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Assessment of Telstra's Core Services Undertakings

CEG analysis indicates that there are a number of parameters in the PIE II Model that are inconsistent with industry practices or cost benchmarks.

By applying parameters that are consistent with industry best practices and cost benchmarks the PIE model showed that the headline rate of \$22 per ULLS service per month is high. We recommend that the ACCC should consider reducing this amount.

The size of the market for ULLS is likely to be higher than that estimated by Telstra in the PIE Model and that by using a higher estimate of ULLS services the headline price for ULLS will be reduced.

There are areas where the PIE Model does not reflect Telstra's network Design and Construction Practices in some States. This results in the PIE Model producing higher headline cost estimates.

CEG were unable to complete a review of the PIE II Model due to initial lack of support and problems in getting the model to work. The delay in getting the model to work satisfactorily, substantially reduced the time available to perform a detailed analysis of the PSTN and LCS costs.