



Australian Government

Department of Communications, Information Technology and the Arts

FACT SHEET: Strengthening Competition and Consumer Protection Measures

The Government will strengthen the regulatory framework to continue to promote an open and competitive telecommunications market to make certain that competition continues to develop into the future. These changes strike a balance between the need for regulation which promotes competitive services to consumers and investment in new infrastructure on the one hand and allowing Telstra the scope to meet changing market conditions and demand for services on the other. Since 1997 competition has delivered tangible benefits to consumers in the form of lower prices and a greater choice of service providers and products.

The Government's new regulatory and competition reforms will:

- Introduce operational separation to ensure that Telstra treats its wholesale customers fairly;
- Provide greater certainty for companies looking to make new investments; and
- Clarify and speed-up decision making by the Australian Competition Consumer Commission.

Operational Separation of Telstra

What is the objective of operational separation?

The objective of operational separation is to provide equivalence and transparency to Telstra's wholesale customers so they can be confident that they are getting a fair deal compared to Telstra's own retail businesses.

How will it work?

The Government will require Telstra to introduce operational separation to ensure that Telstra does not unfairly favour its own retail businesses over its wholesale customers. Operational separation will mean Telstra is required to have:

- Separate retail, wholesale and key network business units, including separate premises and staff incentive programs based on the performance of their business units;
- A process that ensures that price and non-price terms and conditions are provided on an equivalent basis to Telstra's retail and wholesale customers; and
- Government and Australian Competition and Consumer Commission (ACCC) oversight and enforcement.

The model provides a sound approach to achieve the objectives, without slicing and dicing Telstra into pieces. It is credible, cost effective, durable, enforceable and tailored to Telstra's business.

Strengthening Competition Regulation

The Government will amend the telecommunications specific access and anti-competitive conduct provisions of the Trade Practices Act (TPA) to provide greater

certainty for new investments and to improve the operation of the telecommunications access regime.

To provide greater certainty to investors in new networks the ACCC will be required to consider the costs and risks associated with new network investment, when making access decisions. This builds on existing provisions which allow companies to seek certainty about how they will be treated by the ACCC prior to making investments.

To improve and speed up decision making by the ACCC the Government will be:

- Providing additional resources to the ACCC telecommunications group; and
- Streamlining the ACCC'S processes and requiring the ACCC to make procedural rules for declaring new services, assessing access undertakings and arbitrating access pricing disputes.

The Government will review the telecommunications competition arrangements in 2009.

New Retail Price Controls on Telstra

The current price controls on Telstra expire on 31 December 2005. The Government will introduce new price controls on Telstra to commence from 1 January 2006. The price controls will:

- Maintain the 22c cap on untimed local calls;
- Ensure parity in the local call prices offered to regional and metropolitan consumers;
- Cap increases in the charges for connecting phones to inflation;
- Ensure that, on average, there will be no price increase across a basket of Telstra's line rentals, local calls, STD, international and fixed to mobile calls;
- Protect consumers from major line rental increases by only allowing basic line rental products to increase to match inflation; and
- Require Telstra to have a package of services targeted to low income consumers.

The new price controls will no longer cover the services provided to large businesses. This ensures that the benefits of call price reductions are passed through to consumers and small businesses.

Recognising that the continuing evolution of competition may place pressure on Telstra's national pricing structures, the Government will be looking further into the interaction between the current approaches to wholesale and retail pricing regulation in consultation with Telstra and the ACCC.

Strengthening Consumer Safeguards

The Government has announced a package of new consumer protection measures which will strengthen the legislated Customer Service Guarantee (CSG) arrangements, improve awareness of safeguards such as the CSG, increase the powers of the regulator to deal with breaches of regulatory obligations and address concerns about voice quality on telephone services.

Customer Service Guarantee improvements

The CSG sets minimum timeframes for the installation and repair of phone services. The Government will strengthen the CSG by reducing the ability of companies to claim unnecessary exemptions from fault repair and connection timeframes using Mass Service Disruption Notices.

The tighter arrangements will allow all Australians to be protected by the CSG timeframes or compensation except in circumstances that are genuinely unanticipated and beyond the control of the telephone company.

At present the CSG provides for timeframes for the connection and repair of services to be suspended when a Mass Service Disruption notice applies. This arises when circumstances beyond the control of providers prevent them from meeting CSG timeframes (e.g. natural disasters and extreme weather conditions).

It will no longer be possible for a telecommunications provider to rely on a Mass Service Disruption exemption notice where it might have taken measures to mitigate the impact of predictable events such as seasonal weather. For example, the wet season in the Northern Territory is beyond the control of providers but it is a predictable event and they should not be allowed to rely on exemptions where they could have taken practical measures to reduce the impact on network infrastructure.

Stronger enforcement role for the Australian Communications and Media Authority (ACMA)

ACMA is the telecommunications and media consumer and technical regulator. ACMA is responsible for enforcing compliance with key telecommunications consumer safeguards including the Universal Service Obligation and the Customer Service Guarantee.

The Government will be strengthening the powers of ACMA to allow it to seek and accept court enforceable undertakings from companies which breach their regulatory obligations.

Increased consumer awareness

The Government will undertake public information and awareness initiatives to increase knowledge of consumer telecommunications rights and of the obligations imposed on telephone companies.

The Government will also be investigating whether the current requirements on telephone companies to inform consumers of their rights are being complied with and are appropriate.

Other consumer protection measures

The Government will:

- Require ACMA to develop a strategy to address concerns about voice quality; and
- Provide for more consumer participation in, as well as timely development and equitable financing of, codes that protect telecommunications consumers, through an increase in carrier licence charges.