

**IN THE MATTER OF UNDERTAKINGS
DATED 22 MARCH 2006 LODGED BY
TELSTRA CORPORATION LIMITED
WITH THE AUSTRALIAN COMPETITION
AND CONSUMER COMMISSION IN
RESPECT OF PSTN ORIGINATING AND
TERMINATING ACCESS AND LCS
("the Access Undertakings")**

STATEMENT OF [C-I-C]

On 11 August 2006, I, [c-i-c] of [c-i-c], state as follows:

- 1 The information in this statement is confidential to Telstra Corporation Limited ("Telstra"). I have prepared this statement on the basis that the information in it will remain confidential and that the information will only be disclosed to a person:
- (a) who has executed a confidentiality undertaking in terms that are satisfactory to Telstra; and
 - (b) who may only use the documents and the information for the following purposes:
 - (i) making submissions to the Australian Competition and Consumer Commission ("ACCC") in respect of the Access Undertakings; or
 - (ii) any application made to the Australian Competition Tribunal under s 152E of the Trade Practices Act for review of a decision made by the ACCC in respect of any of the Access Undertakings; or
 - (iii) any other purpose approved by Telstra in writing.

Background

2 [c-i-c]

Price controls

3 I have been asked to comment on Telstra's ability to increase the price of telephone call services to its end user customers.

4 Telstra’s call services are subject to price cap arrangements under the *Telstra Carrier Charges—Price Control Arrangements, Notifications and Disallowance Determination No 1 of 2005* as amended by the *Telstra Carrier Charges—Price Control Arrangements, Notification and Disallowance Determination No. 1 of 2005 (Amendment No. 1 of 2006)* (“**Price Control Determination**”), a copy of which is Annexure A to this Statement.

5 In summary, the Price Control Determination imposes price cap arrangements on carrier charges for local calls, trunk calls, international calls, line rentals and connections. It does this by placing price caps on four separate baskets of services. The first basket is particularly relevant to the pricing of call services.

First basket of services

6 The first basket of services consists of local calls, trunk calls (which include national long distance and fixed to mobile calls), international calls and line rentals.

7 The first basket is subject to a price cap of the Consumer Price Index (“CPI”) number reduced by the value of the CPI number (symbolically represented as “**CPI-CPI**”). This means that Telstra is entitled to change the individual prices of the services within the basket as it wishes, but the aggregate revenue-weighted price of all services in the basket must not increase.

Second and third baskets

8 The second basket, comprising basic line rental services supplied to residential customers, is subject to a price cap of \$31.95 over the “first price-cap period” which concludes at the end of 30 June 2007. The price cap over the subsequent two financial years is $CPI - 0$.

9 The third basket, comprising basic line rental services supplied to business and charity customers, is subject to a price cap of $(CPI - 0) \times 1.5$ over the “first price-cap period” which concludes at the end of 30 June 2007. The price cap over the subsequent two financial years is $CPI - 0$.

Effect of price controls on Price of Calls

-
- 10 Telstra is likely to continue to rebalance its prices by increasing line rental prices as permitted by the Price Control Determination. If Telstra does so, it would need to reduce call prices to ensure that it complies with the price controls set out above.

Controls on Local Calls

- 11 Telstra must not charge more than 22 cents (inclusive of GST) for each un-timed local call, unless:
- (a) the call is from a payphone, in which case Telstra can charge 50 cents; or
 - (b) the call is offered as a joint product in combination with a line rental that is lower than the standard line rental for residential or charity customers, or
 - (c) is offered as part of a ‘subscription pricing package’. A ‘subscription pricing package’ is a product where a higher fixed charge is applied in return for lower variable charges.

Telstra’s retail pricing structures

- 12 Telstra offers a number of retail pricing structures pursuant to which the end user customer can choose to pay lower per calls charges in return for paying higher fixed per line charges. The plans which Telstra has offered for some time are HomeLine Budget, HomeLine Complete, HomeLine Plus and HomeLine Advanced.
- 13 For some time other carriers have been offering plans with higher fixed per line charges in return for lower call charges or a certain amount of free calls. A summary of some of those plans is set out in Annexure B to this statement.
- 14 In addition, mobile call prices have been reducing over time and are often now subject of a cap (that is the customer pays a fixed per month charge in return for a large or unlimited amount of calls).
- 15 Due to competition from other PSTN and mobile providers, Telstra introduced HomeLine Ultimate on 1 April 2006. Further, on 26 June 2006 Telstra introduced HomeLine Together and HomeLine Reach. The prices payable under each of the Home Line plans is set out in Annexure C to this statement. Under HomeLine

Ultimate, HomeLine Together and HomeLine Reach customers pay a higher fixed monthly amount in return for free calls or lower call prices.

