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Appendix 1: Unbundled Local Loop Service (ULLS) description

Appendix 2: ACCC 2007 ULLS Pricing Principles Determination

Appendix 3: Draft 2008 ULLS Pricing Principles and Indicative Prices Determination
Introduction

The unconditioned local loop service (ULLS) is a service for access to unconditioned cable, usually a cooper wire pair, between an end user and a telephone exchange. The ULLS essentially gives an access seeker the use of the copper pair without any dial tone or carriage service. This allows the access seeker to use its own equipment in an exchange to provide a range of services, including traditional voice services and high speed internet access, to end-users connected at the exchange.

On 28 July 2006, the Australian Competition and Consumer Commission (ACCC) issued a final decision to “declare” the ULLS. The decision to declare the ULLS followed a public inquiry into the regulation of fixed network services. The ULLS was previously declared in August 1999.

On 21 November 2007, the ACCC made its final ULLS Pricing Principles Determination as required by s.152AQA of the Trade Practices Act 1974 (the Act). These pricing principles may also “contain price-related terms and conditions”. This means that the ACCC may specify indicative prices for a declared service. The 2007 ULLS Pricing Principles Determination is reproduced as Appendix 2 to this paper.

At the time of issuing the 2007 ULLS Pricing Principles, the ACCC chose not to specify indicative prices. The ACCC nevertheless noted that it may consult on indicative prices for the ULLS at a later time.

The ACCC is currently arbitrating a number of access disputes relating to the ULLS. Given the extensive consultation process being undertaken in those disputes, the ACCC considers that it is in a position to determine indicative prices for the ULLS. The ACCC also considers it beneficial to provide access providers and access seekers with the ACCC’s approach to ULLS prices in order to assist the parties in commercial negotiations by narrowing the boundaries for those negotiations and by providing tools in alternative dispute resolution processes.

This paper sets out the ACCC’s reasoning in relation to the indicative prices which form Schedule 2 to the draft 2008 ULLS Pricing Principles and Indicative Prices Determination as set out in Appendix 3. The ACCC’s reasoning in relation to Schedule 1 of the ULLS Pricing Principles is set out in the ACCC’s Unconditional Local Loop Service (ULLS) Final Pricing Principles - November 2007 (2007 ULLS Pricing Principles).

Timetable and submissions

The ACCC is seeking comment from interested parties on the draft 2008 ULLS Pricing Principles and Indicative Prices Determination set out in Appendix 3 to this report. The ACCC is particularly interested in submissions on the indicative prices set out in Schedule 2 to the Determination. Submissions should be lodged by 5pm on Wednesday 14 May 2008.

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1 ACCC, Declaration inquiry for the ULLS, PSTN OTA and CLLS Final Decision, July 2006.

2 In Vodafone Australia Ltd v ACCC [2005] FCA 1294 (16 September 2005), the Federal Court held that pricing principles may specify a price.
All submissions will be considered as public submissions and will be posted on the Commission’s website. If parties wish to submit commercial-in-confidence material as part of their submission to the Commission, parties should submit both a public and commercial-in-confidence version of their submission. The public version of the submission should clearly identify the commercial-in-confidence material by replacing the confidential material with an appropriate symbol or ‘c-i-c’.

Written submissions are to be sent by e-mail, in Microsoft word document form to:

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The ACCC will, after consideration of submissions on the draft 2008 ULLS Pricing Principles and Indicative Prices Determination, proceed to final indicative prices. The ACCC expects to issue final indicative prices in June 2008.
1. Pricing Principles

The ACCC determined final pricing principles for the ULLS under s152AQA of the Act. This determination, as well as reasons for making it, is contained in the 2007 ULLS Pricing Principles and reflects the long-standing pricing principles adopted by the ACCC for the ULLS and other declared telecommunications services.¹

1.1 Pricing principles consultation process

The ACCC first consulted on draft pricing principles for the ULLS in 2006. The ACCC published draft pricing principles for the ULLS in August 2006 but did not make a final determination at that time. This was for a number of reasons, one of which was the appeal to the Australian Competition Tribunal (Tribunal) of the ACCC’s assessment of an undertaking pursuant to section 152BU in August 2006. The decision of the Tribunal was to affirm the decision of the ACCC in May 2007.

Given the amount of time that had elapsed since the consultation in late 2006, the ACCC re-consulted on the issuing of a final pricing principle for the ULLS in October 2007. Submissions from interested parties were received by 6 November 2007 and the final pricing principle determination was published on 22 November 2007.

The ACCC opted not to specify indicative prices for the ULLS in November 2007 but noted that it may consult on indicative prices at a later time. The ACCC now considers that it is in a position to specify indicative prices for the ULLS and make a consolidated Pricing Principles Determination.

1.2 Application of pricing principles

Subsection 152AQA(6) of the Act requires the ACCC to have regard to the 2007 ULLS Pricing Principles in determining prices to apply in respect of the ULLS. Section 152CR of the Act further requires the ACCC to, in making a final determination in access disputes, have regard to a number of relevant legislative matters:

- whether the terms and conditions promote the long-term interests of end-users (LTIE) which requires consideration of:
  - the objective of promoting competition
  - the objective of any-to-any connectivity
  - the objective of encouraging the economically efficient use of, and the economically efficient investment in, infrastructure
- the legitimate business interests of the access provider, and their investment in facilities used to supply the declared service
- the interests of access seekers

the direct costs of providing access to the declared service

- the value to a party of extensions or enhancement of capability where the cost is borne by someone else

- the operational and technical requirements necessary for the safe and reliable operation of a carriage service, telecommunications network or facility, and

- the economically efficient operation of a carriage service, telecommunications network or facility.

The ACCC may also have regard to other matters.⁴

The price charged for a service has a significant impact on the promotion of competition and the encouragement of efficient investment in and use of infrastructure. Declaration of a service will not of itself necessarily promote the LTIE if the price charged by an access provider is inappropriate. Accordingly, the ACCC considers that pricing principles and indicative prices (when issued) are an important aspect of a declaration decision.

1.3 2007 ULLS Pricing Principles

The ACCC’s final 2007 ULLS Pricing Principles conclude that:

- a TSLRIC+ pricing principle should be applied to the ULLS

- a specific cost component should be included in the ULLS monthly price, calculated by combining “ULLS-specific costs” with “Line Sharing Service (LSS)-specific costs” and Telstra’s internal equivalent costs for the Asymmetric Digital Subscriber Line (ADSL) and, allocating those costs across the number of active ULLS, LSS and ADSL lines

- the ULLS charges should be geographically de-averaged, and

- connection charges should be set with reference to the amounts charged by third party contractors to Telstra for jumpering work in exchanges, indirect costs and back-of-house costs.

2. Indicative prices

The ACCC is required by section 152AQA of the Act to determine pricing principles for a declared service. The pricing principles may contain price-related terms and conditions and the ACCC may, when determining price-related terms and conditions, specify indicative prices.⁵ The ACCC intends that the indicative prices will be treated as price related terms and conditions under s.152AQA(2) of the Act.

