

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates, 31 May to 2 June 2005

**Question: Bud 3**

**Topic: ACCC – Additional Power to Screen Mergers in the Telecommunications Industry**

**Hansard Page: Written**

Senator Conroy asked:

The Productivity Commission has also recommended that the Government should review whether the current regulatory regime is adequate to address any future acquisitions or entry into new activities by Telstra, that could threaten the development of a more competitive telecommunications market.

1. Does the ACCC support this review?
2. Are existing powers under the TPA adequate to deal with future acquisitions by Telstra?
3. Has the ACCC done any work on what the 'additional pre-emptive tool' suggested by the PC might look like?

If so can you outline this work to the Committee?

4. Is the ACCC aware of any international parallels for such a regulatory tool?

Answer:

1. On 17 August 2005 the Minister for Communications, Information Technology and the Arts released a package of reforms to the telecommunications regulatory regime, which included a model of operational separation of Telstra's internal structure. A significant aspect of the model will be internal prices for the supply of Telstra's network services to Telstra retail, which will be agreed up-front with Telstra. These will be based on the actual prices Telstra charges its external wholesale customers.

Further measures to promote competition include legislation to require the ACCC to take account of the costs and risks of new investment when making decisions under the Part XIC telecommunications access regime. The ACCC will also be required to publish procedural rules on how it will administer the access regime.

2. Section 50 of the Trade Practices Act 1974 prohibits mergers or acquisitions that would have the effect or likely effect of substantially lessening

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competition in a market. The ACCC is confident that these provisions are adequate to prevent any acquisition by Telstra (or another telecommunications company) that would be likely to substantially lessen competition in any telecommunications markets.

3. The ACCC has not done any work in this area.
4. See answer to question 3.