



WHAT YOU NEED TO KNOW ABOUT:

How requiring Telstra to share its copper network benefits you

May 2013

Telstra owns the network of copper wires currently used to carry most telephone calls and internet traffic in Australia. The ACCC promotes competition among companies supplying telephone and internet products by setting rules for how Telstra shares the use of its copper network.



You benefit because competition leads to lower prices, greater choice of products, and the product features that people want.

By requiring Telstra to share the use of its copper network at fair prices, the ACCC allows other companies to compete with Telstra in supplying telephone and internet products.

This factsheet is part of a series explaining how ACCC regulation of the telecommunications industry works.

How do companies provide telephone and broadband services to their customers using Telstra's network of copper wires?

Telstra owns and operates the network of copper wires that is currently used to carry most telephone calls and internet traffic within Australia over fixed telephone and broadband connections. Mobile services are provided over different networks.

You have a choice of buying telephone and broadband services from a large number of competing telephone companies other than Telstra. There are two ways Telstra's competitors can supply telephone and broadband services to their customers using Telstra's copper network.

- They can supply services using Telstra's copper wires and their own equipment

that they have installed in Telstra telephone exchanges. This factsheet explains the ACCC's role in making sure telephone companies can share the use of Telstra's network of wires.

or

- They can buy wholesale telephone and broadband services from Telstra, which Telstra supplies using its wires and equipment. These wholesale services are discussed in other [factsheets](#).

In both cases, Telstra's competitors need to supply additional services to their customers. These include customer assistance (such as call centres), billing and accounts departments, marketing, and information about their products.

How do telephone companies share the use of Telstra's network?

Telstra supplies two wholesale services that allow Optus, iiNet and other companies to share the use of Telstra's network of copper wires. These services are called the unconditioned local loop service (or ULLS) and the line sharing service (or LSS). Companies buying these services use them with their own equipment, such as multiplexers, switches and routers, which they install in Telstra exchanges to connect with Telstra's copper wires.

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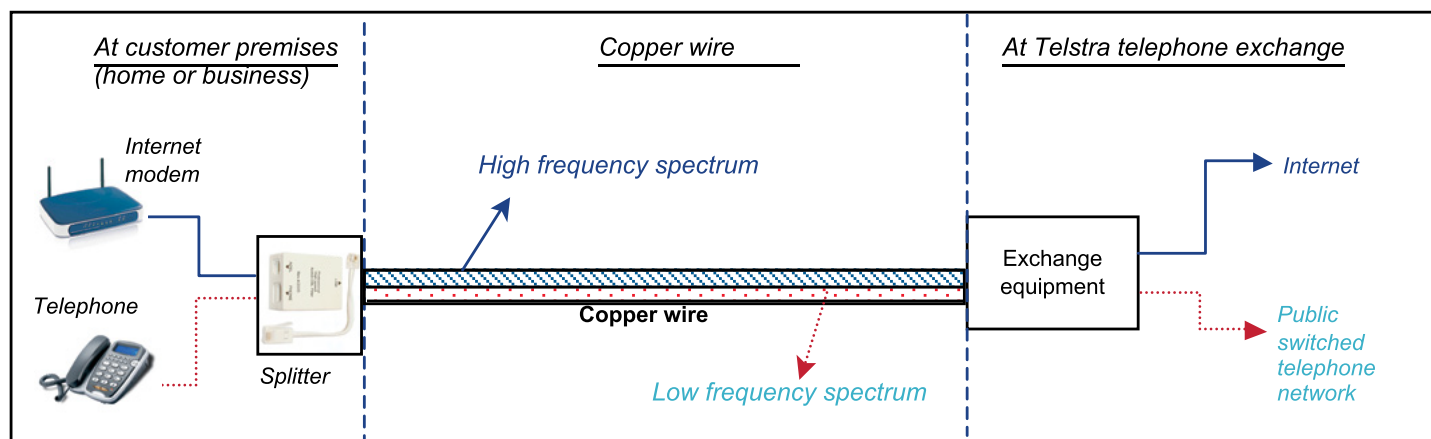


Diagram of the copper network from a customer to the telephone exchange

The copper wires can be 'split' into a high frequency segment (known as broadband), which is used for transmitting data over the internet, and a low frequency segment, which is used for making traditional telephone calls. Telephone calls that are made over the internet (such as Skype calls) use the broadband segment.

The ULLS allows Telstra's competitors to rent the entire piece of copper wire, allowing them to offer telephone and internet services to their customers, when they have their own equipment in the exchange. The LSS allows Telstra's competitors to rent just the high frequency segment (or broadband) part of the copper wire. This allows them to offer internet services to customers who already have a telephone service provided by another company.

Until it's replaced by the National Broadband Network (NBN), Telstra's copper network will remain the main network that Telstra and its competitors use to deliver telephone and broadband services to you.

Why does the ACCC require Telstra to share the use of its network?

We decided to regulate (that is, set rules for) the ULLS in 1999 and the LSS in 2002. The decision to regulate a service is called 'declaring' the service. Declaring these services means that Telstra is required to allow other companies to share its copper network and Telstra must charge reasonable prices for its use.

We thought that, if we didn't declare these services, Telstra was unlikely to allow other companies to use its network on reasonable terms to compete with Telstra for customers. Without competition from other companies, Telstra would be able to charge higher prices for telephone and internet services and make higher profits—in other words, it would have monopoly power.

Telstra would have monopoly power because it would be too expensive for other companies to build their own copper networks if they couldn't share Telstra's network. Building another network would be very expensive because of the long distances outside the capital cities and the high cost of digging up footpaths and roads to install the underground ducts and pipes for the copper wires.

We set the prices and other conditions for sharing the use of Telstra's network where Telstra and its competitors can't agree on what's fair. We set prices that allow Telstra to recover its costs of sharing its network and make a reasonable commercial profit. We do not set retail prices or specific conditions included in the retail telephone and broadband plans offered by telephone companies.

How do you benefit from the ACCC's decisions?

Our main aim is to ensure that you have a good choice of well-priced high quality telephone and internet services. Competition is usually the best way to achieve this because companies that set their prices too high or don't offer the

types of products that people want will lose customers to competing companies.

Allowing Telstra's competitors to supply services using Telstra's copper wires and their own equipment gives these companies greater control over the features they can offer to their customers, such as choice of internet download speeds and data allowances.

Over the past decade, retail prices for telephone calls over the copper network have fallen by 33 per cent on average (after removing inflation), data allowances have increased, data download speeds are generally faster, and a wide range of telephone and broadband products are now available for people to choose from.

For more information

We have published factsheets about other [regulated telecommunication services](#). Details about the regulated wholesale prices and other supply conditions set by the ACCC are in our [2011 decision report](#).

The ACCC is currently considering whether it should continue to require Telstra to share the use of its network of copper wires. Our issues paper will give more information and lets you know how you can tell us what you think.

Important notice

The information in this publication is for general guidance only. It does not constitute legal or other professional advice, and should not be relied on as a statement of the law in any jurisdiction. Because it is intended only as a general guide, it may contain generalisations. You should obtain professional advice if you have any specific concern.

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