
Regulatory issues

Telecommunications

Draft telecommunications access code

The Commission has released for public comment a draft telecommunications access code developed by the Telecommunications Access Forum (TAF).

The draft code proposes arrangements for access to telecommunications services, including model terms and conditions for access to particular services. The Commission considers that the code can play an important role under the new telecommunications regime to facilitate access undertakings to provide a greater certainty to access providers/seekers.

Under Part XIC of the Trade Practices Act, the Commission must decide whether to approve a telecommunications access code submitted by the TAF, using certain legislative criteria. The Commission is seeking written submissions from industry and other interested parties to assist it in its decision.

It has also released a discussion paper which details the legislative criteria for approval of the code and identifies key issues for interested parties.

Submissions must be received by the Commission before 4 December 1997.

The code and discussion paper are available on the Commission's web site. Copies of the entire code are available at the Commission's Melbourne and Sydney offices.

Telstra's undertakings for interconnection prices

On 7 November 1997 Telstra lodged undertakings with the Commission, specifying the prices it proposes to charge other carriers

for interconnection with its PSTN (fixed-line), GSM (digital mobile) and AMPS (analogue mobile) networks.

Under Part XIC of the Trade Practices Act, the Commission is responsible for determining whether the terms and conditions in Telstra's undertaking are reasonable.

If the Commission accepts the undertakings, the terms and conditions in the undertakings will apply if the parties cannot come to a commercial agreement. The undertakings cover a period of three years.

The Commission's assessment will be based on the principles outlined in its *Access Pricing Principles Telecommunications — a guide* released in July 1997. It will also, where appropriate, consider recent movements in interconnection prices overseas and endeavour to determine relevant international benchmarks for interconnection prices.

The assessment process will be open and public. Parties will be allowed to express their views on the undertakings, provide relevant information to assist the Commission and comment on any analysis and preliminary views formed by the Commission.

It is unlikely that the assessment will be completed before mid-1998. However, the Commission envisages releasing its preliminary findings and views as it proceeds.

The Commission will ensure that during the assessment period Telstra continues to supply interconnection services to carriers and carriage service providers, and that carriers and carriage service providers are not disadvantaged.

Copies of the undertakings are available from the Commission's Internet web site or Charlotte Reynolds on (03) 9290 1815.

Number portability mandated

On 22 September 1997 the Commission mandated that telecommunications suppliers provide number portability. Number portability allows consumers to change their supplier while keeping their telephone number.

Under the *Telecommunications Act 1997*, the Commission has statutory powers to direct the Australian Communications Authority (ACA) in regard to number portability. The ACA must put rules into the numbering plan consistent with the directions. The numbering plan is the plan for the numbering of carriage services in Australia and the allocation and use of numbers in connection with the supply of such services.

The Commission has directed the ACA to require suppliers of telecommunications services to provide number portability for local telephone services, freephone services (1800 numbers) and local rate services (13 numbers) as soon as possible.

Studies in Australia and overseas show the cost and inconvenience of changing telephone numbers is a significant deterrent to consumers changing suppliers. Number portability, which allows consumers to retain their telephone numbers when changing suppliers, therefore removes a major barrier to competition.

Local number portability is likely to particularly benefit small businesses. Few small businesses are currently offered competing services for local telephony. With number portability, providers gain a chance to compete more equally on the basis of price, quality and service. In this environment, competition is likely to grow, benefits flowing to small businesses.

The directions can be obtained from all Commission offices. They are also on the Commission's web site.

Airports

Phase II sales

As a long term objective, the Commonwealth Government intends to privatise all civil aviation airports operated by the Federal Airports Corporation (FAC). These airports account for all but one of Australia's major airports (Cairns Airport).

In July 1997 the Government granted long term leases to Melbourne, Brisbane and Perth Airports, completing phase 1 of the sales program. The Government has announced its intention to grant leases on a further 15 phase II airports by mid-1998. Sydney Airport will be privatised at a later date.

The Commission has primary responsibility for the new arrangements for economic regulation of privatised airports. These regulatory arrangements comprise a package of measures under the Airports Act, the Trade Practices Act and the Prices Surveillance Act. The main measures are:

- access arrangements;
- a price cap on aeronautical services;
- prices monitoring;
- quality of service monitoring;
- reporting requirements on financial accounts; and
- a review of prices oversight arrangements.

The arrangements are more comprehensive than that currently applied to airports operated by the FAC.

