# Telstra?s position on access regulation

## TelSoc News and Events

**23rd October 2014**

[1]

☆ 70 [2]

The following is a response from Telstra to an opinion piece published in CommsWire and distributed by TelSoc to its members on 13 October entitled "Telstra cries poor ? NBN is hurting us! [3]"

TelSoc publishes this response without comment but subject to the same disclaimer which applies to other content on the site, namely, that the views expressed are not necessarily those of TelSoc, the board or its members. Members and others may submit comments subject to TelSoc publication Guidelines [4].

## Telstra?s position on access regulation

*Jane van Beelen*
*Executive Director Regulatory Affairs*

TelSoc members have received several pieces of commentary from Graeme Philipson of late via CommsWire that have been highly critical of Telstra.

Graeme?s criticisms of Telstra are so frequent we tend to let them pass without comment, but his latest articles on our submissions to the Australian Competition and Consumer Commission (ACCC) inquiry into fixed line services access prices and terms are so misleading that we are compelled to clarify the situation to fellow TelSoc members.

The ACCC is currently considering what the price should be on wholesale products we offer for access to our copper network. The ACCC?s review comes at a critical time for the industry which is undergoing a fundamental transition as people migrate from Telstra?s network to the National Broadband Network (NBN).

Undoubtedly, the transition to the NBN will significantly accelerate the decline in demand for fixed line network services and impact on the costs of operating our network. Our position is that the ACCC should continue to apply its core pricing principles, including the principle that Telstra must have the opportunity to recover our costs fairly across all users of the regulated fixed network.

Using the latest information available on the NBN rollout, we expect demand for fixed line services will fall by as much as 60% over the next five years. At the same time we will be reducing our costs significantly, although not to the same extent given many of these costs are fixed. We have recommended a conservative one-off increase, the first price change since 2011. Based on current data that increase would be 7.2%, with no more increases until 2019.

Graeme has bought the arguments of our competitors that conflate the NBN payments we receive for disconnecting the copper network, with the costs that are incurred by users of the network up to the point it is disconnected. This misses the point. The key question is what are the costs of operating the network and how can these costs be shared fairly by all network users. Any other approach would be unfair to one group of customers ? either Telstra Retail's or Wholesale's.

On the question of exemptions of regulation of resale services in Central Business District (CBD) areas, our argument is a simple one. The decision by the ACCC to remove the longstanding regulatory exemptions in CBDs doesn't make sense as these are the most competitive markets for telco services in the country, with multiple providers supplying services over their own competing infrastructure. Also these are products with multiple substitutes. There is no bottleneck in CBD areas so there is no basis for regulation. That is what the ACCC has always found before and there was no case for them to change their position.

One thing we agree with Graeme on is that LTIE is an ugly looking acronym. However, it is a legislated term and what the ACCC use to measure the effects of regulatory decisions. This information, including our submissions on these matters, are available on the ACCC website here [5].

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## Comments

### I understand Jane?s argument [9]

James Robert Holmes

*- 24/10/2014 at 11:46 (last edited 24/10/2014 at 11:46)*

I understand Jane?s argument entirely and think that it is conceptually sound. We do not have access to the figures to support the specific adjustment of 7.2%. I am not sure why Telstra found it necessary to undertake not to further adjust the price until 2019. Perhaps it is an act of goodwill or a concession to make acceptance of some increase easier.
The work of the ACCC and of Henry Ergas does suggest that regulated charges for access lead to under-recovery in the longer term. As a result the ACCC changed its costing model to a building block approach (to reduce the risk of both under-recovery and over-recovery).
I cannot see why access seekers should not have to bear a share of increased maintenance and operating costs (assuming that other costs ? such as return on capital employed - do not vary downwards to the same extent.)

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