Global Villages

Modern telecommunications arguably has a lot to answer for. The excessive 1980s could hardly have occurred without the global finance markets—and their capacity to bet down the dollar on the slightest pretext. And would yuppies exist without the mobile phone?

Like it or not, however, there's much more to come in the world of telecommunications. The 'deregulation' of the Australian market (in fact, a reorganization from a monopoly into a duopoly) was the local episode of a worldwide phenomenon. We are witnessing the twilight of the old PTT (post, telegraph and telecommunications) monopolies and the opening of the global era in telecommunications.

Much could be said about how well Australia and virtually any other country in the developed world have been served by the old monopolies over the past hundred years. The billions Telecom took in revenues in the 80s, for example, did not go 'up against the wall' but rather to develop a network that is in the front rank by world standards. But the argument about competition is over and the focus now in telecommunications must be on the world scene.

Free marketeering has peaked in its influence, but the trend to globalization will continue under its own steam over this decade. Two factors are at work which make further liberalization inevitable. The first is technology. "The information revolution has been hijacked by the telephone" is how the Economist put it. The global village is now being wired with optical fibre, one of the great technical leaps forward of the 20th century. The just-opened Tasman 2 link to New Zealand increases the cable capacity 25 times, and 16,000 kilometres of cable across the Pacific will be completed by the end of 1994.

At the same time, telecommunications networks and equipment are becoming increasingly sophisticated. At a simple level, software in the standard phone enables redial and storage of frequently called numbers, while software added to modern switches and billing systems is creating 'intelligent networks'.

The high-capacity broadband networks of the mid to late 90s will be capable of carrying dozens of television channels and interactive services along a fibre optic circuit. In the next 15 years it is likely most Australian homes will be wired to the optical fibre system; hence the substantial battle now for a piece of the pay TV action.

More significant are the changing demands of global corporations and governments. Already some 1,200 companies around the world spend more than US$500,000 on their international telecommunications. The market is estimated to be worth some $20 billion at present. A century ago commerce looked for safe harbours, railway, roads and navigable rivers. Today corporations seek tax incentives, cheap and skilled labour, political stability—and first-class communications.

Harvard political economist Robert Reich speaks of the global factory floor. He points out that of the US$10,000 the buyer pays General Motors for a Pontiac, about US$3,000 goes to South Korea for assembly; US$2,000 to Japan for engines and electronics; another US$1,000 to Germany for styling and design; US$500 to Taiwan, Singapore and Japan for assorted parts; US$250 to Britain for advertising and marketing and US$50 to Barbados and Ireland for data processing. The remaining US$3,200 presumably goes to GM and its dealer.

On the global factory floor, a fashion house in LA can call a videoconference with its Hong Kong manufacturer to inspect the new season's range. Vehicle manufacturer Hyundai can lease a link between Seoul and its Quebec regional headquarters, to which its 500 North American dealers are joined, enabling them to order components and transmit sales information instantaneously.

The 'borderless world' (to use that other management guru buzz phrase) is one where credit card agencies and airlines operate giant global networks, where export/import houses, retailers and insurance companies use paperless trading to save red tape. Even the Vatican has its own electronic mail system which keeps the holy see in touch with its dispersed press offices.

Telecommunications services, already a US$400 billion global industry, are estimated by the Telecommunications Research Centre to be worth almost US$1,200 billion by 2005. In the 80s, transnationals established their own private networks, managed by in-house communications departments. Today, it is often more cost-effective to 'outsource' these requirements to a specialist telecommunications company (or telco, in the infectious industry jargon). Now, transnationals are demanding, and carriers are scrambling to provide, so-called global solutions. Instead of dealing with carriers in a dozen different countries with different services, prices and billing systems, they want a 'one-stop shop' to manage their needs.

The opportunities are immense, the jostling between carriers is under way and, by the end of the decade, the estimates go, no more than six to 12 main telecommunications companies will be left. British Telecom, for example, offers a global network called Synchronis, which aims at offering the 'one-stop shop', The trouble is, BT is not a global carrier itself, and to make Synchronis work, it will need the cooperation of carriers against whom it competes.

But the word on everyone's lips is 'alliance'. Given the national-based structure of telecommunications, it makes more sense for carriers to pool their market reach and expertise. For example, AOTC has joined with eleven other international carriers to form a network to service the global
The hottest alliance or merger is that proposed between two of the world’s oldest telcos, AT&T and Cable & Wireless. Between them they would have access to domestic markets of more than 460 million in OECD countries, global reach, high quality R&D networks and enormous political clout—not to mention annual revenues of $55 billion. This was put on hold in March pending the UK election, suggesting the political sensitivities involved. Should this go ahead, sources agree, the industry will be galvanised.

Indeed, the struggle for telecommunications markets has been likened to the vicious contests for control of US railroads in the late 19th century. Just as railways were the arteries of the industrial age, these ‘electronic highways’ will carry us into the information age. For AOTC, the challenge will be to find a place in the sun against the behemoths of international capitalism. AT&T and the Japanese NTT are among the ten largest companies in the world. BellSouth, which has a monopoly in the south-east of the United States (and like Cable and Wireless is a partner in Optus, AOTC’s new rival) is more than half as large again as the combined Telecom-OTC.

There are some unarguable benefits from global communications: most memorably, Boris Yeltsin’s use of phone and fax lines to solicit the support of western leaders during the Moscow coup last year. And just as the roads that capitalists built also serve the rest of the population, so the electronic highways will make the rest of the world more accessible to all of us.

Or nearly all of us. There’s not much in the new world information order that directly benefits those countries without the cash to pay for premium networks, as the East Europeans are learning. Information wealth/poverty issues were conspicuous by their absence from the economic purist-driven debate in Australia in 1990. With the main forms of media changing under the pressure of broadband narrowcasting, these will only become more contentious.

As national networks, quite probably including Australia’s, come up for sale, issues of national economic and cultural sovereignty of at least as great a significance as ownership of Fairfax will emerge. Other concerns involving new forms of information and communications will doubtless follow.

That there will be a worldwide telecommunications shakeout is inevitable, but there’s much to play for in how this takes place and in answering the political questions of who wins and who loses.

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