

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 7
Topic: Telstra
Hansard Page: Written

Senator Xenophon asked:

1. In relation to Telstra's supply of the local carriage service, wholesale line rental service and PSTN originating access service, what is the current determined price for access seekers?
2. In the ACCC's view, does the determined price reflect what it would be in a competitive market, if there was one?
3. Is Telstra offering those prices in the exchanges that have been deregulated?
4. Those exchanges were deregulated because the ACCC judged they were competitive. If Telstra isn't offering that price, should the Commission not review its ESA exemptions?
5. This issue may well be solved once Telstra has completely structurally separated. However, until that time, is it not the ACCC's role to address this anti-competitive issue?

Answer:

1. Current regulated prices are set out in the Interim Access Determinations (IADs) published by the ACCC on 3 March 2011. Prices are:
 - Local Carriage Service (LCS): 9.1 cents (local call)
 - Wholesale Line Rental (WLR): \$22.10 (monthly price per service)

PSTN originating access:

	Flagfall (cents per call)	EMOU charge (cents per minute)	Headline rate (cents per minute)
CBD	0.85	0.35	0.57
Metropolitan	0.84	0.49	0.70
Provincial	0.94	0.68	0.91
Rural	2.06	3.66	4.18
Average	0.95	0.76	1.00

2. The ACCC does not base its pricing on analysis of a hypothetical competitive market. Prices are determined on the basis of the relevant legislative criteria. Further, they are based on a range of factors, including a model that measures the cost of providing the relevant declared service.

The ACCC's reasons for setting the prices in the IADs were released on 3 March 2011. They were also the subject of the Discussion Paper released on 21 April 2011 initiating a public inquiry into making final access determinations for declared fixed line services. Copies of these documents are available from the ACCC's website.

3. The ACCC does not have visibility of all of commercial arrangements that exist between access seekers and Telstra in relation to the exempt exchange serving areas (ESAs). The ACCC has been advised that Telstra's wholesale line rental rate in those ESAs exceeds the price set by the ACCC in the IADs. The ACCC is not aware of any difference between the regulated rates and the price Telstra charges for the LCS and PSTN OA services in the exempt ESAs.
4. The ACCC granted exemptions, subject to conditions and limitation, in exchanges where it considered this would promote the long term interests of end users by promoting competition.

Following the legislative amendments to the telecommunications access regime in November 2010, the ACCC initiated a public inquiry on final access determinations for price and non-price terms of access for declared fixed line services. This includes reviewing the operation of the exemptions as part of this inquiry. The review will involve an assessment of the exemptions against the legislative criteria in the *Competition and Consumer Act 2010* (CCA).

The ACCC's Discussion Paper initiating the inquiry, released on 21 April 2011, provides discussion on the issue and calls for submissions. The ACCC is currently considering submissions it has received. The Discussion Paper and public versions of the submissions are available on the ACCC's website.

5. As noted above, the ACCC is currently considering the exemptions as part of inquiry into making final access determinations for declared fixed line services under the CCA.