The ACCC is currently arbitrating a number of access disputes in relation to the ULLS. Given the extensive consultation process being undertaken in those disputes, the ACCC considers that it is in a position to make indicative prices for the ULLS.

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⁴ Subsection 152CR(2) of the Act.

⁵ Vodafone Australia Ltd v ACCC [2005] FCA 1294.
The ACCC recently made final determinations in ULLS access disputes involving various access seekers and Telstra, some of which have been published. The ACCC is currently arbitrating several further ULLS access disputes. As these disputes are finalised, the ACCC may decide to publish some or all of an arbitration determination. The ACCC is of the view that it is appropriate to set indicative prices in relation to ULLS in light of the current arbitrations.

The ACCC further considers that making indicative prices for the ULLS will provide useful certainty and guidance to the industry about the appropriate pricing for the ULLS.

At this stage the ACCC’s intention is for indicative prices to apply from the date the determination takes effect until 31 July 2009.

The ACCC recognises that it would be preferable to provide certainty to the parties over the terms of access that are to apply in the future as this will best allow parties to plan their business operations and compete in the market for downstream services. This supports the view that the ACCC should set terms of access for future periods where it is reasonably able to do so.

Certainty needs to be balanced, however, against the possibility that the terms of access that would now be set for a future period could depart from the terms that would best reflect the 2007 ULLS Pricing Principles. The ACCC must consider whether the available data provides an appropriate basis to forecast the Total Service Long Run Incremental Cost (plus a contribution to indirect costs) (TSLRIC+) of the ULLS for the relevant period.

The ACCC considers that the TSLRIC+ cost of certain cost categories such as for ‘specific-costs’ and connection costs can be forecast for the remainder of 2007-08 and for 2008-09. The ACCC is currently preparing a new fixed-line network cost model that will allow for a direct TSLRIC+ measure of network costs to be made for 2008-09. This model will be consulted on during 2008.

The ACCC’s draft view is to forecast indicative prices until 31 July 2009. The ACCC may revise the indicative prices should the fixed-line network cost model be completed beforehand. The ACCC intends to rely on the indicative prices in providing interim determinations in arbitrations.

### 2.1. General approach to indicative prices

The 2007 ULLS Pricing Principles provide that ULLS prices should be cost based, with necessary cost estimates derived from a TSLRIC+ methodology. The 2007 ULLS Pricing Principles provide additional guidance on certain matters that arise in implementing the TSLRIC+ methodology for the ULLS. Under the principles, it is only the efficient, forward-looking level of costs that are brought to account in setting ULLS monthly charges.

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6 A list of current arbitrations is available on the ACCC’s website at: http://www.accc.gov.au/content/index.phtml?itemId=635059
2.2. **ULLS monthly charges**

A variety of issues relevant to the appropriate level of ULLS monthly prices have been the subject of significant debate since declaration, including:

- the appropriate cost model(s) for use in estimating ULLS costs
- the appropriate cost components to be included in cost models and the method of recovery of these cost components
- the appropriate inputs for cost models, such as trench sharing, asset lives and cost of capital inputs, and
- Averaging or de-averaging.

2.3. **Appropriate cost model to apply**

The ACCC is of the view that until it has consulted and settled upon its own fixed network cost model, indicative prices based on TSLRIC+ pricing principles should be based on the PIE II network cost model.

The ACCC does not consider that it should place any weight to the Telstra Efficient Access (TEA) model in determining the 2008-09 ULLS indicative prices. The ACCC notes that the TEA model is as yet untested, in particular, the model has not been the subject of any review by parties external to Telstra. Such a model review is likely to take considerable time and result in significant delay if the ACCC had regard to it in the making of these ULLS indicative prices.

The PIE II network cost model was first submitted by Telstra to the ACCC in January 2003 in support of Telstra’s undertakings for Public Switched Telephone Network Originating and Terminating Access (PSTN OTA) and ULLS. Since that time, the ACCC has attempted to work with Telstra to overcome concerns about:

- the model’s lack of transparency
- the users’ inability to manipulate the model
- the model’s overestimation of network costs in regional and rural areas (particularly in Band 4), and
- Telstra’s unwillingness to change the model as a result of the ACCC’s and industry’s concerns.

The ACCC continues to hold concerns about the transparency of the PIE II model but considers, given the benefits of issuing indicative prices, that it would not be appropriate to wait until an alternative cost model is available and tested.

The ACCC notes that although access seeker parties have made a number of criticisms in relation to the PIE II model, they have nevertheless submitted that it would be appropriate to use the model in setting prices for final determinations in access disputes. Similarly, Telstra also submitted that the PIE II model is an appropriate model for the estimation of ULLS network costs. The ACCC believes that, with reservations and appropriately considered inputs, the PIE II model can be used to set indicative prices for ULLS.
2.4. **Specific costs**

The term “specific costs” refers to the cost of providing the ULLS by the access provider. They are the costs associated with ordering, provisioning and qualifying a ULLS. Relevant cost categories could include:

- capital expenditure to accommodate the ordering and provisioning of the ULLS
- operating and maintenance (O&M) costs for IT systems
- operating costs associated with the ULLS front-of-house connection group
- operating costs associated with wholesale product management of the ULLS, and
- indirect O&M costs associated with the front-of-house connection group and the wholesale product management team.

Some of these costs are recovered through ULLS connection charges or other charges imposed by Telstra. Accordingly, the ACCC is of the view that it is not appropriate to recover all these charges through ULLS monthly charges.

In addition to incurring specific costs to allow for the supply of the ULLS, Telstra also incurs equivalent specific costs to allow for the supply of the declared LSS, or when supplying line sharing to itself to provide xDSL services over the line. Telstra arguably incurs such costs in provisioning a voice service to an end user.

The ACCC considers that ‘ULLS specific costs’ should not be recovered from ULLS lines alone. Under the ACCC’s preferred approach, costs to pool and allocate are limited to the like-for-like or equivalent incremental costs associated with:

- a Telstra internal request for line sharing (when a retail or wholesale ADSL service is requested) or
- a request for line sharing, or access to the full spectrum on the line, from an external service provider (LSS or ULLS).

This approach was finalised in the 2007 ULLS Pricing Principles which stated that ‘ULLS-specific costs’ should be combined with ‘LSS-specific costs’ and ‘Telstra’s internal equivalent costs when providing internal line-sharing’, and then allocated across the active number of ULLS, LSS and ADSL lines. This approach has been referred to as the “pooling approach” or the “broad recovery base approach”.

The Tribunal also concurs with the ACCC’s broad recovery base approach, upholding the ACCC’s decision to reject the Telstra 2005 ULLS undertakings that specified that ULLS specific costs should be allocated only to the ULLS.

