



Submission to ACCC Discussion Paper Review of 1997 Access Pricing Principles for Fixed Line Services

February 2010

Introduction

The Competitive Carriers' Coalition (CCC) welcomes the opportunity to contribute to the ACCC's consideration of future fixed line pricing principles. The CCC believes action to reform the basis upon which the Commission has determined appropriate prices, both through arbitral processes and indicative prices, is long overdue.

The CCC has commissioned research from Frontier Economics, which we are pleased to submit to this process and commend to your attention.

There are two issues that the CCC would like to emphasize as being of paramount importance to access seekers. These are the use of the appropriate methodology to set the regulated asset base (RAB) and the need for a timely and clear process for the future of these deliberations to be set out by the Commission as soon as possible.

Setting the RAB

The CCC submits that the case made in the Frontier paper in favor of the use of a depreciated historic cost methodology is compelling. Access seekers believe the Commission's deliberations around costs and pricing in recent years have become hopelessly mired in irrelevant and subjective debate around appropriate modeling constructs. This has been at the cost of access seekers and ultimately consumer welfare.

There is a grave risk that a move to an RAB approach that uses a DORC methodology, with its inherently high degree of subjectivity, will simply continue this pattern of gaming. It would be entirely unsatisfactory if the shift to a new set of pricing principles resulted in the use of a methodology that gave access seekers no higher confidence in the veracity of the outputs.

On the other hand, the CCC submits that the Frontier submission has made a persuasive case that a move to a depreciated historic cost approach would be both practical and robust, based on the information already available to the Commission about the value of Telstra assets.

The CCC submits in the strongest terms, therefore, that the Commission should opt for a depreciated historic cost approach to establishing the RAB.

Process Next Steps

As the Commission is no doubt aware, its unwillingness to follow through on access prices reforms last year left access seekers shocked and angered. The full commercial ramifications of these events are yet to play out, but will begin to flow through in the

coming months. The CCC considers the present review as an opportunity for the Commission to correct this failure.

However, the CCC is concerned that there is no clear timeline for the completion of this process, nor even clear guidance as to what will follow the present consultation period.

We again emphasize in the strongest terms that access seekers have an expectation that the Commission will move with speed to reach decisions and begin to implement new pricing principles to update access prices for bottleneck services as quickly as possible.

We propose that the Commission seek to conclude this process by **December 31, 2010**. This would mean that the Commission would have had more than two and a half years from the time that it first began discussing the possibility of moving to RAB pricing principles to the time it had published its final decisions.

We would also ask that the Commission publish as soon as possible after the close of the date for submissions to the present discussion paper detail of the next stages of consultation. We would think it would be likely that the Commission would require further information on the first round of submissions, but that it should be able to conclude a draft decision on some of the principles by June 30.

Other issues, such as transitional arrangements around the implementation of new pricing principles, could be determined after the high level principles are established. This would allow for the work of the Commission and stakeholders to be more focused in the initial stages, and narrowing quickly the scope of issues to which stakeholders were required to respond over time.

Contact

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