

24 July, 2015

Mr Michael Cosgrave
Executive General Manager
Infrastructure Regulation
ACCC
By email

Dear Michael

ACCC further draft decision on prices for fixed line access prices

Optus wishes to put on record concerns with the Department of Communication's submission to the ACCC's draft consultation on Fixed Line Access Determination.

On a factual level Optus considers that the submission appears to misunderstand the detailed modelling and cost allocation issues considered by the ACCC. As indicated in Optus' submission to the ACCC, the proposed access prices are largely based on Telstra's data and cost allocation factors. Costs in the model reflect the relevant use of Telstra's assets by services which caused those costs to arise. Changes to Telstra's cost of capital are the main driver of the price decline; and specifically lower Government bond rates. This has little to do with ACCC discretion and nothing to do with NBN. On this basis the Department's concerns about lack of cost recovery by Telstra appear overstated.

In addition, it is incorrect to claim that the decision limits Telstra's ability to recover costs. The modelling allows Telstra to recover all costs across all users. Consistent with the fixed principles, only costs caused by the provision of regulated services are to be recovered from access seekers. Other costs are recovered by Telstra across its full suite of non-regulated wholesale products and retail services. In fact the current approach is more likely to achieve cost over recovery because of the roll-over of existing prices (which are well above the cost outputs from the modelling). Contrary to what is claimed there will be little, if any, impact on Telstra's ability to invest.

What is more concerning, however, from a public policy perspective is that the Department considers it appropriate to intervene in the way it has. This intervention is unlikely to build confidence in the policy settings surrounding the NBN. At the core of the Department's submission is the request that access prices be kept high now so that consumers don't face any price changes when they migrate to the NBN. This proposition is inconsistent with consumer interests and the matters that the ACCC has to take into account in setting access prices.

Optus notes that issues related to the cost and affordability of NBN access services have no relevance to pricing decisions in this inquiry.

Yours sincerely

A handwritten signature in black ink, appearing to be 'AS', with a long horizontal flourish extending to the right.

Andrew Sheridan
Head of Interconnect & Economic Regulation