



**Australian Government**  
**Department of Communications**

Mr Jason McNamara  
Executive Director  
Office of Best Practice Regulation  
Department of the Prime Minister and Cabinet  
1 National Circuit  
BARTON ACT 2600

Email: [helpdesk@obpr.gov.au](mailto:helpdesk@obpr.gov.au)

Dear Mr McNamara

**Regulation Impact Statement – Carrier Licence Conditions (Networks supplying Superfast Carriage Services to Residential Customers) Declaration 2014 - final assessment second pass**

I am writing in relation to the attached Regulation Impact Statement (RIS) prepared for the above proposal. The regulatory burden to business, community organisations and/or individuals has been quantified and offsets have been identified and quantified using the Regulatory Burden Measurement framework. These have been agreed with your office.

I am satisfied that the RIS addresses the concerns raised in your letters of 5 December 2014 and 15 October 2014. Specifically, the RIS has been amended to:

- simplify the language used (see generally and in particular the introduction);
- explain how the operation of Parts 7 and 8 of the *Telecommunications Act 1997* failed to address the policy problem (see the introduction);
- explain why vertically integrated networks can lead to negative outcomes in terms of prices, service quality and availability (see the section on vertical integration or separation and the introduction on historical experience in Australia);
- explain why consumers would be expected to benefit from a more competitive retail market (see the introduction and the section on vertical integration or separation, as well as discussion under each option);
- clarify the benefits from option 2, including the variation to option 2 (see the discussion under option 2 and the section on selecting the best option);

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- clarify the difference between using a carrier licence condition and ACCC declaration, as raised in your letter of 15 October (see the section on why ACCC declaration does not address the competition issues);
- clarify the impacts on all key stakeholders, including any differences in impacts in regional and metropolitan areas (see the discussion under each option);
- set out the consultation process including consultation on the estimates of regulatory costs (see the consultation section and Attachment A); and
- clarify the views of affected stakeholders (see the section on consultation).

We wrote to ten key stakeholders who had shown greatest interest in carrier licence condition to seek their views on the regulatory costings. This included Telstra, Optus, iiNet, Vodafone and TPG. To date we have received responses from Telstra, Optus, Amcom and OpenNet. While we have encouraged TPG to respond, it has not yet done so.

In light of this further consultation with industry, we have increased our estimate of the regulatory compliance cost of the proposed measure. The one-off implementation cost is now estimated to be \$6.4 million (as opposed to the original estimate of \$4.9 million), with an ongoing per annum cost of \$1.2 million. These changes primarily reflect us accepting that the proposed measure will fully affect at least one industry player, an increase in the assumed revenue of the affected carrier, and a reassessment of ongoing annual compliance costs. This amount is nevertheless fully offset as indicated in the RIS. As agreed with OBPR the estimated regulatory cost of \$1.797 million has been included in the Regulatory Burden Measurement Table for the RIS. We also remain of the view that the overall benefits in terms of increased competition and lower prices are well in excess of these compliance costs.

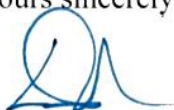
Accordingly, I am satisfied that the RIS is compliant and now meets best practice consistent with the *Australian Government Guide to Regulation*.

I submit the RIS to the Office of Best Practice Regulation for formal final assessment.

Departmental officers would be happy to meet with OBPR to discuss any aspects of the RIS about which it may have questions.

As the Minister for Communications is seeking to make his final decision in relation to the proposed carrier licence condition as soon as possible, we would be grateful for OBPR's urgent consideration of this matter.

Yours sincerely



Ian Robinson  
Deputy Secretary  
Infrastructure Group

9 December 2014

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