Draft Building Block Model

Record Keeping and Reporting Rule

Section 151BU

Part XIB Competition and Consumer Act 2010

Australian Competition and Consumer Commission

March 2012

TITLE

(1) These rules made by the Australian Competition and Consumer Commission (ACCC) pursuant to section 151BU of the *Competition and Consumer Act 2010* (CCA) may be referred to as the Building Block Model Record Keeping and Reporting Rule (Rule).

COMMENCEMENT

(2) The Rule takes effect from 1 July 2012 until 30 June 2021 when the ACCC will commence a review of the Rule.

APPLICATION

(3) The Rule applies to Telstra Corporation Limited (ACN 051 775 556) (Telstra).

INTERPRETATION

(4) The following terms have the meaning set out in this clause.

(a) **'Access Seeker'** has the same meaning as in section 152AG of the CCA.

(b) **'ACCC'** means the Australian Competition and Consumer Commission.

(c) **'Asset Lives'** means the period over which regulatory depreciation is applied.

(d) **'ASIC'** means the Australian Securities and Investments Commission.

(e) **'Building Block Model approach'** means the approach used to determine prices by the ACCC according to the *2011 inquiry to make final access determinations for the declared fixed line services – final report*.

(f) **'Capital Expenditure'** means the amount spent by Telstra to acquire or upgrade any asset or part of an asset included in the FLSM Asset Classes.

(g) '**CCA**' means the *Competition and Consumer Act 2010* (Cth).

(h) **'Demand'** means the forecast quantity of each of the Fixed Line Services that will be acquired by Access Seekers.

(i) **'DSL Service'** means digital subscriber line service and refers to a carriage service for the provision of DSL services along a metallic line using access technology which allows the transmission of data from a

modem at an End-User's premises to an exchange and using the non-voice spectrum of the communications wire.

(j) **'DSL-only SIOs'** means the total number of Telstra retail and wholesale digital subscriber line services in operation where the End-User only takes DSL provided by a Telstra DSLAM and no Voice Service is provided on that line by any carrier.

(k) **'DSLAM'** refers to a digital subscriber line access multiplexer used to provide DSL Services.

(l) **'End-User'** means consumers of communications carriage services and other services supplied using communications carriage services, rather than the suppliers of these services.

(m) **'FAD'** means Final Access Determination, as defined under section 152AC of the CCA.

(n) **'Financial Asset Register'** means Telstra's financial asset register which records Telstra's historic cost and accumulated depreciation of assets that have not been fully depreciated from its accounts.

(o) **'Fixed Line Services'** means each of the fixed line services declared under Part XIC of the CCA. These services are the unconditioned local loop service (ULLS), wholesale line rental (WLR), line sharing service (LSS), public switched telephone network originating and terminating access (PSTN OTA) and local carriage service (LCS).

(p) **'Fixed Line Services Model'** the pricing model developed to estimate prices for the declared fixed line services used in the *2011 inquiry to make final access determinations for the declared fixed line services – final report*, or a variation or replacement of this model.

(q) **'FLSM Asset Class'** means each class of asset as listed in tables B1, B2, C1, C2 and C3 annexed at Attachments B and C of the Rule.

(r) **'LCS'** means the local carriage service declared under Part XIC of the CCA and maintained on the register of declared services under section 152AQ of the CCA as varied from time to time.

(s) **'LSS'** means the line sharing service declared under Part XIC of the CCA and maintained on the register of declared services under section 152AQ of the CCA as varied from time to time.

(t) **'Operating Expenditure'** means all ongoing direct and indirect operating expenditure relating to Fixed Line Services provided by Telstra.

(u) **'PSTN'** means the public switched telephone network and is a telephone network accessible by the public providing switching and transmission facilities utilising analogue and digital technologies.

(v) **'PSTN OTA'** means the domestic PSTN originating access and the domestic PSTN terminating access services declared under Part XIC of the CCA and maintained on the register of declared services under section 152AQ of the CCA as varied from time to time.

