

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 30 May – 1 June 2006

Question: bet 36 (ACCC)

Topic: 3G Network Roll Out

Hansard Page: Written

Senator CONROY asked:

- (1) Does the **ACCC** have a view on the likelihood that Telstra's proposed 3G network will be declared? What factors would influence this decision?

Response:

Declaration inquiries are instigated to determine whether the declaration of an eligible service is in the long-term interests of end-users. As such, the ACCC would not declare Telstra's proposed 3G network itself, but rather services supplied on that network. The ACCC does not have a view on the likelihood of a declaration inquiry taking place. Factors that might influence a decision to declare services supplied on Telstra's proposed 3G network are outlined in the ACCC publication titled "Telecommunications services - Declaration provisions¹".

- (2) The proposed commercial Telstra's 3GSM 850 (UMTS/HSDPA 850) network will;
- a) covers some 1.6 million square kilometres i.e. 160 times larger than any other current 3GSM service (around 10,000 square km) and;
 - b) be almost three times larger than **other** combined 3GSM/GSM service (600,000 square km).
- (3) Will the comparative scale of Telstra's 3GSM 850 network influence the decision to declare it?

Response:

The Part XIC access regime facilitates access to key wholesale services to facilitate competition in retail and other markets.

The comparative scale of Telstra's 3GSM 850 network may be a factor in assessing whether such a service could be considered to be a key service requiring regulation. As part of such an assessment, the ACCC would also consider to what extent existing, and likely, alternatives services and/or infrastructure to Telstra's 3GSM 850 network may be used to deliver the relevant retail services.

¹ <http://www.accc.gov.au/content/index.phtml/itemId/324247>

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- (4) Would an additional 1 million square kilometres of coverage translate into a compelling reason to choose the Telstra network for both voice and wireless broadband for users who value coverage and mobility?

Response:

The ACCC is not in a position to provide such opinion.

- (5) To-date Telstra has not demonstrated any willingness to provide wholesale or roaming access to the new 3GSM **network**. Would this fact influence the ACCC's decision on the need to declare this network?

Response:

Declaration inquiries are instigated to determine whether the declaration of an eligible service is in the long-term interests of end-users. As such, the ACCC would not declare Telstra's proposed 3GSM network itself, but rather services supplied on that network. The ACCC's decision to declare services would depend on the likely effect of Telstra's actions on the long-term interests of end-users. Any decision by Telstra to offer or not to offer wholesale or roaming services is primarily a commercial decision. If it was determined that such a service should be declared, declaration would impose an obligation on Telstra to provide access to these services on request.

- (6) While the current CDMA network isn't declared, Telstra has provided both wholesale and roaming access to the existing CDMA network and there are currently some 69,000 CDMA wholesale users. What is the ACCC's view about the competitive impacts of these customers effectively being forced to now use Telstra's 3G network?

Response:

At this stage, existing 2G CDMA wholesale and roaming customers have raised concerns with the ACCC that Telstra has not yet determined the extent to which existing customers will be granted access to the 3G network. The ACCC has raised this matter with Telstra and Telstra has advised that all current wholesale and roaming agreements will cease in 2008 and that Telstra is willing to consider commercially attractive proposals for the supply of access to the 3G network.

Accordingly, it is difficult to form a view about the competitive impacts of the 2G CDMA shutdown without knowing what Telstra intends to do regarding extending access to the 3G WCDMA network. The ACCC would consider the competitive effects of the supply arrangements to apply for wholesale or roaming access on Telstra's new 3G network. However, this would only form part of the ACCC's considerations, under the Act, in determining whether regulatory intervention is needed to require Telstra to provide access to this new network.

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- (7) What is the ACCC's view of the likelihood of facilities based competition for 3G mobile services in rural and regional Australia?

Response:

The high cost of 3G infrastructure suggests that in some parts of rural and regional Australia facilities based competition for 3G mobile customers is not likely, in the short term.

- a) Would these regions have the customer base to support multiple mobile phone networks?

Response:

The ACCC expects that demand in some of these areas is likely to support multiple mobile phone networks whilst in others it may not. The ACCC is not in a position to identify these different areas to any significant degree of specificity.

- b) Given this, would the ACCC consider a regionally differentiated declaration of a national 3G mobile network? Eg where wholesale access is mandated only in regional Australia?

Response:

Declaration of a 'regionally differentiated' service would depend on the likely effect of such a decision on the long-term interests of end-users.