DATED: 11 August 2006

.....
[C-I-C]

ANNEXURE A TO STATEMENT OF [C-I-C]

Telstra Carrier Charges—Price Control Arrangements, Notifications and Disallowance
Determination No 1 of 2005



Telstra Carrier Charges — Price Control Arrangements, Notification and Disallowance Determination No. 1 of 2005

as amended

made under subsections 154 (1), 155 (1) and 157 (1) of the

Telecommunications (Consumer Protection and Service Standards) Act 1999

This compilation was prepared on 14 March 2006 taking into account amendments up to *Telstra Carrier Charges — Price Control Arrangements, Notification and Disallowance Determination No. 1 of 2005 (Amendment No. 1 of 2006)*

Prepared by the Office of Legislative Drafting and Publishing, Attorney-General's Department, Canberra

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Part 1 Introductory

1 **Name of Determination** [see Note 1]

This Determination is the *Telstra Carrier Charges — Price Control Arrangements, Notification and Disallowance Determination No. 1 of 2005*.

2 **Commencement** [see Note 1]

- (1) Clauses 4, 24, 25, 26, 27 and 28 commence on the day after this Determination is registered on the Federal Register of Legislative Instruments.
- (2) The remainder of this Determination commences on 1 January 2006.

3 **Expiry**

Subject to clauses 23 and 30, this Determination expires at the end of 30 June 2009.

4 **Revocation**

- (1) Subject to subclause (2), clauses 21, 22, 23 24 and 25 of the *Telstra Carrier Charges — Price Control Arrangements, Notification and Disallowance Determination No. 1 of 2002 (the 2002 Determination)* are revoked.
- (2) Clauses 21, 22, 23, 24, and 25 of the 2002 Determination continue to apply to any proposed alteration by Telstra to a line rental which has been notified to the ACCC (under clause 22 of the 2002 Determination) prior to the commencement of this clause.

5 **Interpretation**

- (1) In this Determination, unless the contrary intention appears:

ACCC means the Australian Competition and Consumer Commission.

Act means the *Telecommunications (Consumer Protection and Service Standards) Act 1999*.

basic line rental service means a line rental supplied in conjunction with a service supplied to a customer in order to comply with the requirement to provide pre-selection under a determination made by the Australian Communications and Media Authority under Part 17 of the *Telecommunications Act 1997*, other than a line rental in respect of which the customer contractually agrees not to exercise the right to pre-select in favour of a carriage service provider other than Telstra.

Note At the date on which this Determination is registered on the Federal Register of Legislative Instruments, Telstra's basic line rental services are those supplied under Telstra's Homeline Part and Businessline Part products.

Clause 5

business customer means a customer other than a residential customer or a charity customer.

calling card means a retail calling card that enables the making of calls from a public payphone, facsimile, modem or most telephone services, and the charges for such calls are debited from the stored value on the card or billed to a credit record maintained, or an account nominated, in respect of that card.

charging zone means a charging zone specified in the table in attachment 6 to the Telstra Public Switched Telephone Service (PSTS) Section of Telstra's standard form of agreement known as 'Our Customer Terms' as in force or existing from time to time.

charity customer means a customer that is a charitable institution whose income is exempt from income tax under the *Income Tax Assessment Act 1997*.

connection means establishing the supply of a standard telephone service to the boundary of the Telstra network ascertained in accordance with section 22 of the *Telecommunications Act 1997*, but does not include:

- (a) the supply or installation of materials or services (including network extension or trenching) to support the supply of a standard telephone service from the boundary of the Telstra network ascertained in accordance with section 22 of the *Telecommunications Act 1997* (for example from a main distribution frame, network termination device, socket, satellite-based facility or similar) to the location requested; or
- (b) the supply, installation and connection of a telephone handset or other customer equipment.

CPI number means the number, expressed as a percentage, that represents the aggregate price movement in the all groups basket of the consumer price index:

- (a) for the weighted average of the 8 Australian capital cities for:
 - (i) the first price-cap period — the twelve months immediately preceding the first price-cap period;
 - (ii) for subsequent price-cap periods — the financial year immediately preceding the financial year in which the relevant price control (if any) is to apply; and
- (b) that is based on the number published or, if, at the time the calculation is made, the number has not been published, that is estimated to be the number likely to be published, for that financial year (or part of the financial year for the first price-cap period) by the Australian Statistician.

excluded customer means a business customer who is supplied with any or all of the services specified in clause 11 by Telstra on terms and conditions other than those set out in a standard form of agreement that is generally available to business customers.

exercising, in relation to a price-cap, means varying a price in such a way as to not exceed the maximum average price permitted by the price-cap.

Extended Zone has the same meaning as in the *Agreement for the provision of untimed local calls, untimed Internet access and other carrier services to*

Clause 5

Extended Zones dated 1 June 2001 between the Commonwealth and Telstra, as amended from time to time.

first basket of services means the following group of services:

- (a) local calls;
- (b) trunk calls;
- (c) international calls;
- (d) line rentals.

first price-cap period means the period:

- (a) commencing at the beginning of 1 January 2006; and
- (b) concluding at the end of 30 June 2007.

fourth basket of services means the group of services comprising connection services.

international call means a call using a standard telephone service on the public switched telecommunications network that is:

- (a) an operator-connected call between a place in Australia and a place outside Australia; or
- (b) a direct-dialled call between a place in Australia and a place outside Australia;

but does not include a call from a public mobile telecommunications service.

line rental means the ongoing supply of a standard telephone service to the boundary of the Telstra network ascertained in accordance with section 22 of the *Telecommunications Act 1997*, but does not include:

