

**Zhu, Lauren**

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**From:** David Havyatt [david@havyatt.com.au]  
**Sent:** Wednesday, 15 June 2011 5:09 PM  
**To:** Zhu, Lauren; James, Julian  
**Cc:** Hinit, David; Nicholls, Rob  
**Subject:** TRIM: RE: ACCC Paper on MTAS  
**Attachments:** Unit Call Rates.xlsx  
**TRIM Record Number:** D11/2248569

Lauren and Julian

I managed to find an appropriate data source in Telstra's financial results.

If you analyse the voice market and recognise that VoIP isn't a "new service" but is straightforward competitive PSTN service using different technology you'd note that these providers have been eroding Telstra's prices. Local calls are the most fascinating – retail price controlled at 20c but averaging now 13c having declined 12c. The volume has also collapsed as result of VoIP competition, and both FTM and MTF substitution. Telstra has "eaten" that loss without any cost reduction – that is where they "pass on" the savings in MTAS rates.

I'll write this in a submission, but VHA could perfectly well exercise a competitive constraint on Telstra's FTM pricing. Open their switch and override codes as a "black list" switch and sell over-ride fixed to mobiles at the cheapest rate they can – cost based plus working capital and debt recovery losses... should be about 15c per minute. That's all the competitive pressure Telstra would need.

David

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**From:** David Havyatt [mailto:david@havyatt.com.au]  
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**To:** 'lauren.zhu@accc.gov.au'; 'julian.james@accc.gov.au'  
**Cc:** 'david.hinit@accc.gov.au'; 'Nicholls, Rob'; Michael Cosgrave (michael.cosgrave@accc.gov.au)  
**Subject:** ACCC Paper on MTAS  
**Importance:** High

Lauren and Julian

The MTAS paper at Figure 1 contains data that is used to support the assertion that there has been inadequate "pass through" of MTAS pricing reductions in MTAS prices.

Last time I did any such analysis I was able to conclude that pass through did, in fact, occur – but there is just as much a "waterbed" effect in Fixed pricing as in mobiles. That is, not every call price reflects marginal costs equally. I think over the same period Long Distance and International prices have fallen faster than any decline in PSTN OTA rates.

For the ACCC (at the behest of Optus and VHA) to continue to argue that there has been inadequate pass through you need to publish the price movement of all the call prices, and only you can do it as

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you've used RKR data. Similarly there is no reason why the same rates for Optus should not be published....as the second largest fixed line provider they are in the best position to put market pressure on Telstra. What is their price movement?

Could you provide this data in a supplement to the discussion paper for informed comment?

David

PS If you click on the hyperlink for your e-mail addresses in the discussion paper you get David and Rob's e-mail addresses by the way.

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