

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 14 – 15 February 2007

Question: aet 3 (ACCC)
Topic: ULL Averaging
Hansard Page: Written

Senator CONROY asked:

1. Which other OECD countries have de-averaged wholesale prices imposed by regulators?
2. Which other OECD countries have mandatory de-averaged wholesale prices as well as mandatory averaged retail prices?
3. In your answers to Questions on Notice you say that Telstra asserts that the Band 4 figure from the Commission is \$149 but that is not the Commission's figure. What is the Commission's figure?
4. What is the ACCC's explanation for failing to publicise this figure to date?
5. Does the ACCC accept that the ACCC's view of this figure is essential for public debate on the issue of ULL deaveraging?
6. Telstra claims that the \$149 figure was derived from the figures the ACCC published concerning Network Costs and ULLS Specific Costs. These costs were stated as the only costs that would be acceptable to the Commission and specific figures were included in both the Draft and Final Determinations. Why does the ACCC disagree with this \$149 figure?

Answer:

1. The ACCC does not have a need for this information in the ordinary course of its activities. However, the ACCC is aware that the United States, Canada and Finland are examples of countries that have taken a de-averaged pricing approach to unconditioned local loop (ULL) equivalent services. Information on the approach that other regulators have taken to pricing wholesale services is available publicly on other regulators' websites as well as in information papers such as:
 - *Access Pricing in Telecommunications* published by the OECD's Competition Committee in February 2004; and
 - *Pricing Methodologies for Unbundled Access to the Local Loop* published by Europe Economics in May 2004.
2. The ACCC does not have a need for this information in the ordinary course of its activities. This information may be publicly available from the websites of other regulators and governments.

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3. The ACCC does not have 'a figure' for the price of ULLS in Band 4.

Previously, in the context of its Final Determination for model price terms and conditions of the PSTN, ULLS and LCS services in October 2003, the ACCC indicated that an indicative starting price for Band 4 was \$100.

At that time, the ACCC indicated that this price was only loosely based on underlying costs and it would be expected that should Telstra offer services in these areas, more specific pricing proposals would need to be submitted in undertakings or in bilateral agreements.

In relation to the quoted figure of \$149, the ACCC stated in its *Assessment of Telstra's ULLS and LSS monthly charge undertakings Final Decision*, December 2005, that the figure of \$149 for 2004-05, declining to \$145 in 2005-06, should be viewed as an extremely conservative upper bound of the range of reasonable estimates of the TSLRIC+ of providing the ULLS in Band 4. The ACCC further stated that this figure should not be treated as indicative of the ACCC's views on the appropriate TSLRIC+ estimate of providing ULLS in Band 4.

Further examination of the model upon which Telstra bases its pricing proposals, and upon which the above upper bounds were advanced, has revealed significant concerns around the reliability of the model to produce any form of reasonable estimate of the costs of providing the ULLS in Band 4.

The ACCC will consider the pricing of the ULLS in Band 4 where it is reasonably requested to do so in arbitrating an access dispute where access seekers are seeking to acquire the services in those regions

4. The ACCC has not published an estimated indicative starting price for Band 4 since the model price terms and conditions released in October 2003. The ACCC may publish such information in circumstances where, for example, it issues an arbitration determination regarding the price for ULLS in Band 4 and it considers that the publication of certain information, including figures relating to pricing, is in the public interest.

The ACCC, to date, has not issued such an arbitration determination. Alternatively, in the context of an undertaking, if the ACCC found a price in Band 4 to be reasonable, that accepted price would constitute the ACCC's view of a reasonable, indicative starting price

5. No

6. The ACCC does not accept that this figure is representative of the ACCC's views on the TSLRIC+ of providing the ULLS in Band 4. Please see the answer to question 3.