(w) **'Pricing Review'** means the process by which the ACCC will set regulated prices to apply to the Fixed Line Services for any regulatory period after the current Regulatory Period.

(x) **'Regulatory Period'** means the period during which the FADs for the Fixed Line Services are in force.

(y) **'Rule'** means the *Building Block Model Record Keeping and Reporting Rule*.

(z) **'SIO'** refers to an active telecommunications service between Telstra and an End-User.

(aa) **'Total SIOs'** means the sum of: Voice-only SIOs; DSL-only SIOs; and Voice and DSL bundle SIOs.

(bb) **'Vintage'** means the financial year in which the assets were purchased.

(cc) **'Voice and DSL bundle SIOs'** means the total number of Telstra retail and wholesale DSL and Voice Services provided as part of the same Service in Operation where the End-User takes both voice provided by a Telstra PSTN switch and DSL provided by a Telstra DSLAM.

(dd) **'Voice Service'** means a service provided by use of a PSTN using a Telstra PSTN switch by means of the 3.1 kilohertz frequency spectrum of a metallic line.

(ee) **'Voice-only SIOs'** means the total number of Telstra retail and wholesale Voice Services in Operation where the End-User takes only voice provided by a Telstra PSTN switch and no DSL Service is provided on that line by any carrier.

(ff) **'ULLS'** means the unconditioned local loop service declared under Part XIC of the CCA and maintained on the register of declared services under section 152AQ of the CCA as varied from time to time.

(gg) **'WLR'** means the wholesale line rental service declared under Part XIC of the CCA and maintained on the register of declared services under section 152AQ of the CCA as varied from time to time.

(5) Unless the contrary intention appears, an expression used in this Rule that is also used in the CCA has the same meaning in these Rules as it does in the CCA.

RECORD KEEPING RULES

Record keeping rules for actual usage data

(6) Telstra must establish and maintain an electronic record containing the following actual usage data for the WLR and LCS for each financial year until the financial year ending 30 June 2021 (inclusive):

(a) The total number of WLR SIOs used by Access Seekers as at 30 June, in each of the four geographic bands.

(b) The total number of LCS call minutes used by Access Seekers over the financial year to 30 June.

(c) The average call duration for the LCS used by Access Seekers, in minutes, over the financial year to 30 June.

Record keeping rules for historic cost data

(7) Telstra must establish and maintain an electronic record containing the following historic data, prepared in a manner consistent with Telstra's Financial Asset Register:

(a) Historic cost by Vintage for each FLSM Asset Class.

(b) Written down values by Vintage for each FLSM Asset Class.

Record keeping rules for forecast data

(8) Telstra must establish and maintain an electronic record containing the following forecasts and supporting information for each financial year requested by the ACCC under Rule 10:

(a) Forecast total annual Operating Expenditure specified for each FLSM Asset Class.

(b) Forecast total annual Capital Expenditure specified for each FLSM Asset Class.

(c) Forecast annual Demand for the following Fixed Line Services:

(A) ULLS SIOs, by geographic band

(B) WLR SIOs, by geographic band

(C) Total SIOs, by geographic band

(D) PSTN OTA minutes

(E) LCS minutes

(F) LCS average call duration

(G) LSS SIOs.

(d) Forecasts of Operating Expenditure and Capital Expenditure must be expressed in nominal terms and supplied with Telstra's annual inflation assumptions.

(e) Total Asset Lives for forecast Capital Expenditure for each FLSM Asset Class.

(f) The method used to determine the forecasts in Rules 8(a)–(c).

(g) The assumptions used to determine the forecasts in Rules 8(a)–(c).

(h) The basis for the assumptions in Rule 8(g).

(i) Any internal guidelines used by Telstra for either of the following purposes:

(A) to assess the prudency of forecast Capital Expenditure

(B) tendering or contracting out Capital Expenditure projects.

