Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates, 16 & 17 February 2005

Question: Add 3

Topic: **ACCC – Pay TV Competition Issues**

Hansard Page: **Written**

Senator Conroy asked:

(1) Last month the OECD remarked that:
"there is no effective competition in pay TV because the owner of the distribution networks, Telstra also owns the major pay TV operator, Foxtel, making it virtually certain that other pay TV operators cannot face a level playing field.'
Does the ACCC agree?

(2) The OECD also noted that Telstra has every incentive to restrict the development of email and internet access services over its pay TV network where they compete with Telstra. Does the ACCC have any concerns that this is already occurring or is it a potential threat?

Answer:

(1) There are a number of factors which have contributed to the current structure and competitive dynamics of Australia's pay TV industry. This includes, amongst other things, the identity and span of interests of the owners of the major pay TV providers, the nature of various content supply arrangements in place, the broadcasting regulatory environment and the deployment of pay TV distribution networks.

The ACCC's June 2003 *Emerging markets structures in the communications sector* report (the EMS report) noted that Telstra, through its partial ownership of Foxtel, has the ability to veto supply of pay TV channels by Foxtel to other networks.

(2) Telstra currently provides retail internet services to end-users via both its copper network (using ADSL technology) and its HFC network. At the network level, Telstra provides wholesale ADSL, unbundled local loop (ULL) and line-sharing (LSS) services on its copper network to access seekers competing with it in the provision of broadband services in downstream retail markets. The ACCC understands that Telstra does not currently provide wholesale broadband products on its HFC network to access seekers.

The EMS report noted that Telstra's continuing focus is not to maximise the revenue from its copper and HFC networks separately but rather to maximise the revenue across both networks. In seeking to protect the revenues of both networks, investment will not be made, or will be delayed, in services that would reduce the revenue of the other network.