

Troubles for Telstra on price

ACCC rejects service fee

By Paul Osborne

Telstra has suffered a blow a month out from a government decision on its full sale, with the competition watchdog asking it to put in place fairer charges for competitors.

A government decision on the sale of its majority stake in the telco appears imminent.

"I would expect that it would be pretty soon after the end of this month," Communications Minister Helen Coonan said yesterday.

"All the various people have been appointed in terms of the sale.

"What we have to do is to take a decision as to whether we'll proceed and how. There are a number of options open to the Government."

The minister's comments came as the Australian Competition and Consumer Commission rejected Telstra's proposed connection and disconnection charges of \$90 each for its line-sharing service.

The service provides access to part of the basic copper wire of Telstra's network, allowing competing carriers to provide their own broadband services to end-users while Telstra continues to provide voice services.

"The ACCC is of the view that Telstra's proposed connection and disconnection charges are not reasonable," ACCC chairman

Graeme Samuel said. He said the charges were well above what was appropriate for the service and the separate disconnection fee should not be levied at all in some cases.

But Telstra spokesman Rod Bruem said the telco would be sticking by its proposal.

He said the ACCC decision appeared to be invalid because it was made outside a six-month deadline set in law, but the watchdog said it was within the time limit.

"Telstra will have to examine that more closely, it goes against the spirit of the law which was meant to ensure decisions were made promptly," Mr Bruem said.

He said the \$90 charge reflected the cost of having someone go to an exchange and physically switch a customer across.

Internet company iiNet executive Stephen Dalby said the company had lodged a notice of dispute with the ACCC over the charges.

"We think the connection fee is too high, especially when applied to multiple simultaneous connections," he said. "We disagree with Telstra's approach of charging the same connection fee whether there are one or a 1000 services being connected."

Mr Dalby said there were no other services in the entire range of Telstra products that incurred a

disconnection fee and the cost could not be recovered.

Telstra shares closed 5c lower at \$3.74.

■ New Zealand analysts have shot down speculation from across the Tasman that top stock Telecom could be up for grabs in a leveraged buyout.

Sydney-based Credit Suisse analysts Justin Cameron and Mark Storey suggested that Telecom — the country's largest listed company — was a logical candidate for a leveraged buyout at its current share price.

"With strong cashflow and a balance sheet underleveraged, we view the potential of a leveraged buyout of Telecom as increasingly likely," the pair said in a report.

In leveraged buyouts, a firm puts up a little of its own money and borrows the rest, piling debt on to the company being acquired.

The former state-owned telco was privatised in 1990 but the legacy of that — an agreement with the Government known as kiwi share — required that crown approval must be sought for any interest in the company over 10 per cent.

One New Zealand analyst said the report came from "left field", fuelled by buyout activity offshore.

— with NZPA