

17 September 2013

Michael Cosgrave  
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Australian Competition and Consumer Commission  
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Dear Michael,

**Declaration inquiry for the fixed-line services: CBD exemptions**

We urge the ACCC to remove the exemptions that currently apply to the regulation of the wholesale line rental (WLR) and local carriage service (LCS) in so far as these services are supplied in CBD areas. This matter is currently being considered by the ACCC as part of its declaration inquiry for the fixed-line services.

We are strongly of the view that the ACCC's rationale for its decision in 2011 to remove those exemptions from the "SAO's" which applied to the WLR and LCS in non-CBD areas also applies to these services in CBD areas. In particular, we note the following:

- competition is not effective evidenced by the fact that access seekers currently pay significantly more for the WLR service in CBD areas than they do in non-CBD areas;
- access to WLR and LCS on cost-based terms is essential to protect resale competition and would promote viable and productive use of scarce infrastructure in CBD areas;
- there is little or no prospect that infrastructure providers will invest in the supply of alternative wholesale services given the roll-out of the NBN; and
- absent a coherent and complete approach to regulating copper access services, there will be little chance that the improvements to competition that were expected through the SSU and FLSM pricing methodology initiatives will ultimately flow to consumers.

In support of our view we have commissioned Frontier Economics to consider whether the existing exemptions should be removed. A final report from Frontier is attached for your consideration.

Based on the foregoing, we submit that the removal of the existing exemptions for the WLR and LCS in CBD areas would promote the long-term interest of end-users. This can be achieved through appropriate amendment to the existing service descriptions for these services.

Yours sincerely

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Steve Dalby  
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