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NEWS RELEASE

ACCC FIXED LINE SERVICES DECISION LEADS TO ONE-OFF UNIFORM FALL IN ACCESS PRICES OF 9.4%

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The Australian Competition and Consumer Commission has released its final decision on the prices that other operators pay to use Telstra's (ASX:TLS) copper network to provide telecommunications services to consumers.

The final decision will require a one-off uniform fall of 9.4 per cent in access prices from current levels for the seven fixed line access services. This revises the 9.6 per cent fall estimated in the June further draft decision. The new prices will apply from 1 November 2015 until 30 June 2019.

"The ACCC has dealt with a number of complex issues during this inquiry, including the unique circumstances of the transition from Telstra's copper network to the NBN. Our final decision on prices is the result of a number of considerations, with downward pressures more than offsetting upward pressures," ACCC Chairman Rod Sims said.

"Downward pressures largely come from lower expenditures, falling cost of capital, the treatment of the effects of migration to the NBN and updated information on the NBN rollout. These more than offset upward pressures from a shrinking fixed line market due to consumers moving away from fixed line services and to mobile services."

"Importantly, users of Telstra's network should not pay the higher costs that result from fewer customers as NBN migration occurs. If there is no adjustment for these higher costs then customers who have not yet been migrated to the NBN will ultimately pay significantly higher prices for copper based services," Mr Sims said.

"The ACCC has taken this approach because it considers that users of the fixed line network have not caused the asset redundancy and under-utilisation and will not be able to use those assets and capacity in the future. It would not be in the long term interests of end users (LTIE) for costs to be allocated to users of the network who do not cause them, particularly when Telstra has an avenue to recover those costs."

NBN Co released new information on its rollout plan in August 2015 and the ACCC's decision accepts Telstra's expenditure forecasts subject to updating for that latest information. The allowed expenditure is also subject to exclusion of the capital and operating expenditures that are specific to the NBN and which should not be recovered from users of the copper network.

The ACCC's final decision also covers connection and disconnection charges and a decision to not exempt the CBD areas from coverage under the final access determinations.

The ACCC's final decision and related materials are available at: [Fixed line services FAD inquiry 2013](#)

Background

The seven declared fixed line services include:

- Unconditioned local loop service (ULLS)
- Line sharing service (LSS)
- Wholesale line rental (WLR)
- Local carriage service (LCS)
- Fixed originating access service (FOAS)
- Fixed terminating access service (FTAS)
- Wholesale ADSL service

Access charges to apply from 1 November 2015:

Service	Unit	Current charges	Final decision charges
ULLS Bands 1 to 3	\$ per line per month	16.21	14.68
ULLS Band 4	\$ per line per month	48.19	43.65
WLR	\$ per line per month	22.84	20.69
LSS	\$ per line per month	1.80	1.63
LCS	¢ per call	8.90	8.06
FOAS & FTAS	¢ per minute	0.95	0.86
Wholesale ADSL Zone 1	\$ per port per month	24.44	22.14
Wholesale ADSL Zone 2/3	\$ per port per month	29.66	26.87
Wholesale AGVC/VLAN	\$ per Mbps per month	32.31	29.27

Factors putting downward pressure on prices since they were last set in 2011 include lower costs of the copper network on which prices are determined, due in part to the targeted, bottom up methodology used to forecast operating and capital expenditures under new information arrangements the ACCC has put in place for this inquiry.

Other contributors to lower costs are the depreciation of the fixed line assets over time and lower operating and replacement investment costs due to the decline in the size of the fixed line market as consumers have switched to mobile services.

There have also been external factors that have added to the downward pressure on prices. These are a very significant decline in the cost of capital since 2011; low inflation over the 2015 financial year which passes through to the nominal charges the ACCC sets; and new forecasts from NBN Co on its plan and rollout schedule for the NBN.

Upward pressure on prices has resulted from the ACCC decision to adopt a fully allocated cost model in combination with declining demand for fixed line services due to substitution of mobile for fixed line services and the migration to the NBN. The declining demand means that costs are shared across fewer services and prices will rise as a result.

Many of the factors affecting prices are dealt with in a mechanistic way within the building block pricing model that the ACCC uses to determine the fixed line charges. But for other issues it is necessary for the ACCC to make a judgement. The ACCC has made such a judgement in deciding to adopt a revised cost allocation framework; in deciding to apply a

uniform price change; and in the approach taken on the effect of the transition from Telstra's fixed line network to the NBN.

This and Telstra's arrangements with NBN Co are unique and complex circumstances that the ACCC has considered during its inquiry. The NBN is replacing Telstra's legacy network as the infrastructure over which Australians receive fixed line voice and broadband communications. As services are disconnected from the legacy network, some assets become redundant and the scale efficiencies of servicing large numbers are lost as customers progressively migrate to the NBN.

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