

Australian Consumers' Association
comment on
ACCC Draft Decision
Mobile Services Review
Mobile Terminating Access Service¹

The Australian Consumers' Association (ACA) is a not-for-profit, non-party-political organisation established in 1959 to provide consumers with information and advice on goods, services, health and personal finances, and to help maintain and enhance the quality of life for consumers. The ACA is funded primarily through subscriptions to its magazines, fee-for-service testing and related other expert services. Independent from government and industry, it lobbies and campaigns on behalf of consumers to advance their interests.

The ACA welcomes the Draft Decision to extend and vary the regulation of Mobile Terminating Access Services. We note that the Draft has taken a long time for the ACCC to produce, and during that period the detriment to consumers has continued unabated, at an estimated annual rate of greater than 750 million dollars. It is useful that the ACCC has confirmed our representations and those of other concerned parties that these services are over-priced, and that the current regime is not having significant effect on improving outcomes. The target price is roughly in line with what we believe is the correct one.

However, we remain concerned about how this reduced 'wholesale' price will be translated into retail consumer benefit. We do not believe competition is sufficiently advanced in the fixed line market for anyone to have faith that market forces will squeeze the reduction into retail bills.

We understand to directly attach this problem is outside the powers of the ACCC, however we consider it to be an important part of the objective the ACCC is attempting to achieve – better outcomes in the Long Term Interests of End-users. Therefore we would have liked to see greater analysis of this issue and more importantly indications of what the ACCC would do within its scope of powers (market monitoring, pursuit of any misuse of market power etc) and recommendations as to what other actors might do to achieve the price outcome – such as amendments to price caps. Such advice would for instance be very useful in the recently announced Telstra price cap review. We recommend the ACCC make robust comments to that review in the light of the analysis that has lead them to this Draft Decision.

We feel the 'glide path' for price adjustments is excessively smooth and gradual. This may have been a trade-off for the fact that the ACCC does not have the power to move retail pricing, and perhaps a hope that competition will develop in the fixed line market. We do not think history provides encouragement for such a hope. What the gradual price change *will* do is make it very difficult to discern if the approach taken is having an effect in the retail market. This will make it hard to argue for intervention in the shape say of price cap changes. In our view this means there

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should be a co-ordinated strategy of matching retail price cap changes with the designated wholesale price path. The ACCC should make a robust argument to Government for this approach.