The ACCC’s overall TSLRIC+ measure of specific costs, and hence the access charge, provides a separate levelised cost estimate for efficient unit operating costs ($1.86) and efficient capital charges ($0.59), which result from specific costs totalling $2.45.

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7 Telstra Corporation Ltd (No 3) [2007] ACompT 3 (17 May 2007) [387].
8 Telstra Corporation Ltd (No 3) [2007] ACompT 3 (17 May 2007).
2.5. **Network costs**

Network costs refer to the capital, operational and maintenance, and indirect costs of Telstra’s fixed line network. The relevant efficient network costs for the ULLS are the efficient costs attributable to the copper lines between the end-user and the exchange.

The issues which influence (to varying degrees) the measurement of ULLS network costs include:

- whether to use the updated PIE II model with the ACCC’s preferred inputs
- the weighted average cost of capital (WACC)
- the price trends and the use of a tilted annuity
- the particular model inputs—trench sharing, asset lives, network planning, network provisioning, O&M factors and network design, and
- the possible exogenous uplifts to the PIE II model’s costs.

2.6. **Application of cost model**

Telstra’s PIE II model was originally designed to reflect a network and calculate network costs for the period 2001-02 to 2004-05. Accordingly, to calculate costs for 2005-06 and beyond, a procedure was required to take costs from years up to and including 2004-05 and extrapolate them to 2005-06 and beyond.

Telstra provided the ACCC with an updated PIE II model, amending underlying databases in the model with updated information for 2006 to 2008. The ACCC has used the updated PIE II model submitted by Telstra but has populated it with the ACCC’s preferred inputs as set out further below.

In calculating prices for 2007-08, the risk free rate at the start of the 2007-08 financial year was used to re-calculate the appropriate WACC. The model was then used to re-calculate prices relevant to that year. This is in contrast to previous years where the historical risk free rate was used in the ULLS final determinations.

In determining indicative prices for 2008-09, the risk-free rate as of 16 April 2008, was used to determine the appropriate WACC. Network costs for each year of the model were calculated and then a trend line applied to obtain cost estimates for 2008-09.

2.6.1. **WACC**

The WACC is used to calculate a normal return on capital employed. There are a number of inputs relevant to deriving a WACC. The ACCC has used a ‘post-tax vanilla’ WACC ranging from 8.6 per cent to 9.5 per cent for each relevant year. These...

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11 Vanilla WACC is defined as the weighted average after-tax return on equity plus pre-tax return on debt or the opportunity cost of capital.
rates and inputs are based on analysis and evidence discussed in the ACCC’s assessment of WACC, as part of its consideration of Telstra’s ULLS monthly charges access undertaking. The ACCC’s views on the appropriate WACC parameters are:

**Risk-free rate:** the ACCC considers that the risk-free rate should be the 10 year government bond rate, averaged in the period leading up to the relevant observation date rather than a point estimate. The ACCC has not chosen a shorter maturity bond and averaging is done to lessen volatility.

The observations should be taken on an ex ante basis for financial years commencing after the date from which these indicative prices will have effect. In this case, the average value for the period leading up to 30 June 2006 was applied to 2006-07 and the following year, reflecting the ACCC’s decision as to when the ULLS monthly charge terms should apply. The ACCC considers that this approach better replicates what would have occurred in an effectively competitive market for the ULLS, where prices would be set proximate to when access was sought, having regard to unbiased forecasts for future periods. The risk free rates are sourced from the Reserve Bank of Australia.

In order to calculate prices for the 2008-09 financial year, the risk-free rate as of 16 April 2008 was applied to determine the appropriate WACC. The Commission will update the risk-free rate prior to the finalisation of the indicative prices.

**Market Risk Premium (MRP):** The ACCC has noted previously that there is a large amount of conflicting evidence about the MRP. The ACCC estimates a forward-looking market risk premium by adjusting historically observed values. Adjustments are made to reflect that markets are becoming more integrated and efficient. The ACCC chose a value of 6 per cent, which is at the lower end of the range of historically observed values. This value is generally consistent with past and current regulatory practice and market participant survey results.

**Debt ratio:** The ACCC is using a target debt ratio of 40 per cent. It considers that this is reflective of the target debt ratio for a company that provides services over the PSTN and Customer Access Network (CAN) to itself and others. The 40 per cent rate is in accordance with the Telstra-wide historic book value and overseas fixed line regulation.

**Asset beta:** The asset beta used is 0.5, leveraged to provide an equity beta of around 0.83. The ACCC is of the view that the appropriate WACC for the ULLS is one based on a business providing access to a fixed-line customer access network, either to itself

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or to other service providers. The ACCC has applied the same WACC to both networks and specific costs.

**Debt premium:** the ACCC is using a debt premium of 1.02 per cent, reflecting a benchmark debt premium for a company that provides services over the PSTN and CAN to itself and others.

**Issuance cost:** the ACCC is using a value of 0.083 per cent for debt issuance, reflecting the benchmark debt issuance costs appropriate for a company that provides services over the PSTN and CAN to itself and others and finances an amount the value of Telstra’s CAN. Equity issuance costs are not included in the WACC although they can be included in the efficient cost pool as an operating-type expense should they be considered relevant.

**Gamma:** The possible values range from 0 to 1. The ACCC adopted a value of 0.5, the midpoint of the range. The final WACC value is not materially sensitive to the value chosen.

**Tax rate:** the ACCC prefers an effective tax rate although it notes that a reliable estimate of the effective tax rate may not be possible. The ACCC has used a corporate tax rate in its calculations below. This does not have a significant effect on cost estimates.

**Resulting WACC values**

The following WACC values result from the ACCC’s above analysis. The 2005-06, 2006-07, 2007-08 and 2008-09 WACCs are entered into the PIE II model. The earlier WACCs are relevant to the ACCC’s consideration of specific costs.

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Consistent with past practice and the views of the Tribunal, the ACCC has not made any allowance to accommodate claims of asymmetric consequences of over-estimating or under-estimating the WACC.

In calculating indicative prices the ACCC has used Telstra’s calculated price trends and has applied a tilted annuity. The WACC calculations will be further updated prior to finalisation of the indicative prices.

### 2.6.2. Particular cost model inputs

**Trench sharing**

Trench sharing reduces the cost of trenches in the provision of fixed line network services. Telstra has traditionally stated that the appropriate level of trench sharing in the PIE II model would be 1 per cent as this is the proportion of open trenches available over one year. Comparatively, the ACCC has stated that a value in the order of 13 per cent would be more appropriate as this reflects historical cumulative trench sharing.

The ACCC notes that the 13 per cent figure might now itself understate historical trench sharing and that the use of a higher trench sharing value will tend to decrease estimates of network costs.

