

**Telstra's submission in response to the ACCC's draft  
information paper on bundling**

**March 2003**

# 1 Executive Summary

Telstra welcomes the opportunity to respond to the Commission's draft information paper on bundling in telecommunications markets.

Product bundles are a common feature of many industries and are an increasingly important dimension of effective competition in telecommunications. The growing prevalence of bundling is explained by the important cost savings and consumer benefits it provides. Given the significant benefits that bundling can deliver it is vital that the Commission not discourage pro-competitive bundling.

In Telstra's view, bundling only raises valid competition concerns under very narrow circumstances. In practice, the extensive regulation of Telstra's wholesale prices means that Telstra's own retail services can be (and are) matched by Telstra's competitors, who are well placed to combine inputs they purchase from Telstra with their own services to provide bundled offers on a competitive basis. Regulated access by competitors to the key inputs Telstra provides thereby addresses the issues that might otherwise arise with respect to bundled offers.

That said, Telstra recognises the Commission's concerns in respect of the risk of vertical price squeezes, that is, situations in which effective prices for retail services are set at levels that cannot be matched by even efficient competitors dependent on Telstra for wholesale inputs. Telstra has long submitted to the Commission that these concerns can be addressed by ensuring that retail prices, including the effective prices provided within service bundles, are consistent with a properly framed imputation test. Telstra therefore welcomes the emphasis placed by the Commission on the role that imputation tests can play in monitoring against anti-competitive conduct. However, it is clearly important to apply imputation tests only when relevant and to interpret the results of imputation tests correctly.

A key element in the proper construction of imputation tests is assessing the cost of supplying the downstream product. In Telstra's view, the appropriate cost measure that should be utilised in imputation tests is efficient avoidable costs and not average, fully distributed, or marginal costs. Telstra notes that a similar conclusion has been reached in the economic literature and by regulators. Moreover, NERA in its report for the Commission on imputation testing concluded that the use of avoidable or incremental costs is preferable to the use of average costs.

The choice of the relevant cost base is not simply an issue of theory. Rather, it can have very real and serious implications for the interest of end users. Adopting an imputation test methodology based on average costs would cause a significant reduction in consumer benefits, as well as substantially decreasing Telstra's ability to compete and hence its profitability, causing an unjustifiable loss of value for its shareholders. In effective competition, firms rarely set prices uniformly to average cost levels and certainly not to

fully distributed cost levels as determined by a regulator. Rather, costs are recovered by pricing below average costs for some products and above for others. The effect of forcing Telstra to uniformly price at such levels will be to reduce its capacity to behave competitively, including to respond to its rivals' prices, to price discriminate and to viably offer new technologies where average cost pricing is almost never seen in practice. The adverse impact would be particularly felt in new services, where efficient investment would be deterred. As a result, Australia would be slow to implement technologies that have the potential to materially benefit consumers and the wider economy.

In addition to the implementation of the imputation testing methodology, Telstra also has grave concerns about the Commission's information gathering proposals because they are discriminatory, onerous and likely to reduce, rather than enhance, competition.

Telstra recommends that the Commission:

- Adopt a transparent and effective process for analysing bundles;
- Use efficient, avoided or incremental costs, rather than average (fully distributed) costs as the basis for implementing the imputation test; and
- Adopt a more proportionate and non-discriminatory approach to information gathering.

In making each of these points, Telstra proceeds as follows. First, Telstra sets out the benefits to consumers and cost savings to providers that come from bundling. Telstra then considers the issues that can arise in testing for potentially anti-competitive pricing. This is followed by a discussion of the Commission's proposed information disclosure requirements. A final section draws together Telstra's recommended changes to the approach the Commission has set out.

In addition to the material set out here, Telstra has commissioned the Network Economics Consulting Group Pty Ltd ("NECG") to review the economic issues raised by the Commission and by its economic consultants. NECG's report on these issues is attached.

## **2 Benefits from bundling**

Although product bundles are a common feature of many industries, it is only in recent years that they have become widespread in telecommunications. As telecommunications markets have become more competitive internationally, carriers, including Telstra, have come under increasing pressure to deliver services that are innovative and cost efficient. Combining otherwise distinct services into bundles that are sold to consumers is one important way in which carriers worldwide have responded to these pressures.