- (a) the supply or installation of materials or services (including network extension or trenching) to support the supply of a standard telephone service from the boundary of the Telstra network ascertained in accordance with section 22 of the *Telecommunications Act 1997* (for example from a main distribution frame, network termination device, socket, satellite-based facility or similar) to the location requested; or
- (b) the supply, installation and connection of a telephone handset or other customer equipment.

local call means an eligible local call as defined by section 106 of the Act.

national and international operator call connection service means a service provided to a customer to enable national long-distance and international calls to be made:

- (a) with the assistance of an operator; or
- (b) by means of an automated voice response system or another technology-based system.

national long-distance call means a call using a standard telephone service on the domestic public switched telecommunications network from a charging zone in the domestic public switched telecommunications network to a telephone service (other than a public mobile telecommunications service) that is geographically located in another charging zone that is not immediately adjacent to the first-mentioned charging zone.

payphone has the same meaning as in section 9C of the Act.

Clause 5

preferential call has the same meaning as in the Telstra Public Switched Telephone Service Section of Telstra's standard form of agreement known as 'Our Customer Terms' as in force on 1 May 2002.

price-cap period means the first price-cap period or any subsequent financial year to which a price-cap applies.

public payphone means a payphone:

- (a) in a public place that is a place where the public usually has access, or usually has access except for particular hours of the day or particular days of the week; or
- (b) in a prison, correctional centre, detention centre or similar facility.

residential customer means a customer who uses services of a kind ordinarily acquired for personal, domestic or household use primarily for personal, domestic or household use.

residential rate means the price for a service that Telstra charges a residential customer or a charity customer.

satellite service has the same meaning as in section 106 of the *Telecommunications (Consumer Protection and Service Standards) Act 1999*

school means:

- (a) a school or similar institution at which full-time primary education or full-time secondary education, or both, is or are provided; or
- (b) a school or similar institution at which education is provided that includes full-time primary education or full-time secondary education, or both;

which is a State or government school or is accepted for registration or accreditation as a school by a State or Territory.

second basket of services means the group of services comprising basic line rental services supplied to residential customers.

standard form of agreement means an agreement formulated for the purposes of Part 23 of the *Telecommunications Act 1997*.

subscription pricing package means:

- (a) a product for any type or types of calls; or
- (b) a joint product for any type or types of calls in combination with a line rental; or
- (c) a product referred to in (a) or (b) in combination with any other product or service,

where the charges for line rental (where offered) and calls (where offered) are offered:

- (d) for a single fixed price; or
- (e) subject to an arrangement under which charges in addition to a single fixed price are payable only when calls, or particular types of calls, made exceed a predetermined number, value or duration; or
- (f) subject to an arrangement under which a customer pays a single fixed price, and as a result, receives an entitlement to make local and/or trunk calls charged at a common price; or

Clause 6

- (g) on a basis determined in writing by the Minister for the purposes of this definition

but does not include calls, or particular types of calls, for which an additional charge is payable as described in paragraph (e) of this definition.

third basket of services means the group of services comprising basic line rental services supplied to business customers and charity customers.

trunk call means a call, other than an international call or local call, made using a standard telephone service on the domestic public switched telecommunications network from a charging zone in the domestic public switched telecommunications network, and includes:

- (a) a national long-distance call; and
- (b) a call to a public mobile telecommunications service; and
- (c) a community call; and
- (d) a preferential call.

untimed local call means a local call the charge for which is worked out regardless of how long the call lasts.

using, in relation to a price-cap, means charging the maximum price that is permitted under the price-cap.

VOIP service means a carriage service that enables a voice call to originate on customer equipment by means of the Internet Protocol.

- (2) In this Determination, unless the contrary intention appears, **Australia, carriage service, carriage service provider, carrier, customer equipment, directory assistance services, Internet service provider, public mobile telecommunications service, standard telephone service, telecommunications network** and **universal service obligation** have the same meanings as in the *Telecommunications Act 1997*.
- (3) In a formula in this Determination, the expression “CPI-” followed by a numerical figure is taken to mean the CPI number reduced by the value of the figure immediately following the expression.

6 Alteration in value of service

- (1) For the purposes of this Determination, and without limiting the ordinary meaning of **alteration** or **movement** in relation to a price:
 - (a) the price charged for a service may be taken by the ACCC to have increased if the value of the service reduces because of an alteration made by Telstra to the quality of the service or the provision of the service; and
 - (b) the price charged for a service may be taken by the ACCC to have decreased if the value of the service increases because of an alteration in the quality of service or the provision of the service.
- (2) Where the price charged for a service is taken to have increased by reason of paragraph (1) (a), the amount by which that price shall be taken by the ACCC to have increased shall be the price which, having regard to the prices paid for similar service functionality, a customer would be reasonably expected to pay to secure that service functionality.