The ACCC is of the view that a 13 per cent trench sharing figure is appropriate given the TSLRIC+ pricing principles will better reflect the amount of trench sharing available to an infrastructure owner deploying the CAN and the efficient forward-looking cost of Telstra’s ULLS and, better promote competition. A 13 per cent trench sharing figure will also allow the access provider and access seeker to compete in downstream markets on their relative merits. The ACCC considers that adopting Telstra’s submitted approach will inflate costs for access seekers and inhibit competition on the merits.

**Asset lives**

The ACCC considers that the asset lives used in the PIE II model should reflect the economic lives of the assets. The asset life used directly affects the depreciation

<table>
<thead>
<tr>
<th>WACC (post-tax vanilla)</th>
<th>9.66%</th>
<th>9.30%</th>
<th>9.33%</th>
<th>8.26%</th>
<th>9.25%</th>
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<td>WACC (pre-tax exclusive of imputation benefit)</td>
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15. ACCC, *ULLS Access Dispute between Telstra Corporation Limited and PowerTel (access seeker)* Statement of Reasons for Final Determination, April 2008, p.94.

schedule of the assets and will therefore affect the network cost estimates. A too short asset life will increase network cost estimates, as cost recovery will be spread over a shorter period, and will tend to inhibit competition and lead to the recovery of more than the direct costs of the ULLS. Similarly, a too long asset life will unduly favour access seekers and adversely affect the legitimate business or commercial interests of the access provider.

The ACCC has previously considered that the most appropriate asset lives to use are 12 years for main cable and 20 years for the distribution cable. The ACCC is of the view that these asset lives best reflect the information available to it about both the average cable lives and the difference in cable lives between the main and distribution cable.

Network provisioning

Previously, the ACCC noted a number of specific concerns it held about the PIE II model assumptions and inputs. These concerns relate to network provisioning, O&M factors, network planning costs and network design algorithms. These concerns apply equally to the updated version of PIE II provided by Telstra as the underlying model architecture has not been changed\(^17\).

The ACCC has adopted a preliminary position of accepting Telstra’s approach to provisioning, O&M, network planning and network design. The ACCC considers that it has taken a conservative position that would tend to result in a higher estimate of network costs than would otherwise be the case.\(^18\)

### 2.7. Structure of charges

The ACCC considers, having regard to the 2007 ULLS Pricing Principles,\(^19\) Tribunal findings in relation to Telstra’s ULLS undertakings\(^20\) and subsection 152CR(1) matters, that the ULLS price should not be geographically averaged for the period covered by the ULLS indicative prices.

The ACCC’s draft indicative prices for ULLS monthly charges on a per service per month basis for Band 1, 2 and 3 are:

<table>
<thead>
<tr>
<th>Band</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$5.60</td>
<td>$6.00</td>
<td>$6.20</td>
<td>$6.40</td>
</tr>
<tr>
<td>2</td>
<td>$12.30</td>
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<td>$14.30</td>
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</tr>
<tr>
<td>3</td>
<td>$25.00</td>
<td>$27.30</td>
<td>$28.50</td>
<td>$30.20</td>
</tr>
</tbody>
</table>

\(^17\) ACCC, ULLS Access Dispute between Telstra Corporation Limited and PowerTel (access seeker) Statement of Reasons for Final Determination, April 2008, para 496.

\(^18\) Ibid at 503.

\(^19\) See ACCC, Unconditioned Local Loop Service (ULLS) - Final Pricing Principles, November 2007, p.22.

\(^20\) The Tribunal found that it could not be satisfied that Telstra’s proposed averaged ULLS charges were reasonable. See Australian Competition Tribunal, Telstra Corporation Limited (No 3) [2007] ACompT 3 (17 May 2007) at [291].
The charges result from applying the 2007 ULLS Pricing Principles and the ruling of the Tribunal. The charges also reflect the prices set in recent ULLS arbitration final determinations. It should be noted that the ACCC has rounded up the sum of network and specific costs to the next 10 cents in order to obtain its draft indicative ULLS monthly charge.

The ACCC does not propose to set draft indicative prices in Band 4. The ACCC reached this view in light of the following factors:

- the fact that no access seeker has sought a determination of ULLS prices in Band 4
- the role of the Universal Service Obligation (USO) and other finding arrangements for the supply of services to Band 4
- the known technical limitations on the provision of xDSL services over the ULLS in regional and rural areas due to the length of copper loops, and the resulting small expected demand for the ULLS in Band 4, and
- the ACCC’s concerns about the PIE II model’s overestimation of network costs in regional and rural areas, particularly in Band 4.

The ACCC is of the view, having considered the above factors, not to issue draft indicative prices for the ULLS in Band 4.

2.8. **ULLS Single Connection Charges**

A ULLS connection can be made using Telstra’s standard ordering systems or processes, or alternatively, a Managed Network Migration (MNM) process. A ULLS single connection is when Telstra’s standard ordering system and processes are used and comprise all ULLS connections that occur outside an MNM process.

The ACCC considers the following distinct cost categories in determining the efficient costs of ULLS single connections:

- Jumpering, travel, vehicle, tool and materials (copper pair) costs and indirect costs, and
- Back-of-house costs.

2.8.1. **Back-of-House Costs**

Telstra staff and systems perform back-of-house tasks. Back-of house costs encompass single connections and costs associated with the Data Activation Centre (DAC) and the Integrated Deployment Solution Centre (IDS) within Telstra’s workgroups and processes.

In the 2007 ULLS Pricing Principles, the ACCC considered it appropriate to incorporate an allowance for back-of-house costs when determining a single connection charge for the ULLS. The ACCC considers the main issues in relation to appropriate back-of-house costs as the following:

- the time needed for DAC activity
- salary costs, and
- cutover testing.

The ACCC has not made an allowance for wholesale front-of-house costs as it considers that these costs will be recognised in the cost pool to be recovered through ULLS annual charges.

**Time needed for DAC activity**

In relation to the time needed for DAC activity, the ACCC considers that the following tasks require DAC involvement:

- manual service qualification (SQ) – trace bad/missing cable records, calculate attenuation, enter into Telstra’s ULL Carrier Interface System (ULLCIS),
- manual service qualification – validate point of interconnection (POI) and assign main distribution frame (MDF) metallic path, and
- DAC cutover activities, including assisting with connection problems.

The ACCC considers, in accordance with previous technical consultancy information, that an allowance of 8 minutes of DAC activity on average per ULLS connection is appropriate. In particular, one minute for the first two tasks combined and an allowance of 7 minutes for DAC cutover activities.

**Salary costs**

The ACCC proposes to maintain its use of a $60 to $64 per hour wage rate for back-of-house activity\(^21\).

**Cutover testing**

The *Unconditioned Local Loop Service – ordering, provisioning and customer transfer code*\(^22\) (Communications Alliance Code) requires Telstra to perform cutover testing when requested by an access seeker. In the ACCC’s view, cutover testing is not necessary for all types of ULLS connections, namely, in-use ULLS connections (IULLS) and or transfer ULLS connections (TULLS), as both types of connections are made on lines that have an operating service provided over them.