As is evident from the Australian telecommunications market, the prevalence of bundling cannot be solely attributed to incumbents. To the contrary, it has played an important role in the strategies of Telstra's competitors. For example, in as early as 1996, Optus was bundling mobile services with long distance and pay TV installation with local calls.<sup>1</sup> Moreover, Optus considers its bundling strategies as having been highly successful.<sup>2</sup> Since 1999, Austar has bundled mobile telephony with pay TV and Internet services.<sup>3</sup> It was not until 15 September 2000 that Telstra first offered bundled discounts on mobile and fixed services, and it has only just begun to offer a pay TV bundle.

The move to a widespread reliance on product bundling reflects the substantial cost savings and consumer benefits it can deliver. These significant benefits include:

- *Simplifying the product selection, payment and enquiry process.* Customers can benefit from a simplification of choice in often complex product offerings and will also benefit from a single bill and single point of contact for enquiries.
- *Cost savings in the production and/or distribution of services.* Bundling can reduce the costs of supply by allowing firms to achieve economies of scale and scope. For example, significant economies of scope can be achieved in the provision of customer care, sales and marketing, customer acquisition, billing, and debt collection when a number of products are supplied jointly to each consumer.
- *Stimulating demand for new services.* The cost of providing a service as part of a bundle may be significantly lower than that of offering the product by itself. In turn, these cost savings allow sustainably lower prices, thereby stimulating take up;
- *Integrating services across multiple platforms.* Examples include the use of unified messaging and single voice mailboxes for fixed and mobile services;
- *Facilitating lower effective prices while ensuring continued cost recovery.* By including several products in a single offer, a firm can differentiate among groups or types of customers—that is, price discriminate—to the benefit of consumers and overall economic efficiency. This improves the ability of the firm to recover common costs in an efficient way—most particularly from those customers with the greatest ability to

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<sup>1</sup> <http://www.accc.gov.au/media/mr1996/media2.htm>

<sup>2</sup> <http://www3.optus.com.au/codocs/agm99.pdf>;  
[http://www.news.com.au/common/story\\_page/0,4057,5660554%255E15306,00.html](http://www.news.com.au/common/story_page/0,4057,5660554%255E15306,00.html).

<sup>3</sup> <http://www.internetnews.com/bus-news/article.php/365211>

pay. Thus, bundling makes discounting easier than it otherwise would be and hence more widespread, and in this way and others contributes to making competition more effective.

Given the significant public benefits that bundling can deliver, it is important that the Commission not discourage legitimate bundling. As NECG's paper points out,<sup>4</sup> bundling is much less of a competition concern than the Commission's approach would suggest. As long as either: (1) all products are contestable at the retail level, or, even if they are not; (2) all products are available unbundled, then bundling itself simply should not be a cause for concern. Rather, the only issue that should concern the regulator is whether the prices of the bundle and the separately available components are competitive or not. This can be verified by a comparison of these prices to incremental costs to show that the prices are not predatory; and by imputation tests to demonstrate an absence of a price squeeze.

The reasons for this are straightforward. If all products are contestable at the retail level, for example, because no inputs are essential, or any essential inputs are available at regulated prices, then an efficient competitor can reproduce any element of the bundle. Thus, the act of bundling *per se* cannot be anti-competitive. Similarly, if all elements of the bundle are available individually, even if some elements cannot be supplied by the bundler's rivals, then it is possible to determine whether the bundle prevents efficient competition in the supply of the contestable elements of the bundle. An implied price for contestable elements can be estimated and predation and imputation tests undertaken. If the bundle is anti-competitive, this will be revealed by such tests. Again, the issue is not the bundle *per se*, but whether the bundle, and any essential inputs necessary to produce the contestable elements of the bundle, are appropriately priced.

The reality of the Australian telecommunications market is that competitive supply occurs for virtually all of the retail services Telstra provides. The extensive regulation of Telstra's wholesale prices means that Telstra's own retail services can be and are matched by Telstra's competitors, who are well placed to combine inputs they purchase from Telstra with their own services to provide bundled offers on a competitive basis. Regulated access by competitors to any inputs Telstra provides thereby addresses the key concerns that might otherwise arise with respect to bundled offers.

That said, there are some relatively narrow circumstances in which bundling could be anti-competitive. In particular, there can be a concern that a supplier could use bundled pricing to impose a 'vertical price squeeze' – that is, a situation in which effective prices for retail

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<sup>4</sup> NECG, 2003, Submission in response to the ACCC's draft information paper on bundling.

services are set at levels that cannot be matched by even efficient competitors dependent on Telstra for wholesale inputs.