The arrangements applied to the eight core regulated phase II airports — Adelaide, Canberra, Coolangatta, Hobart, Launceston, Darwin, Alice Springs and Townsville — will be similar to those applied to phase I airports. However, they will not apply to the smaller phase II airports — Archerfield, Essendon, Jandakot, Moorabbin, Mount Isa, Parafield and Tennant Creek.

The price cap

A CPI minus X price cap on charges for aeronautical services will apply to the eight core regulated phase II airports. The starting point for the price cap will be the charges levied by the FAC before the leases were granted.

Examples of services covered by the price cap are services related to:

- aircraft movement areas, such as grounds, runways, taxiways and aircraft parking areas; and
- passenger processing areas, such as departure lounges, aerobridges, baggage handling and reclaim and roads to the terminals.

The Commission will assess new charges for aeronautical services and any restructuring on the basis of existing aeronautical charges to ensure that the integrity of the price cap is maintained.

Under the arrangements there is scope for operators to seek approval for charges for necessary new infrastructure investment. The Commission must consider a number of criteria in assessing such proposals. One of the main criteria is whether the investment has the support of major airport users.

Some services are not covered by the price cap or other prices oversight arrangements. These include retail shops, such as duty free and newsagents; catering facilities (for preparation of airline food); valet parking; VIP lounges; and administration office space.

The rationale for the exclusion of these services from the price cap and prices monitoring is that the airport operator does not have significant market power in their provision. This is generally because either there are good off-airport substitutes (for example, duty free shopping and catering services) or because airport users do not need to use the services. For example, airport users do not need to buy newspapers or food at the airport. Similarly, they do not need to use valet parking — general car parking is available as an alternative.

Levels of X for phase II airports

In early 1997, based on Commission advice, the Government decided the level of X at phase I airports to be 4.0 per cent at Melbourne, 4.5 per cent at Brisbane and 5.5 per cent at Perth. This will ensure significant reductions in aeronautical charges over the next five years, the period for which the cap will apply.

The Department of Transport and Regional Development recently asked the Commission to provide the Minister for Transport and Regional Development with advice on the level of X to apply at phase II airports.

The methodology used by the Commission in advising on the X values for the phase II airports is the same as that used for the phase I airports. That is, X reflects projected total factor productivity improvements at each airport over the period the price cap will apply (1998–99 to 2002–03) and the Government’s explicit policy of not using a rate of return approach as the basis for determining X values.

In September 1997 the Minister announced the following X values will apply at phase II airports:

Adelaide	4.0
Alice Springs	3.0
Canberra	1.0
Coolangatta	4.5
Darwin	3.0
Hobart	3.0
Launceston	2.5
Townsville	1.0

Review of regulatory arrangements

The price cap will apply for five years. Toward the end of the period the Commission will review the regulatory arrangements. The review will examine the appropriateness of the existing arrangements with the objective of ensuring adequate protection of the aviation

industry. The Commission will review arrangements on an airport by airport basis and can make different recommendations for each airport — taking into account the different circumstances faced by each airport and the different track records of the airport operators. In this way the poor track record of one operator need not adversely affect other operators. The Commission can recommend stronger forms of prices oversight if operators have a consistent record of abusing their market power.

National Competition Council

Review of Postal Act

On 19 May 1997 the Treasurer requested the National Competition Council to undertake an inquiry into the *Australian Postal Corporation Act 1989*.

The terms of reference require the NCC to advise on practical courses of action to improve competition, efficiency and consumer welfare in the postal services sector.

The NCC has released an options paper which identifies areas it considers may benefit from reform, and outlines the options and directions it is looking at.

The paper considers various aspects of the provision of postal services including:

- the best arrangements for meeting the social objectives of postal services;
- the provisions in Australia Post's Act which give it an exclusive right to provide some types of postal services;
- Australia Post's commercial activities and the way these compete with the private sector; and
- the arrangements available for large customers and private providers of postal services who want to use Australia Post's network.

The NCC is calling for written submissions in response to the options paper by close of business 28 November 1997.

Its final report and recommendations will be sent to the Treasurer by 19 February 1998.

For queries and copies of submissions contact Mr Geoff Morris on (03) 9285 7417, or Ms Deborah Cope on (03) 9285 7491.



Further information on regulatory issues can be found in the Commission's newsletter *Public Utility Regulators Forum*. The newsletter covers the latest developments in Australia's regulatory environment, and includes contributions from various State and national regulators. It is available from Commission offices.