


**ACCESS DISPUTE BETWEEN CHIME COMMUNICATIONS PTY LTD (ACCESS SEEKER) AND TELSTRA CORPORATION LIMITED (ACCESS PROVIDER)**

**WHOLESALE LINE RENTAL SERVICE (WLR)**

Access Dispute Notified under Subsection 152CM (1) of the *Trade Practices Act 1974*  
on 28 March 2007

**Interim Determination under Section 152CPA**

1. Except where the parties agree otherwise, the charge payable by Chime to Telstra for the WLR is to be \$23.12 per month for Home Line Part and \$25.84 per month for Business Line Part for the period 7 June 2007 to 31 December 2007.
2. Except where the parties agree otherwise, other terms and conditions on which Telstra currently supplies the WLR to Chime are to continue to apply.
3. This interim determination shall take effect as and from 7 June 2007, and will remain in force until:
  - it expires on 31 December 2007;
  - the date a final determination comes into effect; or
  - this interim determination is revoked.



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Graeme Samuel  
Chairman



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Ed Willett  
Commissioner

DATED: 6 June 2007

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Access Dispute Notified under Subsection 152CM (1) of the *Trade Practices Act 1974* on 28 March 2007

### **Statement of Reasons for the Interim Determination**

#### **Background**

The WLR is an access service which allows an end-user to connect to a carrier or carriage service provider's public switched telephone network, and provides the end-user with:

- an ability to make and receive any 3.1khz bandwidth calls (subject to any conditions that might apply to particular types of calls), including, but not limited to, local calls, national and international long distance calls; and
- a telephone number;

except where the supply of the line rental telephone service is within the Central Business District Area of Sydney, Melbourne, Brisbane, Adelaide and Perth.

After holding a public inquiry, the Australian Competition and Consumer Commission (the Commission) declared the WLR pursuant to section 152AL(3) of the *Trade Practices Act 1974* (the Act). A copy of the declaration was published in the Commonwealth of Australia Gazette No. GN 31, 9 August 2006.

The Commission set out its pricing principles, including price-related terms and conditions, in the document titled *Pricing principles and indicative prices, Local carriage service, wholesale line rental and PSTN originating and terminating access services - Final Determination and Explanatory Statement* (the Pricing Principles and Indicative Prices Determination), dated 29 November 2006. The Commission is required to have regard to any pricing principles determination, including price-related terms and conditions, made under section 152AQA of the Act.

On 28 March 2007, the Commission received written notification (the notification) from Chime Communications Pty Ltd (Chime) of an access dispute in relation to the supply by Telstra Corporation Limited (Telstra) of the WLR. Chime's notification was provided to the Commission under section 152CM(1) of the Act.

The notification states that Telstra provides the WLR to Chime under a Customer Relationship Agreement (CRA), dated 9 October 2003. The notification also states that the charges for Chime's access to the WLR are listed in a Telstra document called, 'Our Customer terms, Wholesale Services Section' (the SFOA). The notification states that the parties cannot agree on the price for the provision of the residential and business monthly access charge for WLR.

The Commission has formed the view that the requirements of section 152CM (1) of the Act are satisfied. That is:

- Telstra is a carrier;
- Telstra supplies the declared WLR;
- Standard access obligations apply to Telstra in relation to the WLR; and
- Chime is unable to agree with Telstra about the terms and conditions on which Telstra is to comply with those obligations.

## **Discussion**

In correspondence with the Commission, Chime has requested an urgent interim determination to be made in this access dispute.

Chime provides the following reasons for the making of an interim determination:

- Telstra's access charges for the residential and business WLR, restrict Chime's ability to compete in markets for telecommunications and broadband services and plan its future operations;
- Telstra's ability to absorb the lower prices is far greater than Chime's ability to pay the higher rates;
- Chime has made proposals to Telstra to increase the access charges for the LCS in exchange for a decrease in access charges for the WLR. Telstra has rejected these offers;
- The Commission's interim determination in the Telstra and Optus Networks Pty Ltd (Optus) WLR access dispute, which reduced the monthly WLR access charges payable by Optus to Telstra, adds further urgency to Chime's request for an urgent interim determination in relation to the access charges, Chime pays to Telstra. To compete effectively with Telstra and other service providers like Optus in the same markets, Chime's access costs should be comparable to those of other market participants;
- The Commission's cancellation of the competition notice against Telstra, indicates the reliance on Part XIC arbitrations to ensure competition in declared services;
- The time frame for issuance of a final determination, with a backdating of the access charges, would place a financial strain on Chime and put it at a competitive disadvantage, thus impacting adversely on its current and future business plans.

Chime submits that it is currently paying Telstra [c-i-c] per call for the LCS, which is [c-i-c] less than the indicative price of 17.92 cents per call for the LCS in the Commission's Pricing Principles and Indicative Prices Determination. Chime further submits that it is willing to accept the Commission's indicative price for the LCS, if its access charges for the WLR are also set in line with the Commission's indicative prices for residential WLR and business WLR, in the Commission's Pricing Principles and Indicative Prices Determination.

Telstra submits that it would be inappropriate for the Commission to make an interim determination since any price difference between price currently paid by Chime for the WLR and the price determined in a final determination, could be addressed by backdating the period of effect of the final determination.

