30 August 2013

Submission on Domestic Transmission Capacity Service

Attention Grahame O'Leary

Dear Grahame,

The Competitive Carriers' Coalition represents the interests of non-dominant carriers in the Australian communications market. CCC members participate in the fixed and mobile, residential, corporate and government markets. As such, they acquire and rely on DTCS to support their retail services and products.

The CCC submits that it is crucial that the DTCS declaration is continued.

DTCS is an essential element for the delivery of competitive voice and data end user services and in allowing competitors to deliver services nationally.

However, there are some problems with the declaration as it is presently drafted and applied.

Chief among these problems is the process and criteria that the Commission has applied on a route by route basis to exempt specific locations from regulation on the basis that it regards them as competitive.

Based on the experience in the market of CCC members, the CCC submits that the competitive criteria benchmark used by the Commission is inappropriate in that it is too low.

The mere existence of fibre infrastructure to locations, particularly regional locations, does not translate to a willingness to supply a wholesale service, as appears to be, at least in part, the assumption underlying Commission decisions to remove regulation on some routes.

That is, a number of routes that the Commission has determined could or should benefit from at least three sources of wholesale supply on the basis of available infrastructure do not, in fact, have three commercially available sources of supply. As a result, prices available for these routes are inflated and access seekers do not have recourse to effective alternative sources of supply.

A consequence of this is that competitors wishing to offer national services are required to cobble together a hotch-potch of arrangements reflecting the different access prices and, in some cases, different services that Telstra is willing to supply. Competitors' costs and business plans are made unnecessarily complicated and reflective of higher input prices than should be the case, which in turn must be passed through into their retail offers.

The CCC is not aware of situations where the decisions to exempt routes from the declaration have caused owners of alternative infrastructure to respond by making alternative wholesale transmission services available.

Further, the CCC submits that the imminent transition to the NBN means that the likelihood of investment in new competitive transmission in many of these and other locations is highly unlikely. Investment plans are understandably being shaped by expectations about where NBN points of interconnection will be located, and the transition of last mile services off the copper to fibre based access services supplied by NBN Co.

Investment in competitive transmission network infrastructure is likely to be concentrated on connecting to NBN PoI locations and the prospect of new investment on other presently uncompetitive routes is likely to be reduced.

This further weakens any argument that routes should be regarded as "potentially" competitive and exempted from regulation in the hope that this will encourage alternative suppliers to enter the market.

Another aspect of the current declaration that requires action relates to special linkage charges (SLAs) that Telstra has taken to levying on access seekers. These are ad hoc charges, levied with imprecise and opaque reference to connection works. The declaration process should establish how these will be captured to ensure they reflect underlying costs and equivalence obligations.

The CCC therefore submits that the declaration should be continued, and, in fact, should be expanded to encompass routes that are presently exempted.

The CCC is further concerned at the pricing of the regulated services and will separately be making representations with regard to those matters in later stages of the inquiry.

Yours Sincerely

David Forman

For the CCC