Clause 6

- (3) Where the price charged for a service is taken to have decreased by reason of paragraph (1) (b), the amount by which that price shall be taken by the ACCC to have decreased shall be calculated by the sum of the annualised capital and operating expense reasonably incurred by Telstra in bringing about the alteration in the quality of the service or the provision of the service (less any offsetting revenue gain) divided by the number of services or calls in respect of which that alteration is made available by Telstra.
- (4) Prior to making an alteration to the quality of a service or the provision of a service which would attract the operation of paragraphs (1) (a) or (1) (b), Telstra may request in writing that the ACCC advise Telstra in writing whether the proposed alteration would result in the value of the service being taken to have reduced under paragraph (1) (a) or to have increased under (1) (b) and the estimated change in value of that service which the ACCC considers would result from the proposed alteration.
- (5) The written request given to the ACCC under subclause (4) must include information reasonably required by the ACCC to enable it to form a view about whether the proposed alteration would result in the value of the service being taken to have reduced under paragraph (1) (a) or to have increased under (1) (b) and the estimated change in value of that service, unless:
 - (a) if no information has been given — the ACCC has waived the giving of the information; or
 - (b) if some only of the information has been given — the ACCC has waived the giving of the remainder of the information.
- (6) The ACCC must provide the advice described in subclause (4) to Telstra within 60 days of the ACCC receiving a request under subclause (4).
- (7) For the purposes of calculating the 60 day period in subclause (6), each day occurring during any period commencing on the day on which Telstra receives a request for information from the ACCC and ending on the day on which Telstra provides all of the requested information or, where no information or only part of the information is provided, the day on which the ACCC waives the giving of the information or the giving of the remainder of the information, is to be disregarded.
- (8) For the purposes of subclause (1), if:
 - (a) the ACCC provides advice to Telstra under subclause (4) to the effect that a proposed alteration would result in the value of a service being taken to have reduced or increased; and
 - (b) the ACCC provides advice to Telstra under subclause (4) of the estimated change in value of that service which the ACCC considers would result from the proposed alteration; and
 - (c) the relevant alteration is subsequently made by Telstra,then:
 - (d) the value of the service shall, for the purposes of subclause (1), be taken to have reduced or increased; and
 - (e) where the amount by which the price has taken to have increased or decreased under subclause (2) or (3) is different to the estimated

Clause 10

change in value which the ACCC has advised Telstra under subclause (4), the ACCC shall advise Telstra of the reasons for this change in value.

- (9) The change in the value of the service under subclauses (2) or (3) may be determined in accordance with a methodology (if any) developed by the ACCC in writing.
- (10) The ACCC must consult Telstra in developing the methodology under subclause (9) and any amendments to the methodology.
- (11) The methodology under subclause (9) may set out what information Telstra must provide to establish the change in value of the service.
- (12) The ACCC must provide to Telstra a copy of any methodology developed under subclause (9) and any amended methodology.

7 No application to a carrier charge for a carriage service or facility supplied to another carrier or carriage service provider

This Determination does not apply to a charge for a carriage service or facility supplied by Telstra to another carrier or carriage service provider.

8 No application to a carrier charge for a carriage service or facility supplied to an excluded customer

This Determination does not apply to a charge for a carriage service or facility supplied by Telstra to an excluded customer.

9 No application to a carrier charge for certain VOIP services

- (1) This Determination does not apply to a charge for a VOIP service except where a VOIP service is supplied by Telstra in fulfilment of the universal service obligation.
- (2) Where Telstra supplies VOIP services in fulfilment of the universal service obligation, the definitions in this Determination of:
 - (a) national long-distance call;
 - (b) trunk call; and
 - (c) international call,

are to be read as if those VOIP services were standard telephone services on the domestic public switched telephone network.

10 Limited application to a carrier charge for national and international operator call connection services or directory assistance services

Parts 2, 3, 4 and 6 of this Determination do not apply to a charge for a national and international operator call connection service or a directory assistance service.

Part 2 Carrier charges subject to price control arrangements

11 Carrier charges subject to price control arrangements

For the purposes of subsection 154 (1) of the Act, carrier charges for the following services are subject to price control arrangements:

- (a) connections;
- (b) line rentals;
- (c) local calls;
- (d) trunk calls;
- (e) international calls.

Part 3 Price control arrangements

Division 1 Price-cap arrangements

12 Application of price-caps

- (1) The price movement over the first-price cap period of:
 - (a) the first basket of services referred to in column 2 of item 1 of Schedule 1; or
 - (b) the second basket of services referred to in column 2 of item 2 of Schedule 1; or
 - (c) the third basket of services referred to in column 2 of item 3 of Schedule 1;
 - (d) the fourth basket of services referred to in column 2 of item 4 of Schedule 1;is subject to a price-cap equal to the price movement specified in column 3 of the relevant item.
- (2) The price movement over each subsequent price-cap period of:
 - (a) the first basket of services referred to in column 2 of item 1 of Schedule 2; or
 - (b) the second basket of services referred to in column 2 of item 2 of Schedule 2; or
 - (c) the third basket of services referred to in column 2 of item 3 of Schedule 2;
 - (d) the fourth basket of services referred to in column 2 of item 4 of Schedule 2;is subject to a price-cap equal to the price movement specified in column 3 of the relevant item.