Given this, it is appropriate to develop a methodology for distinguishing between pro-competitive and anti-competitive bundle prices. To protect the interests of end users, the testing process must be consistent with promoting efficient competition and economic efficiency more broadly. It should involve a methodology that is effective, robust and transparent. Finally, it should impose a compliance burden that is no greater than it needs to be to effectively guard against the potential harm. The design of an approach that meets these criteria is, in Telstra's view, the central challenge the Commission's current inquiry process needs to meet.

### 3 Imputation tests

With respect to the definition of an appropriate test, Telstra has long submitted to the Commission that concerns about the pricing of bundles can be addressed by ensuring that retail prices are consistent with a properly framed imputation test. Telstra therefore welcomes the emphasis placed by the Commission on the role that imputation tests can play in monitoring against anti-competitive conduct. However, it is important to understand the circumstances when imputation tests are relevant and to interpret the results of imputation tests correctly.

Imputation tests are relevant where a downstream firm must purchase inputs from a vertically integrated competitor. Where a competitor can efficiently produce the inputs itself, or obtain them from sources other than the vertically integrated supplier, imputation tests are of no relevance, as the vertically integrated firm is not in a position to effect a vertical price squeeze. As a result, **imputation tests should only be applied where there is a demonstrable need for downstream competitors to rely on Telstra for efficient supply of the inputs the bundle requires.**

Just as it is important to appropriately define the scope of valid application of imputation tests, so too is it important to properly analyse their results.

Specifically, while a negative margin in an imputation test is *suggestive* of a squeeze, it does not in and of itself imply that the vertically integrated firm is in fact engaging in anti-competitive activity. This is for at least two reasons:

- It may be that efficient costs are lower than those of the vertically integrated firm. When that is the case, using the vertically integrated firm's costs as the basis for the imputation test will over-state the appropriate price floor and hence can result in prices failing the imputation test, even though those prices are not in fact anti-competitive.

- Prices may be set below costs for legitimate reasons, for example, when a new product is being introduced, for promotional purposes, or to match the promotional or marketing initiatives of a rival.

In Telstra's view, these factors – the limited scope of appropriate application of the tests, and the caveats that apply in interpreting the results – need to be taken more fully into account in the Commission's consideration. However, even taking recognition of these factors as given, there are a number of substantial problems with the Commission's suggested methodology for imputation testing. The most important of these is the proposed choice of the appropriate cost measure.

### **3.1 Appropriate costs**

Estimating the cost of providing the downstream service is central to undertaking an imputation test. If an inappropriate estimate of costs is used, then the imputation test can lead to setting prices in a manner that is inefficient. In particular, if the costs that are deducted from the bundled price are set at levels that are inappropriately high, the result will be to force up the allowed price floor, thus rewarding and perpetuating inefficient sources of supply whilst of course punishing consumers.

NECG's paper explains that it is avoidable costs that should be used in the imputation test, and shows that this result has been broadly recognised by economists and regulators. Telstra also notes that the report prepared by NERA for the Commission on imputation testing concluded that the use of avoidable or incremental costs is preferable to the use of average costs. NERA concluded that this is the case because the use of avoidable or incremental costs will:

- be more consistent with economic theory on expected outcomes in competitive markets;
- not discourage firms that are more efficient than Telstra from remaining in the market;
- be more consistent with economic efficiency and recognise that there are efficient and legitimate commercial reasons for pricing below average total cost; and
- likely be less contentious as it does not require an arbitrary allocation of shared costs.<sup>5</sup>

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<sup>5</sup> NERA, 2003, Imputation tests for bundled services - A report for the Australian Competition and Consumer Commission, p. 33.

The choice of the relevant cost base is not simply a theoretical debate; rather, it will have very real impacts on the interests of end users. The use of an average cost test, even on a “first threshold” basis as proposed by the Commission will work to the detriment of end users. It will force the setting of downstream prices at levels that exceed efficient costs and as a result will:

- lower output below economically efficient levels;
- allow entry by inefficient firms, that is, firms that must use more resources than necessary to supply the same output, thus wasting the community’s resources;
- distort investment by the vertically integrated firm; and
- lead to higher prices for customers.