In order to reflect Telstra’s obligations under the Communications Alliance Code, the ACCC considers that it would be appropriate for Telstra to be compensated for cutover testing performed in circumstances where it has been requested by access seekers. The ACCC considers this approach appropriate because cutover testing relates to access seeker behaviour.

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\(^21\) ACCC, *ULLS Access Dispute between Telstra Corporation Limited and PowerTel (access seeker)*  
*Statement of Reasons for Final Determination*, April 2008, para 1007

\(^22\) ACIF (569:2005)
2.8.2. Jumpering, travel, vehicle, tool costs, material costs and indirect costs

The ACCC considers it appropriate to assess efficient jumpering, travel, vehicle and tool costs based upon third party contractor rates that Telstra uses for the connection of the ULLS.

In relation to travel costs, it is the ACCC’s view that single connection costs should reflect travel costs where singular connections are made at exchanges, not necessarily close to one another, and connections made as part of work orders involving multiple tickets of work at one exchange or at exchanges in close proximity.

Issues for consideration in this cost category include the appropriate weighting of singular and multiple jumpering, contractor charges and whether averaged contract quotes or lowest contractor prices should be used.

Material costs and mark-up for indirect costs

Given that costs of materials are generally already included in third-party contractor costs, the ACCC considers it not appropriate to include a separate allocation for materials costs in the connection charges.

The ACCC considers that an appropriate mark-up for indirect costs would be 10 per cent. This approach is consistent with recent ACCC arbitration determinations, connection charge undertaking assessments and the 2007 ULLS Pricing Principles.

Weighting of singular and multiple jumpering charges

In accordance with previous technical consultancy advice and in consideration of the 2007 ULLS Pricing Principles, the ACCC has had regard to the following weightings for single versus multiple jumpering in Bands 1, 2 and 3:

<table>
<thead>
<tr>
<th></th>
<th>Band 1</th>
<th>Band 2</th>
<th>Band 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCC</td>
<td>0:100</td>
<td>30:70</td>
<td>80:20</td>
</tr>
</tbody>
</table>

The ACCC considers that these proportions are reasonably open to Telstra to achieve having regard to the number of connections made in each Band and the number of exchanges.

Appropriate contractor quotes to use

The ACCC’s 2007 ULLS Pricing Principles require connection charges be set with reference to the amounts charged by third party contractors to Telstra for jumpering work performed in exchanges. They do not, however, specify how those contractor charges should be used to set the price.
The quotes used below were “first round” singular ULLS quotes provided by Telstra in May 2007 in the course of an ACCC arbitration of an access dispute concerning the supply of the ULLS by Telstra to PowerTel Ltd:23

<table>
<thead>
<tr>
<th>Contractor rates for ULLS singular tickets of work – Run Jumpers ULLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan</td>
</tr>
<tr>
<td>$[c-i-c]$</td>
</tr>
<tr>
<td>$[c-i-c]$</td>
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<tr>
<td>$[c-i-c]$</td>
</tr>
<tr>
<td>$[c-i-c]$</td>
</tr>
<tr>
<td>$[c-i-c]$</td>
</tr>
</tbody>
</table>

Simple averages of these prices are $[c-i-c]$ in metropolitan areas and $[c-i-c]$ in regional areas. The ACCC bases its costs for multiple jumpering on the $[c-i-c]$ quote provided by Telstra for 2005-06.

In May 2007, Telstra provided PSTN singular jumpering rates for 2006-07 which averaged $[c-i-c]$ in metropolitan areas and $[c-i-c]$ in regional areas.24 Telstra also advised that contractors had indicated that PSTN rates were not adequate to cover ULLS work given the time required to carry out ULLS jumpering, particularly the time required to contact the DAC and access seekers.

Telstra provided finalised quotes for ULLS singular jumpering in 2007-08 but did not distinguish between metropolitan and regional areas. Those figures are as follows25

<table>
<thead>
<tr>
<th>Contractor rates for ULLS singular TOWs – Run Jumpers ULLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$[c-i-c]$</td>
</tr>
</tbody>
</table>

The simple average of these rates is $[c-i-c]$ for singular tickets of work. Telstra also provided updated 2007-08 quotes for multiple ULLS tickets of work which averaged at $[c-i-c]$.

The ACCC considers that the current third-party contractor rates for ULLS connections are likely to exceed, to some extent, the efficient cost of jumpering ULLS in the future.


This is evident in the current disparity between rates for PSTN and ULLS jumpering, and the potential for ULLS cutover testing and associated costs to reduce from present levels. The extent to which wholesale customers will support discontinuation of routine cutover testing and the extent to which ULLS jumpering costs should correspondingly fall are not clear at this time. As a conservative approach, the ACCC considers that ULLS connection charges in these indicative prices should be set with reference to the third-party connection quotes for ULLS connections, rather than PSTN connections. It may be appropriate to revisit this matter once wholesale customer preference is better known.

### 2.8.3. ACCC’s conclusion on single connection charges

Given the ACCC’s position in relation to back-of-house costs, jumpering and related charges, the ACCC’s ULLS single connection charges for the purpose of these indicative prices are as follows:

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$38.10</td>
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<td>$51.50</td>
<td>$51.50</td>
<td>$54.10</td>
<td>$57.40</td>
<td>$57.70</td>
</tr>
</tbody>
</table>

The level of prices resulting from the ACCC’s approach may appear to be high, and in particular, lead to a counterintuitive result of ULLS connection prices being significantly higher than LSS connection prices. The ACCC expects, however, that these ULLS connection prices will fall in later periods following the cessation of cutover testing and subsequent expected reduction of contractor rates. In particular, the ACCC notes that jumpering quotes should, in due course, at least fall below the costs for LSS connections and should approach costs of PSTN connections.

The ACCC used Telstra's third party contractor rates for 2007-08 in its 2008-09 indicative prices. Given the nature of these prices are indicative rates only, it would be open to the ACCC to consider evidence of a price change (such as renegotiated third party contractor rates) when considering ULLS connection prices in the future.

### 2.8.4. Assessment of efficient costs – disconnections

The ACCC considered whether there should be a separate allowance within the ULLS connection charge for disconnection jumpering activity. The ACCC has reached a view that a separate disconnection activity does not represent an efficient process. The ACCC has therefore concluded not to specify a disconnection charge or a cost increment in ULLS connection charges to allow for disconnection costs.

### 2.9. ULLS Managed Network Migration charges

A Managed Network Migration (MNM) is a transfer or migration of multiple services.
MNM terms and conditions include:

- connection charges
- order cancellation charges
- a specified minimum number of ULLS connections as a precondition for requesting a MNM and a minimum MNM charge per exchange, and
- MNM plan terms such as forecasting timeframes and migration plan amendment terms.