13 Calculation of price movement

- (1) A price movement for:
 - (a) the first basket of services; or
 - (b) the third basket of services; or
 - (c) the fourth basket of services;is taken to be the sum of the movements in the average price for each component product of the services in the relevant basket in the price-cap period from:
 - (i) for the first price-cap period, the average price for that product in the six months immediately preceding the first price-cap period (where subject to subclause (8), the movement in price of each product is weighted by the revenue derived from that product in the six months immediately preceding the price-cap period against the revenue derived from the relevant basket in that period);

- (ii) for each subsequent price-cap period, the average price for that product in the financial year immediately preceding the price-cap period (where subject to subclause (8), the movement in price of each product is weighted by the revenue derived from that product in the financial year immediately preceding the price-cap period against the revenue derived from the relevant basket in that period).
- (1A) A price movement for the second basket of services is taken to be the sum of the movements in the average price for the services in this basket in the price-cap period from:
 - (i) for the first price-cap period, the price of \$31.95;
 - (ii) for each subsequent price-cap period, the average price for that service in the financial year immediately preceding the price-cap period (where subject to subclause (8), the movement in price of the service is weighted by the revenue derived from that service in the financial year immediately preceding the price-cap period against the revenue derived from the relevant basket in that period).
- (2) For the purpose of calculating the price movement in subclauses (1) and (1A) the provision of:
 - (a) carriage services to an excluded customer;
 - (b) VOIP services except where the VOIP services are supplied by Telstra in fulfilment of the universal service obligation; and
 - (c) national and international operator call connection services and directory assistance services;are to be disregarded.
- (3) For the purpose of calculating the average price for each component product in subclause (1), where the component product of the services in the relevant basket is a product that is supplied as part of a bundle of services consisting of any or all of the services specified in clause 11 (whether or not services other than those specified in clause 11 are also included in the bundle) the following principles are to apply:
 - (a) where the benefit derived from the bundle of services is a reduced price or no charge for one or more products (or for a specified amount of a product), the value of the benefit is to be deducted from each product in the bundle to which the discount applies or for which no charge applies;
 - (b) where there is a single fixed price charged for the bundle of services, the value of the benefit of a single fixed price is to be deducted proportionately across all the products in the bundle;
 - (c) if the principles in paragraphs (a) or (b) do not apply, the value of the benefit is to be calculated and deducted from the products in the bundle in accordance with the methodology as set out in subclause (5).

- (3A) For the purpose of calculating the average price for the service in subclause (1A), where the service is supplied as part of a bundle of services consisting of any or all of the services specified in clause 11 (whether or not services other than those specified in clause 11 are also included in the bundle) the following principles are to apply:
- (a) where the benefit derived from the bundle of services is a reduced price or no charge for one or more services (or for a specified amount of a service), the value of the benefit is to be deducted from each service in the bundle to which the discount applies or for which no charge applies;
 - (b) where there is a single fixed price charged for the bundle of services, the value of the benefit of a single fixed price is to be deducted proportionately across all the services in the bundle;
 - (c) if the principles in paragraphs (a) or (b) do not apply, the value of the benefit is to be calculated and deducted from the services in the bundle in accordance with the methodology as set out in subclause (5).
- (4) Unless Telstra's information systems permit average prices for business customers to be calculated having regard to all relevant supplies, average prices for business customers are to be calculated by means of sampling procedures except where the ACCC and Telstra agree otherwise.
- (5) The value of a price movement in the first price-cap period or a subsequent financial year in relation to the relevant basket may be determined in accordance with a methodology (if any) developed by the ACCC in writing.
- (6) A methodology developed by the ACCC under subclause (5) may also set out how specified provisions of this Determination are to apply.
- (7) The specified provisions of the Determination referred to in subclause (6) will apply in accordance with the methodology developed by the ACCC under subclause (5).
- (8) Where the revenue derived from a component product for the immediately preceding price-cap period cannot be determined by the ACCC or where, in the opinion of the ACCC, the use of revenues derived in the immediately preceding price-cap period without adjustment would not provide an appropriate means by which to weight price movements in the current price-cap period, the weighting of the movement in the price of that product is to be determined in accordance with a methodology developed by the ACCC in writing.
- (9) For the purpose of calculating the revenue derived from a component product for the purposes of subclause (8) the provision of:
- (a) carriage services to an excluded customer;
 - (b) VOIP services except where the VOIP services are supplied by Telstra in fulfilment of the universal service obligation; and
 - (c) national and international operator call connection services and directory assistances services;
- are to be disregarded.

- (10) The ACCC must consult with Telstra in developing a methodology under subclauses (5) or (8) and any amendments to a methodology.
- (11) The ACCC must provide to Telstra a copy of any methodology developed under subclauses (5) or (8) and any amended methodology.

14 Errors in calculating a price movement

If:

- (a) the price-cap that is to apply in a price-cap period to:
 - (i) the first basket of services; or
 - (ii) the second basket of services; or
 - (iii) the third basket of services; or
 - (iv) the fourth basket of services;

is found to be incorrect because of an error in the value of the price movement of that basket that was determined for the previous financial year under subclause 13 (5); and

- (b) the incorrect price-cap differs from the correct price-cap by more than 0.3 percentage points;
the correct price-cap applies instead of the incorrect price-cap.