REPORTING REQUIREMENTS

Reporting requirements for actual usage data

(9) For each financial year until the financial year ending 30 June 2021 (inclusive), Telstra must provide the ACCC with a report containing the information required in Rule 6 of this Rule. The report must be:

(a) lodged with the ACCC within 4 weeks of the date upon which Telstra is required to lodge its annual report with ASIC pursuant to section 319 of the *Corporations Act 2001* (Cth); and

(b) prepared and submitted electronically in Microsoft Excel in the format prescribed by the ACCC and annexed at Attachment A.

Reporting requirements for historic cost data and forecast data

(10) The ACCC will announce the commencement of a Pricing Review at least 12 months prior to the commencement of the next Regulatory Period.

(11) When the ACCC announces the commencement of a Pricing Review, Telstra must within 8 weeks of the date on which it receives a written request from the ACCC:

(a) provide the ACCC with a report containing the information required in Rule 7 and Rule 8 of the Rule;

(b) prepare and submit the report electronically in Microsoft Excel in the format prescribed by the ACCC and annexed at Attachment B and Attachment C; and

(c) include an explanatory statement addressing the requirements of Rule 8 (g)–(j) and submit it electronically as a Microsoft Word or PDF document that allows for searchable text.

Submission of reports

(12) The reports specified under Rule 9 and 11 must be provided to the ACCC by email to both of the following addresses:

(a) rkrinbox@accc.gov.au; and

(b) Comms.Admin@accc.gov.au.

(13) The ACCC may authorise a member of the ACCC or a member of the ACCC staff, to exercise its power to amend the format referred to in Rule 9(b), 11(b) and 11(c).

(14) The ACCC must provide Telstra with adequate notice of any such amendment.

ATTACHMENT A: TEMPLATE FOR ACTUAL USAGE DATA

Table A1: WLR and LCS Usage for the financial year ending 30 June xxxx [insert year]

Service	Unit	Total Usage data
Wholesale Line Rental (WLR)	Band 1 SIOs Band 2 SIOs Band 3 SIOs Band 4 SIOs	
Local Carriage Service (LCS)	Minutes	
LCS average call duration	Minutes	

ATTACHMENT B: TEMPLATE FOR HISTORIC COST DATA

Table B1: Historic cost by Vintage

FLSM Asset Classes	Units	XXXX-XX	XXXX-XX	XXXX-XX	XXXX-XX	XXXX-XX
CAN						
Ducts and pipes	$ as at					
Copper cables	$ as at					
Other cables	$ as at					
Pair gain systems	$ as at					
CAN radio bearer equipment	$ as at					
Other CAN assets	$ as at					
Other communications plant and equipment	$ as at					
Network land	$ as at					
Network buildings/support	$ as at					
Indirect capital assets	$ as at					
Core						
Switching equipment – Local	$ as at					
Switching equipment – Trunk	$ as at					
Switching equipment – Other	$ as at					
Inter-exchange cables	$ as at					

Transmission equipment	$ as at					
Core radio bearer equipment	$ as at					
Other communications plant and equipment	$ as at					
Network land	$ as at					
Network buildings/support	$ as at					
Indirect capital assets	$ as at					
LSS equipment	$ as at					

Table B2: Written down values by Vintage

FLSM Asset Classes	Units	XXXX-XX	XXXX-XX	XXXX-XX	XXXX-XX	XXXX-XX
CAN						
Ducts and pipes	$ as at					
Copper cables	$ as at					
Other cables	$ as at					
Pair gain systems	$ as at					
CAN radio bearer equipment	$ as at					
Other CAN assets	$ as at					
Other communications plant and equipment	$ as at					
Network land	$ as at					
Network buildings/support	$ as at					
Indirect capital assets	$ as at					
Core						
Switching equipment – Local	$ as at					
Switching equipment – Trunk	$ as at					
Switching equipment – Other	$ as at					
Inter-exchange cables	$ as at					
Transmission equipment	$ as at					

Core radio bearer equipment	$ as at					
Other communications plant and equipment	$ as at					
Network land	$ as at					
Network buildings/support	$ as at					
Indirect capital assets	$ as at					
LSS equipment	$ as at					

