Australian Competition & Consumer Commission

NEWS RELEASE

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Attention: Telecommunications writers

A.C.C.C. WELCOMES AUSTRALIAN COMPETITION TRIBUNAL DECISION ON PRICING OF TELSTRA'S LINE SHARING SERVICE

The Australian Competition and Consumer Commission today welcomed a decision by the Australian Competition Tribunal to reject Telstra's proposed price for the Line Sharing Service.

Telstra had proposed the monthly price of $9 per line in an access undertaking previously lodged with the ACCC.

Telstra had sought a decision from the Australian Competition Tribunal following an ACCC ruling that the price was not reasonable and that the access undertaking should be rejected.

Today's decision by the Tribunal to affirm the ACCC's decision and reject the access undertaking means that the access undertaking will not come into operation and the price specified in it will not become legally binding.

The price of access to the service will remain subject to agreement between Telstra and its customers, and where agreement is unable to be reached, by ACCC determination of a notified dispute.

In support of its proposed price, Telstra had argued that its costs of supplying the line sharing service should be recovered solely from customers of that service.

In today's decision, however, the Tribunal found that this approach to cost recovery was not reasonable. The Tribunal also determined that it would not be reasonable for Telstra to seek to recover its costs of the line sharing service from a price that was averaged over a four-year period, as Telstra had proposed.

"The ACCC is heartened by the Tribunal's decision to reject this access undertaking, and will carefully be considering its implications for the ACCC's ongoing regulatory functions", Mr Graeme Samuel said today.

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BACKGROUND

On 21 December 2005, the ACCC rejected the access undertaking that Telstra had submitted concerning its Line Sharing Service. The Line Sharing Service is used by service providers that wish to access the high frequency spectrum on Telstra's copper cables in order to supply broadband to their customers. The access undertaking specified the prices on which Telstra would be willing to supply the Line Sharing Service until 30 June 2006.

In January 2006, Telstra applied to the Australian Competition Tribunal for it to consider whether or not the access undertaking should be accepted or rejected. Had the ACCC or ACT accepted the access undertaking, then the prices specified in it would have become binding on service providers wishing to acquire the Line Sharing Service. The price of the line sharing service will now remain subject to commercial negotiation, or ACCC determination in arbitrating access disputes notified should negotiations fail.