



Australian  
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# NEWS RELEASE

## **ACCC RELEASES DRAFT PRICES ACCESS SEEKERS WILL PAY TO USE TELSTRA'S COPPER NETWORK**

The Australian Competition and Consumer Commission has issued its draft decision on the prices that other operators pay Telstra (ASX: TLS) to use its copper network to provide telecommunications services to consumers.

The NBN is replacing Telstra's legacy network as the infrastructure over which Australians receive fixed line voice and broadband communications. This structural change has significant implications for how Telstra's fixed line assets are used during the transition and for the issues that the ACCC has dealt with during its inquiry to date.

The draft decision covering 1 July 2015 to 30 June 2019 is for a one-off uniform fall in access prices of 0.7 per cent for the seven access services. This compares with a one-off price increase of 7.2 per cent covering the same period that Telstra sought in October 2014.

"The draft decision on prices ensures nominal price stability in the wholesale market for telecommunications services and will promote competition in the transition to the NBN," ACCC Chairman Rod Sims said.

"Given current inflation however, this uniform price fall means the prices access seekers pay will decline in real terms over the next four years by around 12 per cent."

"There are two conceptual underpinnings to this decision. First, Telstra will no longer bear all the costs of declining consumer demand for fixed line services. Second, however, access seekers will only pay for the assets needed to supply them, and not for any under utilisation caused by the NBN," Mr Sims said.

On the one hand, the ACCC is adopting a revised approach to the way the costs of Telstra's copper network are allocated between users. The change means that there will be a full allocation of costs across all services supplied over the network and that Telstra will no longer bear all of the costs of declining consumer demand for fixed line services. Instead, these costs will be shared across all users of the network, including access seekers.

On the other hand, the ACCC is implementing the approach on the treatment of NBN effects of arrangements outlined in its 22 October 2014 position statement. The cost allocation framework allocates costs to NBN Co for its use of leased assets, while assets that are decommissioned or used less because of the NBN are removed from the cost base for the fixed line services. The ACCC is also not allowing Telstra to pass on the costs of capital expenditures that are incurred in making ready for the NBN.

“This means that the prices that access seekers pay do not include a component for the migration of customers off the legacy copper network and onto the NBN or NBN Co’s use of Telstra assets,” Mr Sims said.

“In addition, NBN rollout creates a higher degree of uncertainty about future demand and the costs used to estimate the draft prices than is usual for network industries. The ACCC is addressing this uncertainty by detailing how we will respond if the NBN rollout deviates from current forecasts.”

There are a number of factors that have contributed to the draft price decision in addition to the approach taken on cost allocation and NBN arrangements.

“An important factor is the decline in the cost of capital driven largely by lower interest rates. Additional factors contributing to lower prices include further depreciation of the asset base and lower operating costs due to the decline in the use of the network,” Mr Sims said.

The ACCC recognises that Telstra has made considerable efforts to provide the information needed to form a view on whether its forecasts represent the prudent and efficient costs of supplying services over its copper network. However, the ACCC does not yet have all the information on costs needed to form a final view on efficient costs and has requested further information from Telstra in this regard.

The issue of efficient costs is one of three issues that the ACCC will consider further before reaching a final decision. Another area is whether to make an additional adjustment for the effect of the NBN; the ACCC is considering whether rising unit operating costs due to the loss of economies of scale on Telstra’s network as customers migrate to the NBN should be excluded from the prices that access seekers pay. The third area where the ACCC is still considering its position is the verification of some of the cost allocations within the revised approach.

The ACCC invites stakeholder views on its draft decision on the primary price terms to be included in the final access determinations for the next regulatory period, including reasons for those views. Submissions are due by 5pm on Thursday 30 April 2015. The ACCC intends to release its final decision at the end of June 2015. Draft decisions on connection charges and the non-price terms and conditions will be released later this month.

The ACCC's Draft decision on the primary price terms for the fixed line services is available at:

<http://www.accc.gov.au/regulated-infrastructure/communications/national-broadband-network/nbn-co-special-access-undertaking-implementation/sau-implementation-2014>

A confidential consultant's report commissioned by the ACCC to provide expert opinion on the efficient costs of supplying the regulated access services is available to access seekers under confidentiality arrangements.

**Media inquiries**  
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