

1 Introduction

The Australian Competition and Consumer Commission (**ACCC**) is holding a public inquiry about the future of the declarations of the following six fixed line services, which expire on 31 July 2019:

- unconditioned local loop service (ULLS)
- line sharing service (LSS)
- wholesale line rental (WLR)
- local carriage service (LCS)
- public switched telephone network originating access (PSTN OA)
- public switched telephone network terminating access (PSTN TA). (The **fixed line services**)

As part of the inquiry, the ACCC released a consultation and position paper on 31 August 2018. This consultation and position paper seeks views on the ACCC's position to extend the six existing declarations of the fixed line services for five years until 30 June 2024. This further extension would retain the same terms, including service descriptions, as the existing declarations.

As an active participant in telecommunications markets in Australia, Vocus Group Limited (**Vocus**) is directly affected by, and has an interest in, the issues being considered in the ACCC's inquiry.

Vocus welcomes the opportunity to provide a submission on the future of the declarations of these fixed line services. We look forward to engaging further with the ACCC in relation to this inquiry as it continues to progress.

2 The services in question

The fixed line services which are the subject of this inquiry are supplied using Telstra's copper network and can be grouped as follows:

- *Network access services*: unconditioned local loop service and line sharing service
- *Resale services*: wholesale line rental, local carriage service and public switched telephone network originating access
- *Voice interconnection services*: fixed originating access service (special numbers) and fixed terminating access services

There are three main markets in which these regulated fixed line services are supplied over bottleneck infrastructure, namely fixed voice services; fixed broadband services; and bundles of fixed voice and broadband services.

The declaration of these fixed line services has allowed access seekers, such as Vocus, to provide telecommunications services over Telstra's copper network on a competitive basis.

3 Vocus supports the extension of the six fixed line declarations

The ACCC has the power to extend the declarations for the fixed line services if the ACCC is satisfied that doing so will promote the long-term interests of end users (LTIE).

In considering whether the further extension will promote the LTIE, the ACCC must consider whether this decision will achieve the following objectives of:

- promoting competition;
- achieving any-to-any connectivity; and
- encouraging efficient use of, and investment in, infrastructure.

The ACCC has proposed that it is in the LTIE that the six fixed line services continue to be declared for a further five years. Vocus agrees with this proposal, as set out in this submission.

The central question asked by the ACCC in its consultation and position paper is “*do you support the extension of the six fixed line declarations?*” Vocus strongly supports the extension of the existing declarations for five years. On-going regulated access to Telstra’s copper network is necessary for the reasons outlined below.

Telstra’s copper network remains relevant to millions of end-users

Vocus agrees with the ACCC’s position that the legacy copper network will remain bottleneck infrastructure relevant to many end-users at least until the NBN rollout is complete.

The NBN is not sufficiently rolled out to act as a substitute to services provided over Telstra copper network. The existing declarations are due to expire in July 2019, well before the target date for completion of the NBN rollout. While the rollout of the NBN has progressed since 2014, Telstra’s fixed network remains critical to the delivery of services to millions of end-users. Indeed, NBN Co itself has noted that FY20 is forecast to be NBN Co’s most significant year of activations. Moreover, while NBN Co maintains it is on track to meet its milestones, there could be further slippage.ⁱ

Premises with NBN’s fixed wireless and satellite areas will also have the choice to keep their existing landline phone service active. On its website, NBN Co states “*Consider keeping your copper service active in nbn™ Fixed Wireless and Sky Muster™ satellite areas if you rely on landline phone services in emergency situations.*”ⁱⁱ Vocus agrees with the ACCC that the policy decision to not switch off the legacy copper network in fixed wireless and satellite areas of NBN is of relevance to this inquiry. As the ACCC noted, this change may slow migration to the NBN or alternative mobile services in these areas.

Extension of existing declarations promotes retail competition

The extension of the existing declarations of the fixed line services continues to be essential to the protection and promotion of competition in the key markets described in this submission.

Telstra’s copper network infrastructure is a natural monopoly, and the regulation of wholesale services supplied over this network promotes competition. It is vital that a competitive environment be maintained throughout the rollout of the NBN, (which will not have been

completed when the existing declarations are due to expire). Access seekers should be supported in their efforts to offer competitive services over the legacy copper network as they strive to maintain and build their customer bases during migration to the NBN.

The ACCC recognised in its 2014 Declaration Final Decision that without declaration, Telstra has an incentive and the ability to charge prices that exceed the efficient costs of supplying the wholesale services. Telstra's incentive and ability to charge higher wholesale prices remains a very real concern.

Vocus anticipates that access seekers would face increased costs for these wholesale services, if the existing declarations are not extended. This increase in costs would likely result in less favourable pricing for consumers, given the financial pressure access seekers are already facing with NBN pricing as they transition customers to the NBN.

Vocus agrees with the ACCC's position that its further extension of the fixed line services should retain the same terms, including service descriptions, as the existing declarations. There has been no significant change in the underlying infrastructure that would merit any revision to the terms. Regulatory certainty enables Vocus, and other access seekers, to remain focused on enabling its customers to transition off the legacy copper services.

Uncertain competitive landscape

In this inquiry, the ACCC is particularly interested in what remains the same and what has changed since the last declarations. A new development since the ACCC's 2014 Declaration Final Decision, is the uncertainty about the future ownership of Telstra's InfraCo business and the impact that this will have on competition.

In establishing a stand-alone infrastructure business from 1 July this year, Telstra statedⁱⁱⁱ that InfraCo:

“will be accountable for our copper and HFC networks; all our fibre network that is not dedicated to supporting mobiles; all ducts, pits and pipes; property including exchange buildings and data centres; and international and domestic subsea cables. These assets will be combined with Telstra Wholesale and the teams in Telstra Operations that provide services to nbn co. At establishment on 1 July, this new Business Unit will control assets with a book value of approximately \$11 billion and have annual revenues of more than \$5 billion from internal and external sources.”

Telstra also publicly stated^{iv}: “Importantly, Telstra InfraCo will provide significant optionality for us in the future for a potential demerger or the entry of a strategic investor once the nbn™ network rollout concludes.”

The extension of the six fixed line declarations until 30 June 2024 is an appropriate timeframe to provide the necessary certainty to enable business planning in this period of significant disruption, especially if any of these options are explored by Telstra.

Please direct any questions regarding this submission to:

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- ⁱ NBN Co on track for 2020 completion, NBN Co [media release](#), 31 August 2018
 - ⁱⁱ Information about your landline, NBN Co [webpage](#), accessed 2 October 2018
 - ⁱⁱⁱ Establishing a standalone infrastructure business, Telstra [Exchange post](#), 20 June 2018
 - ^{iv} Telstra 2022 Our Plan to Lead, Telstra [Exchange post](#), 20 June 2018