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NEWS RELEASE

ACCC DRAFT FIXED LINE SERVICES DECISION SEES ONE-OFF UNIFORM FALL IN ACCESS PRICES OF 9.6%

The Australian Competition and Consumer Commission has released a further draft decision on the prices that other operators pay to use Telstra's copper network to provide telecommunications services to consumers. This draft supplements the ACCC's draft decision of March 2015, to address outstanding issues.

The further draft decision will require a one-off uniform fall in access prices of 9.6 per cent for the seven access services. This revises the 0.7 per cent fall estimated in the March draft decision which was an interim figure and subject to the ACCC considering these outstanding issues. The new prices will apply from 1 October 2015 until 30 June 2019.

The most important issue for the draft decision on prices is the effect of the transition from Telstra's fixed line network to the NBN. The NBN is replacing Telstra's legacy network as the infrastructure over which Australians receive fixed line voice and broadband communications. As services are disconnected from the legacy network, some assets become redundant and the efficiencies of servicing large numbers of customers are progressively lost.

"Users of Telstra's network should not pay the higher costs that result from fewer customers as NBN migration occurs. If there is no adjustment for these higher costs then customers who have not been migrated to the NBN will pay significantly higher prices for copper based services. Eventually these prices would reach absurd levels for the unlucky last copper customers," ACCC Chairman Rod Sims said.

"Our draft decision is that assets that become redundant as a result of migration will be removed from the asset base. Also, users of the copper network will not pay the higher prices that result from the loss of scale efficiencies as the number of services remaining on the copper network falls."

"This draft decision reflects the fact that Telstra had the opportunity in its negotiations with NBN to ensure that it received consideration for the effects of service migration, including the costs associated with the loss of economies of scale and asset redundancy," Mr Sims said.

Other outstanding issues which the ACCC has now included in the draft decision are the ACCC's views on Telstra's efficient costs and its proposed cost allocation framework.

On the first of these issues, Telstra has provided significantly more information on its operating and capital expenditures and has also revised its forecasts.

"The ACCC's draft decision will now accept Telstra's latest expenditure forecasts subject to the exclusion of the capital and operating expenditures that are specific to the NBN and which should not be recovered from users of the copper network," Mr Sims said.

On the cost allocation framework to be used to determine prices, the ACCC maintains its position to adopt the fully allocated framework proposed by Telstra. The ACCC has now obtained expert advice on the methods and inputs that Telstra has used in developing the framework and will make some adjustments to cost allocations based on that advice.

A number of factors have contributed to the change in the estimated price movement between the March draft decision and this further draft decision. These have not all moved in

the same direction and some are more significant than others. By far the most significant factor is the approach taken on NBN effects; other relevant factors are revisions to Telstra's forecast operating expenditure, and updates to reflect changes to the inflation forecast and the risk free rate used in the estimation of the weighted average cost of capital (WACC) in light of the most recent data. For example, the movement in interest rates since prices were last set in 2011 has had an important effect.

The ACCC invites stakeholder views on this further 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 Friday 17 July 2015. The ACCC intends to release its final decision at the end of September 2015.

The ACCC's Further draft decision on the primary price terms for the fixed line services and the consultant's report on cost allocation are available at: [Fixed line services FAD inquiry 2013](#)

Media inquiries

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MR 110/15

29 June 2015