15 Calls in relation to the Extended Zones

- (1) For so long as Telstra is obliged to do so under the *Agreement for the provision of untimed local calls, untimed Internet access and other carrier services to Extended Zones* dated 1 June 2001 between the Commonwealth and Telstra, as amended from time to time, Telstra must charge for calls:
 - (a) between customers within an Extended Zone; and
 - (b) between a customer in an Extended Zone and a customer in an adjacent Extended Zone;at an untimed local call rate specified in clause 16 of this Determination.
- (2) Telstra must not charge for preferential calls at a rate of more than 27.5 cents per 12 minute block of time (or part thereof) until the untimed local call rate (specified in clause 16 of this Determination) is introduced for these calls in accordance with Part B (Pricing Services) of Schedule 1 to the *Agreement for the provision of untimed local calls, untimed Internet access and other carrier services to Extended Zones* dated 1 June 2001 between the Commonwealth and Telstra, as amended from time to time.
- (3) Subclause (2) does not apply to a preferential call offered as part of a subscription pricing package, provided that when offering such a package Telstra advises customers to whom the package is offered that, depending upon the number of preferential calls they make in a particular period, the effective average price which they pay for a preferential call may exceed the cap set under subclause (2).

- (4) For so long as Telstra is obliged to do so under the *Agreement for the provision of untimed local calls, untimed Internet access and other carrier services to Extended Zones* dated 1 June 2001 between the Commonwealth and Telstra, as amended from time to time, Telstra must not charge a customer in an Extended Zone more than the untimed local call rate (as specified in clause 16 of this Determination) for a call other than a call made from a public payphone to connect to Telstra's Big Pond Internet service.

16 Untimed local calls

- (1) Telstra must not charge a price of more than 50 cents for each untimed local call made from a public payphone.
- (2) Subject to subclauses (3) and (4) Telstra must not charge a price of more than 22 cents for each untimed local call (other than a local call made from a public payphone, or a local call made using a calling card).
- (3) Subject to subclause (3A), subclause (2) does not apply to a local call offered as part of a product or arrangement of a kind referred to in subclause 18 (3) of this Determination that Telstra has made available.
- (3A) Subclause (3) does not apply to a local call offered as part of a product or arrangement offered in combination with a basic line rental service.
- (4) Subclause (2) does not apply to a local call offered as part of a subscription pricing package, provided that when offering such a package Telstra advises customers to whom the package is offered that, depending upon the number of local calls they make in a particular period, the effective average price which they pay for a local call may exceed the cap set under subclause (2).
- (5) Telstra must offer local calls to residential and charity customers, in non-metropolitan areas, at the same or a lower price per call and on the same price-related terms as it offers to residential and charity customers in metropolitan areas.
- (6) Telstra must offer local calls to business customers, in non-metropolitan areas, at the same or a lower price per call and on the same price-related terms as it offers to business customers in metropolitan areas.
- (7) Telstra must offer local calls within a bundle in all non-metropolitan areas at the same or a lower price per call and on the same price-related terms as it offers local calls in a comparable bundle in metropolitan areas.
- (8) In this clause:
- metropolitan area*** means the inter-carrier charge area for Sydney, Melbourne, Brisbane, Perth or Adelaide.
- non-metropolitan area*** means any area of Australia other than a metropolitan area.
- price-related terms*** means terms relating to price or a method of ascertaining price.

- (9) For the purposes of this clause, a call made to an Internet service provider using a data network access number commencing with the numerals 0198 is not an untimed local call.

17 Dial-up Internet calls

- (1) Subject to subclauses (2), (3) and (4), Telstra must not charge a price of more than 22 cents for each call made to an Internet service provider using a data network access service number commencing with the numerals 0198.
- (2) Subclause (1) does not apply to:
- (a) a call made from a public mobile telecommunications service (except where the service is supplied in fulfilment of the universal service obligation);
 - (b) a call made from an ISDN service;
 - (c) a call made from a satellite service (except where the service is supplied in fulfilment of the universal service obligation);
 - (d) a call made using a calling card.
- (3) Subclause (1) does not apply to a call which Telstra offers as a joint product in combination with a line rental that is lower than the standard line rental for residential customers and charity customers.
- (4) Subclause (1) does not apply to a call which Telstra offers as part of a subscription pricing package, provided that when offering the package Telstra advises customers to whom the package is offered, that, depending upon the number of calls the customer makes in a particular period, the effective average price which they pay for a call may exceed the cap referred to in subclause (1).

18 Line rentals for residential customers and charity customers

- (1) Telstra must offer a standard line rental for residential customers and charity customers.
- (2) The standard line rental is to be taken as the rental paid by the largest number of residential customers and charity customers at any time.
- (3) Telstra may offer an untimed local call as a joint product in combination with a line rental that is lower than the standard line rental for residential customers and charity customers.

19 Line rental for schools

If Telstra supplies a school with a standard telephone service, Telstra must offer the school the standard line rental specified in clause 18 in relation to the service.

19A Basic line rental services

- (1) Telstra must offer basic line rental services to residential and charity customers, in non-metropolitan areas, at the same or a lower price and on the same price-related terms as it offers to residential and charity customers in metropolitan areas.
- (2) Telstra must offer basic line rental services to business customers, in non-metropolitan areas, at the same or a lower price and on the same price-related terms as it offers to business customers in metropolitan areas.
- (3) Telstra must offer basic line rental services within a bundle in all non-metropolitan areas at the same or a lower price and on the same price-related terms as it offers basic line rental services in a comparable bundle in metropolitan areas.

