



12th July 2000

Professor Michael Woods
Presiding Commissioner
Telecommunications Inquiry
Productivity Commission
PO Box 80
Belconnen ACT 2616

Fax: (02) 6240-3311

Copy to:

Professor Richard Snape
Deputy Chairman
Productivity Commission
Locked Bag 2
Collins Street East Post Office
Melbourne VICTORIA 8003

**Legal & Regulatory
Regulatory**

Level 11
231 Elizabeth Street
Sydney NSW 2000
Australia

Postal Address:
Locked Bag 6704
Sydney 1100

Telephone 02 9298 5302
Facsimile 02 9261 8390

Dear Professor Woods,

I refer to the Issues Paper ("**Issues Paper**") released by the Productivity Commission ("**PC**") in June this year relating to the PC's current Review of the telecommunications regulatory regime ("**PC Review**").

Telstra notes the use of the word "dominance" or "dominant" in the Issues Paper to describe Telstra's position in the telecommunications industry. Prior to July 1997, the concept of dominance had a technical legal meaning – it connoted a position of substantial market power that rendered a carrier (Telstra) less vulnerable to competition. There is also an implicit assumption that Telstra and Telstra alone has market power arising from its vertical integration.

Telstra would forcefully argue that, while it is the largest carrier in Australia and is often the largest supplier in individual service markets, it does not have substantial market power in most of those markets.

Telstra hopes that the PC has not pre-determined an issue that is a critical factual question. In this respect, the Issues Paper may have established an unfortunate climate for the public hearings. Consequently, Telstra would urge the PC to make it clear in the public inquiry process that the PC has not used the concept of dominance in a technical legal sense and that it has not pre-judged any empirical questions about the levels of competition in the industry.

Yours sincerely,

Deena Shiff
Director Regulatory



Telstra is a proud sponsor of
the Australian Olympic Team

Telstra Corporation Limited
ACN 051 775 556

Canberra Office

Level 3, Nature Conservation House
Cnr Emu Bank and Benjamin Way
Belconnen ACT 2617

PO Box 80
Belconnen ACT 2616

Telephone 02 6240 3200
Facsimile 02 6240 3399

Melbourne Office

Telephone 03 9653 2100



**PRODUCTIVITY
COMMISSION**

13 July 2000

Ms Deena Shiff
Director Regulatory
Telstra
Locked Bag 6704
Sydney NSW 1100

Dear Ms Shiff

Thank you for your letter of 12 July concerning the Issues Paper for the inquiry into Telecommunications Specific Competition Regulation.

As Ralph Lattimore explained to Mitchell Landrigan in a telephone conversation on 6 July, the Commission used the word 'dominant' in its ordinary English usage. However, I note your comment that the term had a technical legal meaning prior to July 1997. We will endeavour to make it clear in our work when we are using terms in a legal or technical sense.

It is very much early days in the inquiry. We have not received any submissions so far. I can assure you that we have not formed any views on the levels of competition in the industry.

Indeed, to help us develop our understanding, we look forward to reading your submission, and those of other participants, and will be pleased to discuss any such matters when we meet at the public hearing on 7 August in Melbourne.

It is my intention to use your letter as a submission so that your views are publicly known. Please contact Ralph Lattimore (email rlattimore@pc.gov.au or phone 6242 3242) if you have any objection to the inclusion of your letter and this response on our website.

Yours sincerely

Michael Woods
Presiding Commissioner
14 July 2000