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Mr Chris Pattas
Senior Director
Telecommunications
Australian Competition and Consumer Commission
GPO Box 520J
Melbourne VIC 3001
9 May 2003

Dear Chris

**Model Price Terms and Conditions for PSTN, ULLS and LCS -
Discussion Paper, April 2003**

ATUG is pleased to offer the following comments on the above Discussion Paper.

- 1) ATUG's view is that all access prices should be cost oriented.
- 2) ATUG is concerned that the retail minus approach for LCS allows the inclusion of costs that may not be forward looking or at an optimised efficiency level
- 3) ATUG supports the use of average actual retail rather than the list retail price as the retail price start point - wherever actual data is available it should be used. Improved availability of information about revenues should be used in these decision processes. Use of actual retail prices would allow the effects of bundling to be incorporated. ATUG's benchmarking service suggests significant difference in prices for bundled offerings. At the residential level, discounted local calls such as Neighbourhood calls were offered until recently.

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- 4) With regard to WACC calculations, without offering specific comment on quantum calculations, ATUG is concerned that an ever increasing array of costs if offered for inclusion in such calculation. Given the global nature of economic models it may be appropriate for the Commission to review practice in other jurisdictions as part of the process of determining the suitability of any proposed new model or model elements. Users are not expecting to see access prices on the increase after 10 years of competition in telecommunications have amply demonstrated the ability of the industry to generate free cash flow. Inefficient investment decisions ought not to be rewarded with increased access prices that flow directly to consumers.
- 5) The price squeeze potential of increased use of bundling should be considered by the Commission as part of these deliberations. Bundling that delivers price reductions and transaction efficiency is welcomed by consumers but its anti-competitive potential needs to be monitored. The OECD paper on Access Regulation makes the point clearly about the importance of ensuring appropriate links are in place between wholesale and retail pricing.
- 6) ATUG would like the Commission to consider our previous submissions on the Access Deficit Contribution Discussion Paper and the Telstra Undertakings Discussion Paper.

ATUG trusts these perspectives from the user community will assist the Commission in the development of its model Price Terms and Conditions for PSTN, ULLS and LCS.

SIGNED
Rosemary Sinclair
Managing Director