Telstra challenges the validity of Chime's claim, in its notification, that the access charge Chime pays for the WLR will prevent it from competing with Telstra and other service providers. Telstra argues that while the price paid by Optus for the WLR as a consequence of

the interim determination is lower than that currently paid by Chime, Optus is also charged a rate for the LCS, which is set in accordance with the Commissions Indicative Pricing Principles and Indicative Prices Determination. Telstra submits that the charge paid by Optus, based on the Commission's Pricing Principles and Indicative Prices Determination is higher than the charge paid by Chime for the LCS.

Telstra submits that its decision to notify the Commission of an access dispute in relation to the LCS, on 18 April 2007, was based on the fact that the pricing structures for the WLR and LCS services are linked. Telstra submits that Chime has chosen not to lodge an access dispute in relation to the LCS, despite the fact that Chime has acknowledged in its submissions that the negotiations between Telstra and Chime, regarding the access charges for the LCS and WLR, have been linked.

Section 152CP of the Act provides that, unless the Commission terminates the arbitration under section 152CS, the Commission must make a written determination on access by the access seeker to the declared service. Section 152CP(4) provides that, before making a determination, the Commission must give a draft determination to the parties.

Section 152CP(5) provides that when the Commission makes a determination, it must give the parties to the arbitration its reasons for making the determination.

Section 152CPA(1) provides that a determination may be expressed to be an interim determination.

Section 152CPA(3) of the Act provides that the Commission is not required to observe any requirements of procedural fairness in relation to the making of an interim determination if both:

- the declared service is covered by a determination in force under section 152AQA; and
- the price-related terms and conditions in the interim determination are consistent with the price-related terms and conditions in the section 152AQA determination.

In accordance with section 152CPA(1) and (3) the Commission has made an interim determination in the arbitration of this dispute.

As noted above, the WLR is covered by a determination in force under section 152AQA. The determination includes, *inter alia*, price-related terms and conditions for the WLR specified at \$23.12 per month for Home Line Part and \$25.84 per month for Business Line Part.

Under section 152AQA(6) of the Act, the Commission must have regard to the WLR Pricing Principles and Indicative Prices Determination, if it is required to arbitrate an access dispute in relation to the WLR.

Section 152CR(1) of the Act sets out matters that the Commission must take into account in making a final determination. Section 152CR(4) specifies that, in making an interim determination, the Commission does not have a duty to consider whether to take into account a matter referred to in a paragraph of subsection (1). Under section 152CR(3), in making an interim determination, the Commission may take into account a matter referred to in a paragraph of subsection (1) or any other matters that it thinks are relevant.

In making the interim determination, the Commission has had regard to the Pricing Principles and Indicative Prices Determination which sets out the supporting reasons in relation to the WLR pricing principles and indicative prices.

The Commission has made an interim determination of \$23.12 per month for Home Line Part and \$25.84 per month for Business Line Part in relation to the price of the WLR that Telstra charges Chime, for the period from 7 June 2007 to 31 December 2007. Accordingly, the price-related terms and conditions in the interim determination are consistent with the Pricing Principles and Indicative Prices Determination.

As outlined in the Commission's *Resolution of telecommunications access disputes – a guide, March 2004 (revised)*, (the Access Dispute Guidelines), the Commission considers that, for the purposes of making an interim determination, it does not need to have all the information necessary for making the final determination, nor to have reached a view on all outstanding issues between the parties. Rather, the Commission considers that the information should provide a reasonable basis for the terms and conditions set out in the interim determination.<sup>1</sup>

The Commission is of the view that the Pricing Principles and Indicative Prices Determination, provides a reasonable basis for making an interim determination in this dispute. The Commission notes that the Pricing Principles and Indicative Prices Determination was the outcome of a thorough review process based on input from a variety of stakeholders, including the parties to this dispute.

Further, the information available from Chime indicates that the parties continue to be in dispute in respect to the WLR. The Commission considers, therefore, that a decision to make an interim determination that is consistent with the Pricing Principles and Indicative Prices Determination, provides a degree of regulatory certainty to the parties. The Commission is also of the view that an interim determination that is consistent with the Pricing Principles and Indicative Prices Determination also promotes commercial certainty by contributing to a more timely resolution of disputes.

A more timely resolution of disputes meets the aims of the interim determination process. That is, as discussed in the Access Dispute Guidelines, the Commission sees interim determinations as being important for the smooth operation of the access regime, as they help ensure access seekers get timely access to declared services.<sup>2</sup> Accordingly, an interim determination that is consistent with the Pricing Principles and Indicative Prices Determination contributes to meeting the aims of the interim determination process.

The Commission also considers that the making of an interim determination in this dispute at the same time as the making of an interim determination in the LCS dispute (for the reasons set out in the statement of reasons relating to that dispute) will ensure that the linkages between the LCS and WLR pricing structures are recognised. Given that the Commission is making an interim determination in the LCS dispute and there is an inter-relationship between WLR and LCS pricing, it is appropriate for the Commission to make an interim determination in this dispute also.

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<sup>1</sup> *Resolution of telecommunications access disputes – a guide, March 2004 (revised)*, p. 51.

<sup>2</sup> *Ibid*, p.50.

The Commission notes that the price-related terms and conditions contained in the Pricing Principles and Indicative Prices Determination are indicative only, and that the Commission has stated that in the event of arbitration it would look at specific issues, raised by the parties on their individual merits for the purposes of the final determination. Further, the Commission may, if appropriate, decide to backdate the final determination in this arbitration. The Commission will have regard to information submitted by the parties regarding WLR pricing for the purpose of the final determination.