The ACCC has had regard to the 2007 ULLS Pricing Principles adopted by the ACCC. Under those principles, a TSLRIC+ pricing approach should be applied to the charges, that is forward-looking efficient costs of connecting the ULLS as part of a MNM. These charges, in principle, should be geographically de-averaged although averaged prices can be justified where the distortionary effect of an averaged charge is not significant. The ACCC notes that the same costs (categories and level) apply to ULLS MNMs across the different geographic bands and that averaging across the geographic bands does not, therefore, lead to a different charge.

As with single connections, there are potentially a number of different types of network migrations that could be requested. The ACCC has considered connections of ULLS where the MNM connections are transfers of end user data services from a Telstra wholesale PSTN service, connections of ULLS on lines previously being supplied with a ULLS to another access seeker and, connections of ULLS on lines previously being supplied with a LSS.

### 2.9.1. Connections of ULLS where the MNM connections are transfers of end user data services from a Telstra wholesale PSTN service

This type of ULLS MNM connection is where the ULLS is to be provided on a copper pair that was being used by Telstra to provide PSTN services (and may also have provided xDSL services) on a wholesale or retail basis. This type of connection could be considered as the MNM equivalent to the single IULLS connection type. The MNM is used by access seekers to move customers to the access seekers’ own exchange-based equipment from resold Telstra services. The ACCC considers it appropriate to set MNM connection terms for this category of MNMs given the importance of the process to access seekers switching end users to the access seekers’ own exchange-based equipment.

### 2.9.2. MNM connections of ULLS on lines previously being supplied with a ULLS to another access seeker

This type of connection could be considered as the MNM equivalent to the single TULLS connection type. The ACCC considers it appropriate to set MNM connection terms for this category of MNMs as it may be used by access seekers to switch customers from another access seekers’ services. The ACCC’s view is that it is
appropriate to align MNM charges where the connections are being done as part of a transfer from an existing ULLS or wholesale PSTN/ADSL service on the basis that each type of connection requires similar jumpering work.

2.9.3. MNM connections of ULLS on lines previously being supplied with a LSS

This type of MNM connection is used where an access seeker requests, as with single connections, a ULLS connection on lines on which it, or a related entity, was previously acquiring a LSS.

2.9.4. Assessment of efficient costs

There are a number of distinct cost categories that are relevant to ULLS connections. They are as follows:

- ‘Back-of-house’ costs
- Jumpering, travel, vehicle, tool and materials (copper pairs) costs, and
- Indirect costs.

Telstra uses third party contractors to perform the exchange-based work necessary to connect and disconnect the ULLS as part of a MNM. Telstra staff and systems perform back-of-house tasks.

The ACCC’s 2007 ULLS Pricing Principles state that connection charges should be set by reference to the amounts charged by third party contractors to Telstra for jumpering work in exchanges, to indirect costs and back-of-house costs.\(^{26}\) The components of the efficient cost of ULLS MNM connections are discussed below.

‘Back of house’ costs

‘Back of house’ costs are those associated with the following Telstra workgroups and processes:

- Wholesale Customer Transfer (WCT) group – The WCT group manages the provisioning of ULLS MNMs while the Wholesale Customer Service (WCS) manages the billing of ULLS MNMs
- Data Activation Centre (DAC), and
- Integrated deployment solution (IDS).

The 2007 ULLS Pricing Principles state that ULLS connection charges should be determined by reference to back-of-house costs. WCT/WCS costs are front-of-house costs recovered in the specific cost component of ULLS monthly charges. The ACCC does not, therefore, view these costs as recoverable in the ULLS MNM charges. The IDS and DAC group costs, on the other hand, are back-of-house costs that are appropriately recovered in the ULLS MNM costs.

The ACCC will allow a recovery of costs for 2.1 hours of IDS group involvement per MNM, and 4 minutes per line connected for DAC costs.

This approach results in an allowance for back-of-house costs of $126 per MNM for the period ending 30 June 2006, indexed for later years, and a further allowance of $4 per line connected as part of the MNM, indexed for later years.

**Jumpering, travel, vehicle and tool costs**

A decision on the appropriate approach to take on jumpering, travel, vehicle and tool costs requires a balancing of the competing considerations under subsection 152CR(1) of the Act. The ACCC considers that it would be more consistent with the statutory criteria to base MNM connection charges on the scenario where MNMs are conducted using a mix of two-stage MNMs and single-stage MNMs, rather than on only one or the other.

The ACCC does not consider it necessary to have regard to the higher of the two contractor rates for two-stage processes, or to average the two price points.

The ACCC accepts that where a MNM involves a two-stage process for which the higher cost contractor rate applies, the contractor charge will be higher than the amount allowed by the ACCC. Similarly, where there is a MNM connected in a single stage, the contractor charge will be less than the amount allowed by the ACCC. The actual average charge faced by Telstra will depend upon the distribution of MNMs around all of the contracted price points. A simple averaging of the four price points does not, however, suggest that the average charge faced by Telstra will be higher than the amount allowed by the ACCC even if these are currently skewed towards the two-stage process.

The ACCC notes that access seekers may prefer that a single-stage process (or a two-stage process) be adopted exclusively for its future MNMs. If so, the parties can negotiate MNM connection charges on that basis.

**Materials costs**

The cost of materials incurred by contractors are already part of contractors’ charges. The ACCC has not, therefore, included a further and discrete allowance for materials costs.
**Mark-up for indirect costs**

The ACCC determines a mark-up of 10 per cent for indirect costs. The allowance is set by reference to what is considered a reasonable mark-up on contractor charges for efficiently incurred contract management costs. Although there may be some potential for a 10 per cent allowance to be “more than reasonable” or above efficient forward-looking levels, the ACCC does not consider this to be a significant risk. The ACCC’s approach is consistent with its 2007 ULLS Pricing Principles.\(^\text{27}\)

**Costs for 2007-08 and 2008-09**

The ACCC proposed to index the jumpering, travel, vehicle and tool costs, material costs and back-of-house costs for 2008-09. The ACCC has determined to use the contractor rate of $[c-i-c]$ provided by Telstra for 2007-08.

The ACCC does not index material costs because they are not part of a separate charge in the ULLS MNM connection charges.

The ACCC uses the *ABS 6345 Labour Price Index ‘Ordinary time hourly rates of pay excluding bonuses; Australia; Communication services; Private; All occupations’ 2006-07* labour costs as the basis for indexing labour costs for 2008-09.

**Averaged or de-averaged charges**

MNM charges are a geographically averaged estimate of the efficient costs of providing these MNMs. The ACCC notes that MNM costs do not differ between geographic bands and that, while the 2007 ULLS Pricing Principles state that charges should be geographically de-averaged, the effect of averaging or de-averaging does not lead to a different charge in relation to MNMs.

**Bands 1, 2, 3 only**

The ACCC considers it inappropriate to specify charges applicable to ULLS MNMs in Band 4 because there is little, if any, demand for these connections.