- (4) In this clause:

metropolitan area means the inter-carrier charge area for Sydney, Melbourne, Brisbane, Perth or Adelaide.

non-metropolitan area means any area of Australia other than a metropolitan area.

price-related terms means terms relating to price or a method of ascertaining price.

20 Option to defer a price-cap

- (1) If, under this clause, Telstra elects wholly or partly to defer exercising the price-cap (as varied in accordance with this Determination) for:
 - (a) the first basket of services; or
 - (b) the second basket of services; or
 - (c) the third basket of services; or
 - (d) the fourth basket of services;to the price-cap period next following the price-cap period in which the price-cap would otherwise apply:
 - (e) the price-cap, or the part of the price-cap, is taken to be so deferred for Telstra; and
 - (f) the price-cap for the relevant basket of services for the next following price-cap period is taken to be varied by the unexercised amount of the price-cap so deferred.
- (2) The election may be made if:
 - (a) the price-cap period to which the price-cap would apply has ended; and
 - (b) the value of the price movement of:
 - (i) the first basket of services over the price-cap period is not greater than the price-cap plus 0.2 percentage points; or
 - (ii) the second, third or fourth basket of services over the price-cap period is not greater than the price-cap plus 0.1 percentage points; and

- (c) the election is not in respect of a price-cap that would otherwise apply in the 2008/2009 financial year.

21 Reporting

- (1) Before the end of 3 months after the end of the price-cap period beginning on 1 July 2005 and ending on 31 December 2005, Telstra must report, in relation to its compliance with the price-cap that applied in that period in accordance with the terms of the *Telstra Carrier Charges — Price Control Arrangements, Notification and Disallowance Determination No. 1 of 2002*, as in force immediately before 1 January 2006, to the ACCC in accordance with the requirements (if any) specified from time to time by the ACCC:
 - (a) in a written notice given by the ACCC to Telstra; and
 - (b) after consultation by the ACCC with Telstra.
- (2) Before the end of 3 months after the end of the price-cap period in which a price-cap applies, Telstra must report, in relation to its compliance with the price-cap that applied in that price-cap period, to the ACCC in accordance with the requirements (if any) specified from time to time by the ACCC:
 - (a) in a written notice given by the ACCC to Telstra; and
 - (b) after consultation by the ACCC with Telstra.

22 Credits for not charging the maximum price

- (1) Subject to subclause 22 (2), if the value of the price movement of:
 - (a) the first basket of services; or
 - (b) the second basket of services; or
 - (c) the third basket of services; or
 - (d) the fourth basket of services;over a price-cap period is less than the price-cap (as varied in accordance with this Determination) for the relevant basket in the price-cap period, the price-cap for that basket in the next following price-cap period is taken to be increased by the unused part of the first-mentioned price-cap.
- (2) Subclause (1) does not apply if the value of the price movement of:
 - (a) the first basket of services; or
 - (b) the second basket of services; or
 - (c) the third basket of services; or
 - (d) the fourth basket of services;over the 2008/2009 financial year is less than the price-cap for the relevant basket in that financial year.

23 Reconciliation of price-cap for a basket of services

- (1) If:
 - (a) the value of the price movement of:
 - (i) the first basket of services; or
 - (ii) the second basket of services; or

- (iii) the third basket of services; or
- (iv) the fourth basket of services;

over a price-cap period is greater than the price-cap (as varied in accordance with this Determination) for the relevant basket in the price-cap period; and

- (b) the difference between the value of the price movement and the price-cap is greater than any part of the price-cap that Telstra has elected to defer exercising under clause 20;

the price-cap for the relevant basket in the next following price-cap period is taken to be varied by the unexercised amount of the first-mentioned price-cap.

(2) If:

- (a) the value of the price movement of the first basket of services over the 2008/2009 financial year is greater than the price-cap for that financial year (as varied in accordance with this Determination) for the relevant basket plus 0.2 percentage points; and

- (b) clauses 11, 12 and 13 continue to apply in the 2009/2010 financial year in accordance with clause 30 as if this Determination had not expired;

the price-cap for the relevant basket in the 2009/2010 financial year is taken to be varied by the unexercised amount of the price-cap for the 2008/2009 financial year.

(3) If:

- (a) the value of the price movement of the second, third or fourth basket of services over the 2008/2009 financial year is greater than the price-cap for that financial year (as varied in accordance with this Determination) for the relevant basket plus 0.1 percentage points; and

- (b) clauses 11, 12 and 13 continue to apply in the 2009/2010 financial year in accordance with clause 30 as if this Determination had not expired;

the price-cap for the relevant basket in the 2009/2010 financial year is taken to be varied by the unexercised amount of the price-cap for the 2008/2009 financial year.

Division 2 Other price control arrangements

24 When the ACCC's consent is required for proposed alteration to a charge

For the purposes of subsection 156 (3) of the Act, the consent of the ACCC is required to a proposed alteration by Telstra to increase a line rental that is charged at residential rates.

