for Australia's concentrated media; for media owners it presented an alternative to the then two-television-station rule and an alternate carrier to Telecom. Some groups believed that a satellite would break Telecom's monopoly on Australian communications; others predicted miracles for remote education; still others simply wanted to restrain the power of the Australian Telecommunications Employees Association (ATEA), while others saw a satellite as a boon for Australian business.

By 1990 very few of the promises have been delivered, and very few of the players have become winners. One exception is Kerry Packer, who persuaded Prime Minister Malcolm Fraser in 1976 of the need for an Australian satellite and who is one of the few to have profited indirectly from Aussat.

(The satellite did lead to the undermining of the legislation controlling the ownership of television stations, which was eventually replaced by the ponderous 'audience reach' rules for media ownership, and, in the

sellers market at the start of the new rules, Packer and Rupert Murdoch made \$1.8 billion between them on a total of four TV stations, valued at a maximum of \$800m.)

Although Fraser envisaged 49% private ownership for Aussat, under Labor Aussat is entirely publicly-owned. Telecom, which consistently advised against a satellite, was forced to take a 25% stake in Aussat, even though it saw the future of Australian communications in fibre optics. In all the policy documents floated between government departments over almost ten years before the first of Aussat's three satellites was launched in 1985, the financial viability of the satellite was never seriously assessed. Some guesstimates were produced, but after the first three years of operation Aussat's income was \$100m below the estimated \$289.4m.

The satellite has proved prohibitively expensive for distance education; for broadcasters its costs outweigh its benefits; it has proved extremely costly for the commercial networks; and has led to no discernible stimulus for Australian industry.

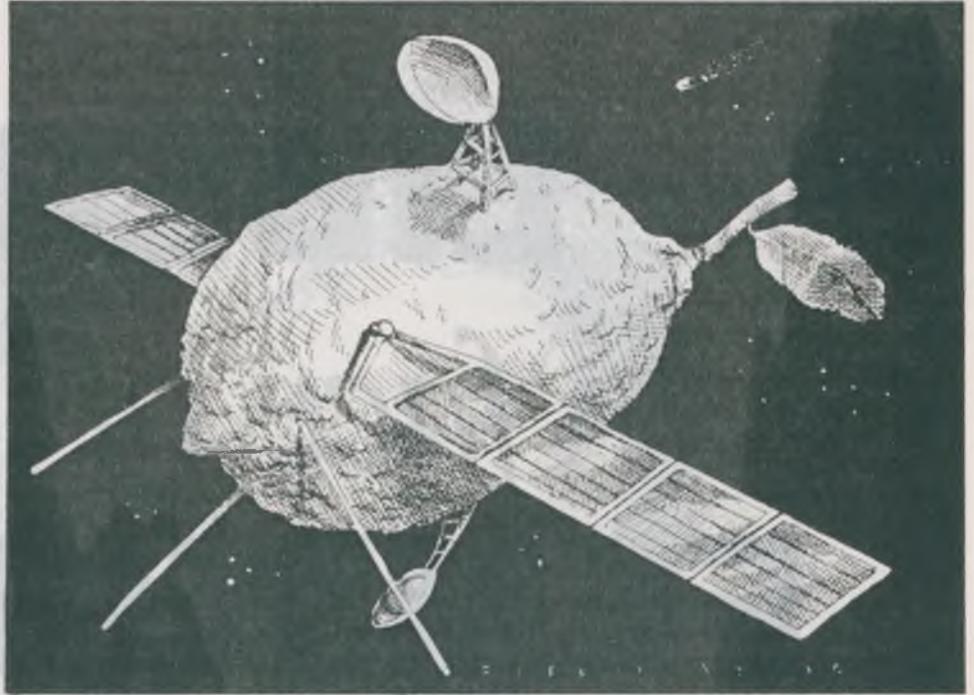
The working life of two of the satellites will expire in 1993, and these are due to be replaced by two second generation satellites in the early 1990s. While the existing satellites have transponders of 12 and 30 watts, the second generation satellites will have 50 and 150 watt transponders, and current users believe the new transponders are too powerful for their needs.

The total cost for purchasing and launching three first generation satellites was \$283m; the second generation satellites are expected to cost \$480m.

While the federal government has many options from which to choose (see box), the most likely outcome is that Aussat will be sold off to a powerful private interest seeking to extend its reach in international communications. The purchase of the unviable Aussat, with debts of \$900m, would be seen as the entry price for this potentially lucrative market. Kerry Packer's Consolidated Press, TNT, Pacific Dunlop, AMP, Excom, the British Racial Telecom and some of the US "baby Bells" have all been mentioned recently as likely contenders.

It is fitting that private interests bury Aussat, an organisation conceived for private interests and sustained by the public sector.

These pieces are based on two papers by Sam Paltridge of the Centre for International Research on Communication and Information Technologies (CIRCIT): *Australian Satellites: Promise, Performance and the Next Generation* (12/1989) and an



address to a CIRCIT workshop, *Australian Satellites: Policy Options for the Future*. Supplementary information comes from Paul Chadwick's *Media Mates: Carving up Australia's Media*. KITTY EGGERKING is ALR's Production Editor.

## THE OPTIONS

### a) Privatisation

Debts of \$900m or so make an unattractive selling point for Aussat. Only with extensive government guarantees is Aussat likely to have any market appeal, and the government would have to inject significant additional equity or write off a major portion of Aussat's debt to make the investment attractive. If the government, at enormous expense, paid off a major portion of Aussat's debt, Aussat would be more competitive, but this would hardly reflect relative efficiency.

Of course, public sector users, like the ABC and SBS, could be directed to continue to use Aussat, thus guaranteeing it a market, but such a measure would not enhance efficiency. Alternatively, Aussat could be given access to wider markets, but such a decision would have to be based on public interest rather than on the narrower consideration of making Aussat saleable.

At present the only potential buyers are the large national and international players, like one of the US "baby Bells", seeking a strategic position in the Australian and international markets.

### b) Mergers

Mergers with either Telecom or OTC have been repeatedly suggested as an alternative to a sell off. This would not really

reduce the losses of Aussat, and would necessitate its debts being absorbed by the merging body, thus affecting the latter's profitability. A merger would do little to increase the traffic on Aussat, though a merger with OTC could lead to OTC shifting its international traffic away from Intelsat to Aussat, thereby bringing Aussat into competition with Intelsat. Telecom is in the strongest position to absorb Aussat's losses and to provide the large amount of capital needed for future investment.

### c) Changing the second generation plan

It can be argued that since Australian satellites have so far failed to deliver the promised benefits, future satellites are also unlikely to live up to expectations. Thus, one option would be to cancel the second generation satellites and shift Australia's satellite requirements to Intelsat.

It is also possible at this stage to redesign the second generation satellites to offer international services to, say, the Pacific, though such a scheme would bring Aussat into increased competition with OTC and/or Intelsat.

Existing Aussat users have criticised the second generation satellites as being unnecessarily powerful. Thus, another option would be to scale back the capacity of the second generation satellites.

Finally, it may be possible to delay the launching of the second generation satellites until almost the expiry of the first generation satellites.