**2.9.5. MNM connection charges**

The ACCC applies a two-part tariff to ULLS connection charges. Fixed, project management, back-of-house costs are recovered in a fixed component while other variable per line costs are recovered in a variable component charged on the basis of per service connected.

The ACCC is of the view that a higher jumpering rate for smaller scale MNMs and those applicable to 20-29 service MNMs are unnecessary. The ACCC notes that the single jumpering quotes incorporate costs for activities, such as cutover testing, that are not relevant for MNMs.

The following GST-exclusive charges result from the ACCC’s current arbitral processes and its approach to pricing structure, jumpering and associated cost categories, back-of-house costs and indirect costs:

(a) for the period from 1 July 2007 to 30 June 2008

<table>
<thead>
<tr>
<th>Component</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Fixed amount</td>
<td>$ 135.60 (per MNM)</td>
</tr>
<tr>
<td>– Variable amount</td>
<td>$ + 24.90 (per connection)</td>
</tr>
</tbody>
</table>

(b) for the period from 1 July 2008 to 31 July 2009

<table>
<thead>
<tr>
<th>Component</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Fixed amount</td>
<td>$ 138.00 (per MNM)</td>
</tr>
<tr>
<td>– Variable amount</td>
<td>$ + 25.00 (per connection)</td>
</tr>
</tbody>
</table>

**MNM disconnection charges**

The ACCC considers it inappropriate to allow ULLS disconnection charges where the ULLS is disconnected as part of a MNM.

**2.9.6. Cancellation charges**

The ACCC determines cancellation charges as the following:

- There is no cancellation charge for cancellations of individual services where pre-jumpering has not occurred. The ACCC considers that costs incurred by Telstra prior to 20 business days of the scheduled cutover date (before pre-jumpering has occurred) are fixed costs which are incurred regardless of the number of services to be connected provided that the entire migration is not cancelled. This view is based on the fact that Telstra claims fixed amounts for IDS group costs and Telstra’s description of MNM processes. Technical consultants contracted by the ACCC


29 Telstra, *ULLS – Submissions of Telstra – Part 5 – ULLS Managed Network Migrations (“MNMs”) General issues*, 16 August 2007, p.9 as quoted in ACCC, *ULLS Access Dispute between Telstra*
similarly considered the costs leading up to the 20 day list to be fixed costs which do not vary with the number of services connected.\textsuperscript{30} Further, as noted above in this report, the ACCC has determined not to include an allowance for WCT costs in the ULLS connection charges.

- For cancellations of individual services where pre-jumpering has occurred, the applicable charge is $20 per service. The ACCC based this charge on the $18.70 amount Telstra submitted it is charged by third party contractors for pre-jumpering and subsequent removal of the pre-jumper wires in addition to an allowance of 1.2 minutes of DAC costs for DAC work undertaken leading up to, and during, the pre-jumpering stage. The ACCC considers that an allowance should be made for DAC costs incurred before the completion of jumpering on the basis that some DAC costs would be incurred on average in coordinating pre-jumpering activities.\textsuperscript{31} The charge for cancellation of individual services is only payable where the cancellation occurs after pre-jumpering has taken place, which occurs 20 business days of the scheduled cutover date. The 20 business day condition reflects the view that it would not be necessary for an access provider to pre-jumper before this time.

- Where the migration is completely cancelled the applicable charge is $138.00 per MNM (2008-09 fixed cost for the MNM). This charge applies only where the entire MNM scheduled for an exchange is cancelled and is payable regardless of when the MNM is cancelled.

\subsection*{2.9.7. Pre-requisites to ordering a MNM and minimum MNM connection charges}

The minimum charge payable for all MNMs is based upon the cost of a MNM involving 20 services.

The ACCC considers that 20 services is an appropriate scale for MNMs to be requested even though access seekers may request MNMs for connections of less than or greater than 20 services. The ACCC notes that the connection of 20 services can be performed at less cost when done as part of a MNM. This is demonstrated by comparing the cost of an ULLS MNM consisting of 20 connections to the cost associated with making 20 ULLS ‘single’ connections.\textsuperscript{32}

\begin{footnotesize}


\textsuperscript{32} ACCC, ULLS Access Dispute between Telstra Corporation Limited and PowerTel (access seeker) Statement of Reasons for Final Determination, April 2008, p.274.
\end{footnotesize}
The ACCC does not specify a minimum number of connections to qualify for a MNM. The ACCC considers that access seekers should have the flexibility to request a MNM even where there are fewer than 20 services to connect if this is the approach they consider preferable. Access seekers will, however, still pay for the fixed cost of connecting 20 services even if they request fewer than 20 services.

The approach taken in setting MNM connection charges means Telstra’s ‘largely-fixed’ back-of-house costs, and the costs incurred for the jumpering work for 20 services, will be recovered in all instances.

2.10. ULLS Call Diversion Charges

The ACCC’s draft indicative price for the initial connection/activation of ULLS call diversion are $9.20 for 2007-08 and $9.30 for 2008-09. This charge is based on the appropriate hourly salary for Telstra’s back-of-house activities ($65.68 per hour) multiplied by the time taken for ULLS call diversion activities. The hourly salary for Telstra’s back-of-house activities is consistent with the hourly salary used in calculating the ULLS single and MNM connection charges.

The ACCC’s draft indicative price for the monthly charge of ULLS call diversion is pro rata $12.50 per month per service for 2008-09. This is consistent with the ongoing costs access seekers currently incur for ULLS call diversion charges as specified in Customer Relationship Agreements or access agreements between each access seeker and Telstra.

3. Conclusion

In conclusion, the ACCC’s draft indicative prices for ULLS monthly charges on a per service per month basis for Band 1, 2 and 3 for the period to 31 July 2009 are:

**ULLS monthly charges**

<table>
<thead>
<tr>
<th>Band</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
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<td>$25.00</td>
<td>$27.30</td>
<td>$28.50</td>
<td>$30.20</td>
</tr>
</tbody>
</table>

The ACCC does not propose to issue draft indicative prices for the ULLS in Band 4.
The ACCC’s draft indicative prices for ULLS Single Connection Charges (IULLS and TULLS) for the period 1 July 2008 to 31 July 2009 are:

### ULLS Single Connection Charges

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<tr>
<td>3</td>
<td>$ 51.50</td>
<td>$ 51.50</td>
<td>$ 54.10</td>
<td>$ 57.40</td>
<td>$ 57.70</td>
</tr>
</tbody>
</table>

The ACCC does not propose to issue draft indicative prices for the ULLS in Band 4.

