



Australian
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NEWS RELEASE

ACCC RELEASES POSITION STATEMENT ON TREATMENT OF TELSTRA-NBN Co ARRANGEMENTS FOR TELSTRA'S FIXED LINE PRICES

The Australian Competition and Consumer Commission has released a position statement on how it intends to account for the effect of arrangements between Telstra (ASX: TLS) and NBN Co in its final access determinations for Telstra's regulated fixed line services.

"We have identified the arrangements regarding the migration of customers to the NBN and the use of Telstra's assets by NBN Co as key issues in setting prices for declared services", ACCC Chairman Rod Sims said.

"The ACCC will use the regulatory value of Telstra's assets, not the higher payments agreed between Telstra and NBN Co in their Definitive Agreements, to adjust the cost base for NBN effects when determining regulated charges." Mr Sims said.

"This is a straight forward matter and our approach accords with common regulatory practice."

"The ACCC's position involves the same regulatory principles as arise when one business buys regulated assets from another. If regulated prices were adjusted up to reflect an asset sale price above the regulatory value of the assets this would result in price increases due solely to ownership change and not to changes in underlying costs. This outcome would clearly not be in consumers' interests," Mr Sims said

"Further, if values in excess of regulatory values were deducted from a businesses' cost base as some stakeholders have suggested we could reach a future point where regulated asset values become negative. This would clearly be a nonsensical outcome."

"By releasing its position on this very straight forward matter the ACCC is providing a degree of regulatory certainty at a time of industry transition and enabling the focus to move to other aspects of our pricing decision."

The use of regulatory values maintains the current cost based approach to setting regulated access and wholesale charges on Telstra's fixed line network. A regulatory values approach uses the values assigned to affected assets in the regulatory asset base to adjust for assets sold or leased to NBN Co.

The ACCC considers that an adjustment should also be made to account for assets becoming redundant as a consequence of the migration of customers to the NBN. The ACCC will adjust the cost base to remove the regulatory values of decommissioned assets and to account for the declining utilisation of assets due to NBN migration prior to full decommissioning. This will ensure that Telstra does not recover through regulated prices the costs of assets that are no longer used to supply the declared services.

The ACCC's position on this issue is part of its current inquiry to make final access determinations for Telstra's seven declared fixed line services. The ACCC released a discussion paper on the FAD primary price terms on 24 July 2014 and is currently considering submissions received on a number of complex pricing issues.

The ACCC expects to release its draft decision for consultation in early 2015, before making a final decision in mid-2015.

Media inquiries

ACCC Media 1300 138 917

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