ATTACHMENT C: TEMPLATE FOR FORECAST DATA

Table C1: Forecast Operating Expenditure for the Regulatory Period

FLSM Asset Classes	Units	20XX-XX	20XX-XX	20XX-XX	20XX-XX	20XX-XX
CAN						
Ducts and pipes	$m as at					
Copper cables	$m as at					
Other cables	$m as at					
Pair gain systems	$m as at					
CAN radio bearer equipment	$m as at					
Other CAN assets	$m as at					
Other communications plant and equipment	$m as at					
Network land	$m as at					
Network buildings/support	$m as at					
Indirect capital assets	$m as at					
Total CAN Operating Expenditure	$m as at					
Core						
Switching equipment – Local	$m as at					
Switching equipment – Trunk	$m as at					

Switching equipment – Other	$m as at					
Inter-exchange cables	$m as at					
Transmission equipment	$m as at					
Core radio bearer equipment	$m as at					
Other communications plant and equipment	$m as at					
Network land	$m as at					
Network buildings/support	$m as at					
Indirect capital assets	$m as at					
LSS equipment	$m as at					
Total Core Operating Expenditure	$m as at					
Indirect operating expenditure						
Indirect operating expenditure	$m as at					
Inflation assumptions						
Inflation	per cent					

Table C2: Forecast Capital Expenditure for the Regulatory Period

FLSM Asset Classes	Units	20XX-XX	20XX-XX	20XX-XX	20XX-XX	20XX-XX
CAN						
Ducts and pipes	$m as at					
Copper cables	$m as at					
Other cables	$m as at					
Pair gain systems	$m as at					
CAN radio bearer equipment	$m as at					
Other CAN assets	$m as at					
Other communications plant and equipment	$m as at					
Network land	$m as at					
Network buildings/support	$m as at					
Indirect capital assets	$m as at					
Total CAN Capital Expenditure	$m as at					
Core						
Switching equipment – Local	$m as at					
Switching equipment – Trunk	$m as at					
Switching equipment – Other	$m as at					

Inter-exchange cables	$m as at					
Transmission equipment	$m as at					
Core radio bearer equipment	$m as at					
Other communications plant and equipment	$m as at					
Network land	$m as at					
Network buildings/support	$m as at					
Indirect capital assets	$m as at					
LSS equipment	$m as at					
Total Core Capital Expenditure	$m as at					
Inflation assumptions						
Inflation	per cent					

Table C3: Total asset lives for forecast Capital Expenditure during the Regulatory Period

FLSM Asset Classes	Units	20XX-XX	20XX-XX	20XX-XX	20XX-XX	20XX-XX
CAN						
Ducts and pipes	years					
Copper cables	years					
Other cables	years					
Pair gain systems	years					
CAN radio bearer equipment	years					
Other CAN assets	years					
Other communications plant and equipment	years					
Network land	years					
Network buildings/support	years					
Indirect capital assets	years					
Core						
Switching equipment – Local	years					
Switching equipment – Trunk	years					
Switching equipment – Other	years					
Inter-exchange cables	years					
Transmission equipment	years					

Core radio bearer equipment	years					
Other communications plant and equipment	years					
Network land	years					
Network buildings/support	years					
Indirect capital assets	years					
LSS equipment	years					

Table C4: Forecast Demand for the Regulatory Period

Service	Units	20XX-XX	20XX-XX	20XX-XX	20XX-XX	20XX-XX
Unconditioned Local Loop Service (ULLS)	Band 1 SIOs Band 2 SIOs Band 3 SIOs Band 4 SIOs					
Wholesale Line Rental (WLR)	Band 1 SIOs Band 2 SIOs Band 3 SIOs Band 4 SIOs					
Total SIOs	Band 1 SIOs Band 2 SIOs Band 3 SIOs Band 4 SIOs					
PSTN Originating and Terminating Access (PSTN OTA)	Minutes					
Local Carriage Service (LCS)	Minutes					
LCS average call duration	Minutes					
Line Sharing Service (LSS)	SIOs					