

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio

Supplementary Budget Estimates 1 - 2 November 2006

Question: sbt 112 (ACCC)

Topic: Price Controls

Hansard Page: Written

Senator CONROY asked:

1. Is it correct that the retail price control regime applies to Telstra and not to other telecommunications providers?
2. Does the application of retail price controls to Telstra and not its competitors prevent Telstra from matching competitor price offerings?
3. Are Telstra competitors able to offer substantially higher line rentals and lower call charges than Telstra is able to under the current price control regime?
4. Are Telstra competitors able to offer substantially higher call charges and lower line rentals than Telstra is able to under the current price control regime?
5. Is the ACCC concerned that the selective application of this regime could distort the competitive process?

Answers:

1. Yes. Under Part 9 of the *Telecommunications Act 1997*, the Minister for Communications, Information Technology and the Arts is able to determine that specified Telstra charges are subject to price control arrangements, but not the charges of other carriers.
2. No. The retail price control arrangements specify only maximum prices that can be charged by Telstra. They do not prevent Telstra from pricing its services below the maximum permissible charges so as to match other carrier's prices.
3. No. The current price caps generally apply to a basket of services, and not to individual services within the basket such as line rental. As such, Telstra is able to offer, and does offer, higher line rental and lower call charge plans. For example, Telstra's HomeLine Reach plan combines a monthly connection charge of \$49.90 (GST inc) with 10c untimed local calls, while Telstra's HomeLine Together plan combines a monthly connection charge of \$69.90 (GST inc) with free untimed local calls.
4. No. The current price control arrangements allow Telstra to raise their call charges above 22c provided they do so in conjunction with a line rental that is lower than the standard line rental – currently \$29.95 per month (GST inc). This allows Telstra to offer plans that combine a lower line rental with a higher call charge. For example, Telstra's HomeLine Budget plan offers a monthly charge of \$19.95 (GST inc) with 30c untimed local calls.
5. The ACCC is unaware of any facet of the price control regime that places Telstra at a competitive disadvantage.