The Commission proposes that the average cost test be used as a first threshold to assessing whether a price squeeze is occurring. It proposes that if the average cost test fails then an incremental cost test be applied, but that a positive margin on the incremental test will not necessarily mean that the Commission will not have concerns with the pricing and instead the pricing will be assessed with respect to other factors. In practice, the effect of this approach will be to discourage Telstra from pricing below average cost because of the possibility that the Commission will object to such pricing. In short, the use of the average cost rule will dampen competition and lead to market timidity.

If Telstra was forced to price at or above average cost then two outcomes, perhaps in combination, could immediately occur. First, competitors could set their prices at a level that is just below Telstra’s price floor. In that case, Telstra would be at a competitive disadvantage and consumers would be forced to pay inefficiently high prices. Worse, to the extent that average pricing reduces Telstra’s capacity to price discriminate, it would cause more price sensitive customers to abandon Telstra for its rivals. This would reinforce the detriment to efficiency and Telstra. The lost customers would otherwise have made some contribution to Telstra’s fixed costs and would have provided Telstra with a greater ability to use its economies of scale and scope. An average imputation test repeated with the smaller subscriber base would require even higher prices to cover average costs causing further customer losses. Alternatively, to the extent to which the market remained competitive (even absent Telstra as a price competitor), competitors might sacrifice the full price rise in return for claiming market share. As a result, Telstra’s competitors would inefficiently expand their output, while Telstra would be prevented from competing on the merits, at a cost both to the community and to Telstra’s shareholders.

In addition, a price floor which is set using the average cost rule may well have the effect of discouraging investment by Telstra in new and innovative services. This is because consumers are often particularly price sensitive in respect of new services, and low pricing is required to kick-start demand. An average cost imputation test which loads allocated



costs onto new products may not allow the pricing that is required to make these services viable. In such cases, an average cost imputation test will not only seriously hinder Telstra's ability to compete, but it will discourage investment in new and innovative services, thereby disadvantaging consumers and the economy generally.

In summary, adopting an imputation methodology based on average costs would cause a significant reduction in consumer benefit and more widely in economic efficiency. This effect is inevitable, as the inappropriate use of average costs has the effect of setting the floor price at levels that are above real economic costs, and hence must distort both demand and supply. Additionally, as the test would force Telstra to price at levels that were too high, Telstra's legitimate interests would be harmed, since it would be required to hold a price umbrella over inefficient competitors and would lose market share to firms that could not prosper in the absence of regulatory distortions.

In practice, the most harmful impacts will be felt in the most commercially and technologically dynamic markets. Thus, in those areas where competitive pressures are especially strong, Telstra already now faces competitors who set bundled prices on a basis that reflects not average costs, but rather the relatively low avoidable costs of service provision. The practical effect of using average costs for the imputation test would be to prevent Telstra from meeting this competition, thus reducing, rather than promoting, the competitive process.

Equally, in areas that are technologically dynamic, it is essential that prices be set in a manner that reflects the scope to promote demand and reduce costs by growing the market. The high sensitivity of demand to price, and the need to take a long term view of market prospects, makes especially inappropriate the use of average costs as a basis for determining the price floor. Here too, far from protecting consumers, mis-specifying the cost basis for imputation testing will simply harm the long term interests of end-users.

Ultimately, the choice of a cost base acts as a screening device – it helps filter out those cases that are not of concern from those where a closer look may be warranted. This screening function reflects the fact that, as a matter of law and economics, an imputation test cannot be determinative: rather, it merely indicates whether an anti-competitive price squeeze may be involved. In this sense, failing a properly specified imputation test is, in Telstra's view, a necessary but certainly not sufficient condition for identifying potentially anti-competitive behaviour. The role of the imputation test, then, is to help determine the range of cases where anti-competitive **may** be at work.

Seen in this light, the Commission's proposal to use an average cost basis is all the more harmful. In effect, the use of this basis, which finds no justification in economics or law, will likely result in many efficient, pro-competitive service bundles failing the test. As a result, resources that could be better used for other purposes will have to be devoted to investigating whether these bundles are or are not anti-competitive. As well as being

extremely wasteful of resources, this will increase regulatory risk, as there is inevitably some possibility of a service bundle that is in fact efficient and pro-competitive being found not to be. The likelihood that such a process will lead to regulatory gaming by Telstra's competitors compounds the costs and risks involved.

