

24 May 2007



Ms Nicole Hardy
Communications Group
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

Dear Ms Hardy

Transmission network cost model

Thank you for the opportunity to comment on the Australian Competition and Consumer Commission's (the Commission) draft transmission network cost model.

Vodafone believes that where competition exists in a market, pricing should be left to market negotiations between industry participants. Vodafone supports the Commission's proposal to only apply the cost model to declared transmission routes where a lack of competition results in charges above that which would be expected in a competitive market. We can confirm that outside the main competitive transmission routes, Vodafone incurs charges significantly greater than the level charged on competitive routes, and significantly above the charge that can be justified on the basis of reasonably incurred costs.

Vodafone incurs substantial leasing fees when connecting our base stations to the transmission capacity service provided in areas where there is only one provider. Vodafone notes that these charges are significantly above those which can be justified on the cost of providing the service. While we would prefer to rely on commercially negotiated agreements, Vodafone notes that there is still a lack of competition in the provision of tail-end transmission services (the Commission recognised this in its 2004 decision to declare tail-end transmission services).

Comments on transmission network cost model

Vodafone submits that the draft transmission cost model does not adequately take into account the demand for transmission capacity from mobile networks and services. The draft transmission cost model, as currently designed, focuses on the demand for transmission capacity from fixed-line services — the Commission notes that the 'primary driver' for transmission services is the to 'serve access seekers that have DSLAMs located in Telstra exchanges' (ACCC Discussion Paper, p.5).

The declaration for the domestic transmission capacity service defines tail-end transmission as being between an end customer's locations and the nearest local exchange — where an end customer includes another service provider, in this case Vodafone¹. In Vodafone's context, tail-end transmission occurs between Vodafone base stations and Telstra local exchanges, or a Telstra Regional Local Transmission Hub.

However, the draft transmission cost model assumes that 'the Access Seeker requires the transmission service to terminate on its equipment located in the Telstra Exchange Building Access (TEBA) space within the local exchange'². Vodafone believes that this assumption is not accurate and should be amended to include transmissions services that terminate on Access Seekers' equipment located outside the local exchange, such as mobile base stations.

If the Commission or Gibson Quai–AAS wishes to discuss these issues in more detail, do not hesitate to contact me.

Regards



Luke van Hooft

Senior Economic Policy Analyst

¹ ACCC, 2004, *Transmission Capacity Service, Final Report*, p.7, p.28.

² ACCC, 2007, *Transmission Network Cost Model Discussion Paper*, p.12.