25 Notice of proposed alteration to be given to the ACCC

If Telstra proposes a price alteration to which the ACCC's consent is required under clause 24, Telstra must give the ACCC written notice of the proposal at least 14 days before the alteration is made unless the ACCC has waived the giving of notice.

Note Subsection 156 (3) of the Act includes paragraphs that Telstra must comply with in order for Telstra to make a proposed alteration.

26 Information to be included in a notice

The notice mentioned in clause 25 must include information reasonably required by the ACCC to enable it to form a view on Telstra's compliance with clause 22 of the *Carrier Licence Conditions (Telstra Corporation Limited) Declaration 1997* unless:

- (a) if no information has been given — the ACCC has waived the giving of the information; or
- (b) if some only of the information has been given — the ACCC has waived the giving of the remainder of the information.

27 ACCC to consent or refuse within 14 days

For the purposes of subparagraph 156 (3) (c) (ii) of the Act, the period within which the ACCC is required to give or refuse its consent to a proposed alteration is the period of 14 days commencing on the day on which the notice of the proposal is given to the ACCC.

Part 4 Principles applying to alterations to certain charges

28 Principles applying to certain line rental increases

For the purposes of paragraph 155 (1) (b) of the Act, the following principles apply to the making of an alteration to a carrier charge that requires the consent of the ACCC under clause 24 of this Determination:

- (a) the ACCC must not consent to a proposed increase by Telstra to a line rental charge that is charged at a residential rate (***the line rental charge***) unless the ACCC is reasonably satisfied that Telstra has complied with clause 22 of the *Carrier Licence Conditions (Telstra Corporation Limited) Declaration 1997*;
- (b) the ACCC must consent to a proposed increase in the line rental charge if the ACCC is reasonably satisfied that Telstra has complied with the clause 22 of the *Carrier Licence Conditions (Telstra Corporation Limited) Declaration 1997*; and
- (c) for the purposes of giving consent to a proposed increase in the line rental charge the ACCC may only have regard to whether Telstra has complied with clause 22 of the *Carrier Licence Conditions (Telstra Corporation Limited) Declaration 1997*.

Part 5 **Carrier charges subject to notification and disallowance**

29 **Specification of charges**

For the purposes of section 157 of the Act, charges for the provision of directory assistance services, where such services are required to be provided by subclause 7 (1) of Schedule 2 to the *Telecommunications Act 1997*, are subject to notification and disallowance.

Part 6 **2009/2010 Price-caps established to
allow carryover of variations**

30 **Price-caps for the 2009/2010 financial year**

Subject to any contrary intention in a determination succeeding this Determination, clauses 5, 11, 12, 13, 16, 17, 18, 19, subclause 21 (2) and clause 23 of this Determination continue to apply in the financial year immediately following the expiry of this Determination as if this Determination has not expired.

Schedule 1 Price-caps for price movements for the first price-cap period

(subclause 12 (1))

Item Column 1	Description of Service Column 2	Price movement Column 3
1	first basket of services	CPI-CPI
2	second basket of services	CPI-CPI
3	third basket of services	$(\text{CPI}-0) \times 1.5$
4	fourth basket of services	$(\text{CPI}-0) \times 1.5$

Schedule 2 Price-caps for price movements for subsequent price-cap periods

(subclause 12 (2))

Item Column 1	Description of Service Column 2	Price movement Column 3
1	first basket of services	CPI-CPI
2	second basket of services	CPI-0
3	third basket of services	CPI-0
4	fourth basket of services	CPI-0

Table of Instruments

Notes to the *Telstra Carrier Charges — Price Control Arrangements, Notification and Disallowance Determination No. 1 of 2005*

Note 1

The *Telstra Carrier Charges — Price Control Arrangements, Notification and Disallowance Determination No. 1 of 2005* (in force under subsections 154 (1), 155 (1) and 157 (1) of the *Telecommunications (Consumer Protection and Service Standards) Act 1999*) as shown in this compilation is amended as indicated in the Tables below.

Table of Instruments

Title	Date of FRLI registration	Date of commencement	Application, saving or transitional provisions
<i>Telstra Carrier Charges — Price Control Arrangements, Notification and Disallowance Determination No. 1 of 2005</i>	22 Dec 2005 (see F2005L04228)	Cc. 4, 24–28: 23 Dec 2005 Remainder: 1 Jan 2006	
<i>Telstra Carrier Charges — Price Control Arrangements, Notification and Disallowance Determination No. 1 of 2005 (Amendment No. 1 of 2006)</i>	28 Feb 2006 (see F2006L00645)	1 Mar 2006	—

Table of Amendments

Table of Amendments

ad. = added or inserted am. = amended rep. = repealed rs. = repealed and substituted

Provision affected	How affected
Part 1	
C. 5	am. 2006 No. 1
Part 3	
Division 1	
C. 13	am. 2006 No. 1
C. 16	am. 2006 No. 1
C. 17	am. 2006 No. 1
C. 19A	ad. 2006 No. 1
Schedule 1	
Schedule 1	am. 2006 No. 1

ANNEXURE B TO STATEMENT OF [C-I-C]

[C-I-C]

ANNEXURE C TO STATEMENT OF [C-I-C]

[C-I-C]