The consequence of going down this path would be to discourage Telstra from being a vigorous and effective competitor in markets where all of its competitors are engaging in far-reaching service bundling. This outcome – of discouraging aggressively competitive behaviour – is one the High Court has strongly condemned in its recent Boral decision, where McHugh J notes that:

Section 46 would be a vehicle for anti-competitive conduct if the most efficient firm in the market had substantial market power and by reason of its efficiency could not take market share from its rivals without contravening the section. This makes little sense from the perspective of achieving an efficient economy with efficient resource allocation or for the benefit of consumers that can be provided with quality goods or services at lower prices.<sup>6</sup>

### **3.2 Other issues**

Given that telecommunications carriers supply a wide range of retail services, it is clear that a decision must be taken with regard to the range of services an imputation test should cover. At one extreme, an average retail price could be estimated for all of the vertically integrated firm's outputs; at the other extreme, the price of a very narrow service could be subject to imputation testing.

In Telstra's view, this issue needs to be viewed in the context of the purpose being served – that purpose being the protection and promotion of competition. By its nature, the competitive process, and in particular issues involving entry, expansion and exit, need to be seen at the level of the relevant market. As a result, Telstra believes that the test must be applied to the arena in which competition occurs, which is the greater of the market or the service bundle offered.

The errors that arise when the test is applied to commercial decisions narrowly defined, rather than to the wider market in which those decisions' impacts will be felt, have been subject to extensive criticism by regulators and economists. In particular, such a narrow focus leads to results that are misleading, in that an imputation test may be failed with

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<sup>6</sup> *Boral Besser Masonry Limited (now Boral Masonry Limited) v Australian Competition and Consumer Commission* [2003] HCA 5 at 81 per McHugh J.

respect to a service narrowly defined despite the fact (1) that competition does not occur on the service so defined, but rather on a far broader basis and (2) that for that more widely defined service, the imputation test is readily passed. The result would be to force Telstra to increase prices on narrowly defined services, hindering efficient pricing, providing an artificial advantage to Telstra's competitors and penalising Telstra's legitimate interests. Defining the service being tested more narrowly than the relevant market will, in other words, distort entry and expansion decisions in a manner harmful to consumers and to overall economic efficiency.

Telstra therefore believes that the Commission needs to adopt an approach in which the relevant tests are carried out at the level of the market or, where the bundle is wider than the market, of the services the bundle comprises. As well as being consistent with the economic analysis underpinning the imputation test, such an approach will avoid the unnecessary and unjustifiable compliance burden a narrow approach would impose.

## **4 Information disclosure**

The Commission is now considering the use of the record keeping rules (RKRs) to obtain further information from Telstra on its bundled offers into the residential market and may seek to make this information public.<sup>7</sup> Telstra has grave concerns with respect to these proposals. They are discriminatory, onerous and likely to reduce, rather than enhance competition.

The current proposals will be difficult to comply with in a meaningful way. The net result of implementing those proposals will be that substantial resources will have to be used by both Telstra and the Commission, and that irrelevant information will be generated, raising further prospects for regulator error.

For example, Telstra offers a very wide range of different residential bundles, and these are constantly evolving. Close to real-time reports would be necessary to record actual and new customer numbers under each consumer offer. The requirement that the total accrued discount for each bundled offering be recorded would be extremely difficult to meet. In particular, it would first be difficult to know what the baseline was against which discounts would be estimated. This would vary on a customer-by-customer basis, at least because of

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<sup>7</sup> If these RKR were extended to cover non-residential customers the difficulty of the task would increase considerably. Important issues of customer confidentiality would also be raised in some instances, as particular bundles would be tailored to a very small number of clients or a single client.

differing usage patterns, and would vary depending on which product or bundle supplied by one of Telstra's rivals the imputation test was being applied to. Since Telstra faces many competitors and these typically supply a plethora of products and bundles, the range of potentially appropriate baselines would be unmanageably large.

In short, while estimates of the effective discount associated with any given bundle can be sensibly carried out, they need to be undertaken (1) with a specific price squeeze in mind (otherwise they are meaningless) and (2) with a good deal of care. Absent this specificity and expense, the data requested by the Commission is unlikely to be of any use. However, meeting both of these requirements for each of the many bundles would, if possible at all, in most instances, be extremely costly, indeed burdensome, to both the Commission (that must appropriately specify what it wants and monitor what it receives) and to Telstra.

A further problem with the Commission's proposal is that the use of an average cost based imputation test approach, especially if the collected RKR data is made public, will greatly improve the capacity of firms in the industry to engage in tacit collusion. Publishing the RKR imputation test data will provide, as the Commission concedes,<sup>8</sup> Telstra's rivals with the ability to know, with a high degree of accuracy, exactly how low Telstra can cut its prices. This would become a natural focal point for the remaining firms in the industry. For example, one form of tacit collusion would be to undercut Telstra by a relatively small amount.

