Future Access Pricing for PSTN, ULLS and LCS

Submission by Macquarie Corporate Telecommunications
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Macquarie Corporate Telecommunications (MCT) welcomes the opportunity to respond to the ACCC's discussion paper.

MCT applauds the introduction of published indicative pricing and terms and conditions. In conjunction with published RAF information, this should promote informed negotiation, reduce the time taken for terms of supply to be agreed, assist in strategic and investment decisions and provide an enhanced degree of certainty in the sector.

Timing

MCT believes that regular resets of pricing are important given the impact of technological advances, such as line sharing, increased efficiencies and the introduction of additional infrastructure. Annual resets would be adequate given the limited variation that is likely to occur over a twelve month period and also given that prices are generally contracted for 12 months or more. More regular resets would be unnecessary and difficult to justify.

MCT supports indicative pricing for a period of greater than 12 months otherwise wholesale contracts will have a term of 12 months to match the resets as both parties attempt to minimise risk. The consequent uncertainty of 12 month contracts limits the ability to make effective strategic or capital decisions.

Accordingly, MCT supports the publication of three sets of indicative prices for the next three regulatory periods which would provide a compromise between medium term certainty and accuracy of the prices. To address any significant and unforeseen changes that would impact on the price, a mechanism should provide for parties to seek review of prices mid term if sufficient evidence of changed inputs is produced. An example would be the reduction of retail LCS prices. The mechanism should however have a high evidentary threshold to avoid continual "arbitration" of the indicative prices.

Pricing methodology

MCT's overriding concern is that prices for core wholesale services remain at a level that allows MCT to remain in the corporate telecommunications market by offering services at rates that can compete with Telstra. MCT therefore favours methodology that can accurately identify Telstra's true costs and thereby provide effective wholesale pricing that does not allow Telstra to undercut MCT's retail offerings on a sustainable basis. A retail minus methodology should provide "effective" wholesale pricing, assuming the retail components are accurately costed, as it is derived from and linked to Telstra's market offering. For this reason, where it can be applied retail minus is preferable to a cost based methodology.

PSTN and ULL

As the services have no retail offering and retail minus cannot be applied, MCT supports the use of cost based methodology. The effectiveness of such methodology is determined by the ready availability of accurate and contemporary cost information. Hopefully such information should become more readily available through the RAF process. MCT also hopes that the access deficit component of the costing will accurately reflect increases in line rental charges.

LCS

MCT supports the retention of a retail minus methodology for the reasons discussed above. MCT would however strongly encourage the Commission to adopt a retail starting price that reflects the true retail offerings in the market and not the Telstra published “standard offering” that is not used by end users as lower offerings are available. Hopefully the information provided under the RAF will allow the Commission to identify the retail starting prices relied upon by the market. MCT also hopes that the access deficit reductions resulting from increases in line rental charges will be accurately and promptly reflected by Telstra in reduced retail starting prices. This has not occurred to date.