The ACCC’s draft indicative prices for ULLS MNM Connection Charges for the period to 31 July 2009 are:

### ULLS MNM Connection Charges

For the period from 1 July 2007 to 30 June 2008

<table>
<thead>
<tr>
<th>Component</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Fixed amount</td>
<td>$ 135.60 (per MNM)</td>
</tr>
<tr>
<td>– Variable amount</td>
<td>+ $ 24.90 (per connection)</td>
</tr>
</tbody>
</table>

For the period from 1 July 2008 to 31 July 2009

<table>
<thead>
<tr>
<th>Component</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Fixed amount</td>
<td>$ 138.00 (per MNM)</td>
</tr>
<tr>
<td>– Variable amount</td>
<td>+ $ 25.00 (per connection)</td>
</tr>
</tbody>
</table>

### ULLS Call Diversion Charges

The ACCC’s draft indicative price for the initial connection/ activation of ULLS call diversion are $8.80 for 2007-08 and $9.30 for 2008-09. The ACCC’s draft indicative price for the monthly charge of ULLS call diversion is pro rata $12.50 per month per service for the period to 31 July 2009.
Appendix 1: Unbundled Local Loop Service (ULLS) description

The declaration took effect on 1 August 2006 and expires on 31 July 2009.

Service description

The unconditioned local loop service is the use of unconditioned communications wire between the boundary of a telecommunications network at an end-user’s premises and a point on a telecommunications network that is a potential point of interconnection located at or associated with a customer access module and located on the end-user side of the customer access module.

Definitions

Where words or phrases used in this declaration are defined in the Trade Practices Act 1974 or the Telecommunications Act 1997, they have the meaning given in the relevant Act.

In this Appendix:

boundary of a telecommunications network is the point ascertained in accordance with section 22 of the Telecommunications Act 1997;

communications wire is a copper based wire forming part of a public switched telephone network;

customer access module is a device that provides ring tone, ring current and battery feed to customers’ equipment. Examples are Remote Subscriber Stages, Remote Subscriber Units, Integrated Remote Integrated Multiplexers, Non-integrated Remote Integrated Multiplexers and the customer line module of a Local Access Switch;

public switched telephone network is a telephone network accessible by the public providing switching and transmission facilities utilising analogue and digital technologies.
Appendix 2: ACNC 2007 ULLS Pricing Principles Determination

TRADE PRACTICES ACT 1974

Section 152AQA

Pricing Principles for the Unconditioned Local Loop Service

The Australian Competition and Consumer Commission (the Commission) determines, pursuant to section 152AQA of the Trade Practices Act 1974 (the Act), that the pricing principles specified in Schedule 1 are to apply to the Unconditioned Local Loop Service (ULLS) declared by the Commission under section 152AL of the Act.

This Determination commences on the day it is made.

Note: for the effect of this determination, see subsection 152AQA(6) of the Act.

Made by the Australian Competition and Consumer Commission on
21 November 2007

-----------------------------------------------

Graeme Samuel
Chairman
SCHEDULE 1

The Commission’s pricing principles for the ULLS are:

- a TSLRIC+ Pricing principles should be applied to the ULLS

- a specific cost component should be included in the ULLS monthly price, calculated by combining ‘ULLS specific costs’ with ‘LSS specific costs’ and Telstra’s internal equivalent costs for ADSL, and allocating those costs across the number of active ULLS, LSS and ADSL lines.

- the ULLS charges should be geographically de-averaged

- connection charges should be set with reference to the amounts charged by third party contractors to Telstra for jumpering work in exchanges, indirect costs and back-of-house costs.
Appendix 3: Draft 2008 ULLS Pricing Principles and Indicative Prices Determination
Pricing Principles for the Unconditioned Local Loop Service Amendment Determination 2008 (No. 1)

Trade Practices Act 1974

The AUSTRALIAN COMPETITION AND CONSUMER COMMISSION makes this Determination under section 152AQA of the Trade Practices Act 1974.

Dated 2008

Chairman

Australian Competition and Consumer Commission

1 Name of Determination
This Determination is the Pricing Principles for the Unconditioned Local Loop Service Amendment Determination 2008 (No. 1).

2 Commencement
This Determination commences on the day it is made.

3 Amendment of Pricing Principles for the Unconditioned Local Loop Service
Schedule 1 amends the Pricing Principles for the Unconditioned Local Loop Service dated 21 November 2007.
The Australian Competition and Consumer Commission (the Commission) determines, pursuant to section 152AQA of the Trade Practices Act 1974 (the Act), that the pricing principles specified in Schedule 1 are to apply to the Unconditioned Local Loop Service (ULLS) declared by the Commission under section 152AL of the Act.

A new heading "Schedule 1 – PRICING PRINCIPLES"

The indicative prices for ULLS monthly charges on a per service per month basis for Band 1, 2 and 3 for the period to 31 July 2009 are:

<table>
<thead>
<tr>
<th>Band</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$5.60</td>
<td>$6.00</td>
<td>$6.20</td>
<td>$6.40</td>
</tr>
<tr>
<td>2</td>
<td>$12.30</td>
<td>$13.70</td>
<td>$14.30</td>
<td>$15.20</td>
</tr>
<tr>
<td>3</td>
<td>$25.00</td>
<td>$27.30</td>
<td>$28.50</td>
<td>$30.20</td>
</tr>
</tbody>
</table>

No indicative price is set for Band 4.
2. The indicative prices for ULLS Single Connection Charges (including in-use ULLS and transfer ULLS connections) for the period 1 July 2008 to 31 July 2009 are:

**ULLS Single Connection Charges**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$38.10</td>
<td>$38.10</td>
<td>$44.00</td>
<td>$50.10</td>
<td>$50.40</td>
</tr>
<tr>
<td>2</td>
<td>$43.10</td>
<td>$43.10</td>
<td>$47.80</td>
<td>$52.80</td>
<td>$53.10</td>
</tr>
<tr>
<td>3</td>
<td>$51.50</td>
<td>$51.50</td>
<td>$54.10</td>
<td>$57.40</td>
<td>$57.70</td>
</tr>
</tbody>
</table>

No indicative price is set for the ULLS in Band 4.

3. The indicative prices for ULLS Managed Network Migration (MNM) Connection Charges for the period to 31 July 2009 are:

**ULLS MNM Connection Charges**

(a) For the period from 1 July 2007 to 30 June 2008:

<table>
<thead>
<tr>
<th>Component</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Fixed amount</td>
<td>$135.60 (per MNM)</td>
</tr>
<tr>
<td>– Variable amount</td>
<td>+ $24.90 (per connection)</td>
</tr>
</tbody>
</table>

(b) For the period from 1 July 2008 to 31 July 2009:

<table>
<thead>
<tr>
<th>Component</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Fixed amount</td>
<td>$138.00 (per MNM)</td>
</tr>
<tr>
<td>– Variable amount</td>
<td>+ $25.00 (per connection)</td>
</tr>
</tbody>
</table>

4. The indicative prices for the initial connection/activation of ULLS call diversion are $9.20 for the period 1 July 2007 to 30 June 2008 and $9.30 for the period 1 July 2008 to 31 July 2009.

5. The indicative price for the monthly charge of ULLS call diversion is pro rata $12.50 per month per service for the period to 31 July 2009.