



13 February 2019

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Dear Mr Harding and Ms Corea,

**Re: Regulatory regime applying to nbn co and Long Term Revenue Constraint Methodology (LTRCM) 2017-18 review**

In Telstra's initial submission to the ACCC's LTRCM 2017-18 review, Telstra raised concerns regarding nbn co's increasing participation in contestable markets and the potential cross subsidisation of contestable products from monopoly product revenue. We suggested that the ACCC apply a Regulatory Accounting Framework (**RAF**) to nbn co as a means to improve financial transparency of its accounting practices.

To further inform our input to the LTRCM 2017-18 review, Telstra entered a confidentiality arrangement with nbn co to access additional information. As part of this we received a confidential version of nbn co's LTRCM Excel spreadsheet.

Consistent with a building block model approach, the additional information in the confidential version provides further details relating to capital expenditure, some of which can be attributed to particular technologies. However this information does not provide any clarity on capital costs by customer type, geography, product or shared costs by technology. It further does not provide any clarity on operational costs or revenue beyond total expenditure and total revenue. Overall, the additional information contained in the confidential version does not provide a useful basis for further participation in the LTRCM review as it does not assist in understanding the efficiency of nbn co's cost allocation and the extent of any cross subsidies.

Telstra reiterates that the ACCC should consider establishing a more rigorous and transparent RAF that requires nbn co to provide separate and public accounting for costs and revenues by product, technology and geography — and which provides transparency over cost allocation in relation to common costs shared between contestable and non-contestable activities.

We would be happy to meet with the ACCC to discuss further these important issues. If you have any queries on this submission, please contact Kim Longin on (03) 8649 2030 or [kim.longin@team.telstra.com](mailto:kim.longin@team.telstra.com).

Yours sincerely

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