A final problem with the Commission's proposals is that it appears to be leaning toward collecting data on consumer price bundles from Telstra alone. Telstra sees no reason why it should be singled out for such treatment, which raises its costs against those of its rivals and would lead to undue attention on Telstra's bundles without adequate comparison to those of its rivals. It is not clear, for example, why Optus as both a wholesaler and retailer of similar services is not included in these reporting requirements given that it has been engaging in bundling Pay TV with telephony for more than six years, and that it is now bundling packages which include Foxtel programming. Moreover, limiting the information collection requirements to Telstra will seriously distort the Commission's ability to interpret the data it has received. For example, failure of a Telstra bundle to pass an imputation test cannot indicate anti-competitive behaviour if Telstra is merely responding to price cuts on a rival's bundle. However, as the Commission would be solely securing the data from Telstra, it would have no way of readily identifying instances in which all that was involved was the matching of a competitive price. As a result, a narrow focus on Telstra's bundles is likely to lead to mistaken and harmful claims, in some cases, finding their way into the public arena.

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<sup>8</sup> ACCC, 2003, 21-22.

In conclusion, it may be helpful to step back a moment and examine the Commission's goal—to proactively prevent price squeezes. It is worth observing that prevention of anti-competitive behaviour is almost universally dealt with by *ex post* intervention through the application of competition law. The reason for this is that *ex ante* prescriptions and monitoring are highly costly in comparison with *ex post* prosecution and fines. In particular, the potential forms of anti-competitive behaviour are too varied; the difficulty of distinguishing these from a plethora of similar pro-competitive actions is too great; and the cost of monitoring all possible actions all the time is too onerous.

These reasons for preferring *ex post* application of competition law to *ex ante* monitoring and regulation are especially valid in the case of monitoring price squeezes in telecommunications. The fact of the matter is that the Australian telecommunications market place is undergoing rapid change, and that the commercial dynamism this process entails requires of Telstra, as of its competitors, great flexibility in adjusting price and service offerings. Indeed, as the then Trade Practices Tribunal pointed out in *QCMA*, such flexibility in the prices and services being offered is the essence of effective competition.<sup>9</sup> Hindering and ultimately discouraging that flexibility would be plainly contrary to the Commission's stated purpose.

## 5 Final comments

In Telstra's view two matters concerning the Commission's approach are central and worth repeating.

### 5.1 Use incremental cost not average (fully distributed) cost

The use of average (fully distributed) costs is likely to cause substantial distortions. The Commission's proposed approach of using tests based on these costs to identify a "grey area" is likely to cause substantial uncertainty and, to the extent that it does not ultimately rely on an incremental cost standard, will result in distortions as well. Telstra therefore recommends that avoided costs be used as the standard in imputation testing by the Commission. In Telstra's view, such an approach would bring the Commission into line with the views adopted by economists<sup>10</sup> and regulators, and is far more likely to be consistent with the goal of encouraging (rather than deterring) vigorous price rivalry.

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<sup>9</sup> *Re Queensland Co-operative Milling Association Ltd* (1976) 25 FLR 169 at 188-189.

<sup>10</sup> See for example, AE Kahn and WE Taylor, "The pricing of inputs sold to competitors: A comment," *The Yale Journal on Regulation*, 11, 1994, 225-240, 227-228; JA Hausman and TJ

## **5.2 Adopt more proportionate and non discriminatory information requirements**

Telstra has serious concerns with the practical implications of the Commission's information requirement. Such a requirement would be onerous and Telstra is of the view that it would not deliver the benefit the Commission claims. Telstra also recommends that the information requirement be applied to all suppliers of bundles and not just Telstra. Telstra would be happy to work with the Commission in defining a relevant and feasible reporting format.

The disclosure of Telstra's costs and imputation tests could facilitate collusion and Telstra strongly recommends that the Commission not disclose material from the RKR's or the calculations that underpin the imputation test results.

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Tardiff, "Efficient local exchange competition," *The Antitrust Bulletin*, 40 (3) Fall 1995, 529-556, 543-545; Dennis L. Weisman, "Access pricing and exclusionary behaviour", *Economic Letters*, July 2001, 72(1), 121-126.