

Senate Standing Committee on Environment and Communications
Answers to Senate Estimates Questions on Notice
Supplementary Budget Estimates Hearings November 2014
Communications Portfolio
Department of Communications

Question No: 96

Program No. 1.1

Hansard Ref: In Writing

Topic: Contracts

Senator Urquhart asked:

According to the Senate Order, the Centre for International Economics has been awarded a \$129,725 contract for retail price controls analysis.

- (a) What were the specific task(s) the party was contracted to carry out?
- (b) Please set out what this analysis demonstrated.

Will the Department make this advice public?

Answer:

In February 2014, the Centre for International Economics (CIE) was engaged to undertake an economic analysis of Telstra's retail price controls (RPC) to provide advice on the future of RPC arrangements in the context of the Government's broader deregulation agenda.

CIE assessed:

- impacts of RPC
- state of competition in retail communications services
- future regulatory options to address market failures and achieve social equity objectives.

CIE's key findings included the following:

- With the development of a competitive retail market for telecommunications services, RPC are no longer required.
- RPC have had no discernible impact on prices charged by Telstra in the recent past – Telstra offers prices below the level required by the current price controls.
- It is likely that Telstra would have offered nationally consistent prices in the absence of RPC. All 16 other providers of voice services do not have regionally differentiated prices.
- RPC currently impose a net economic cost of approximately \$0.25 million per annum due to administration and compliance costs.

The final CIE report can be found on the Department's website at:

http://www.communications.gov.au/_data/assets/pdf_file/0010/240589/CIE_Final_Report_-_Telstras_retail_price_controls.pdf