

Inconsistencies Between OXERA Model and TelstraClear Business Case

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Context

- The TelstraClear (TCL) submission includes a business case which indicates that TCL would:
 - Enter 441 ESAs subsequent to full and bitstream unbundling
 - This compares with the OXERA model which estimates entrants would enter only up to 30 ESAs
- This presentation identifies key inconsistencies between these two views, namely:
 - The TCL business case understates costs relative to the OXERA model
 - The OXERA model (factual) retail price levels are much lower than those projected by the entrant
- Our sensitivity analysis is based on the limited information in the TCL submission. We will provide a detailed paper to enable our results to be checked.

TCL costs understated relative to OXERA model

- TCL determine entry on the basis of NPV analysis

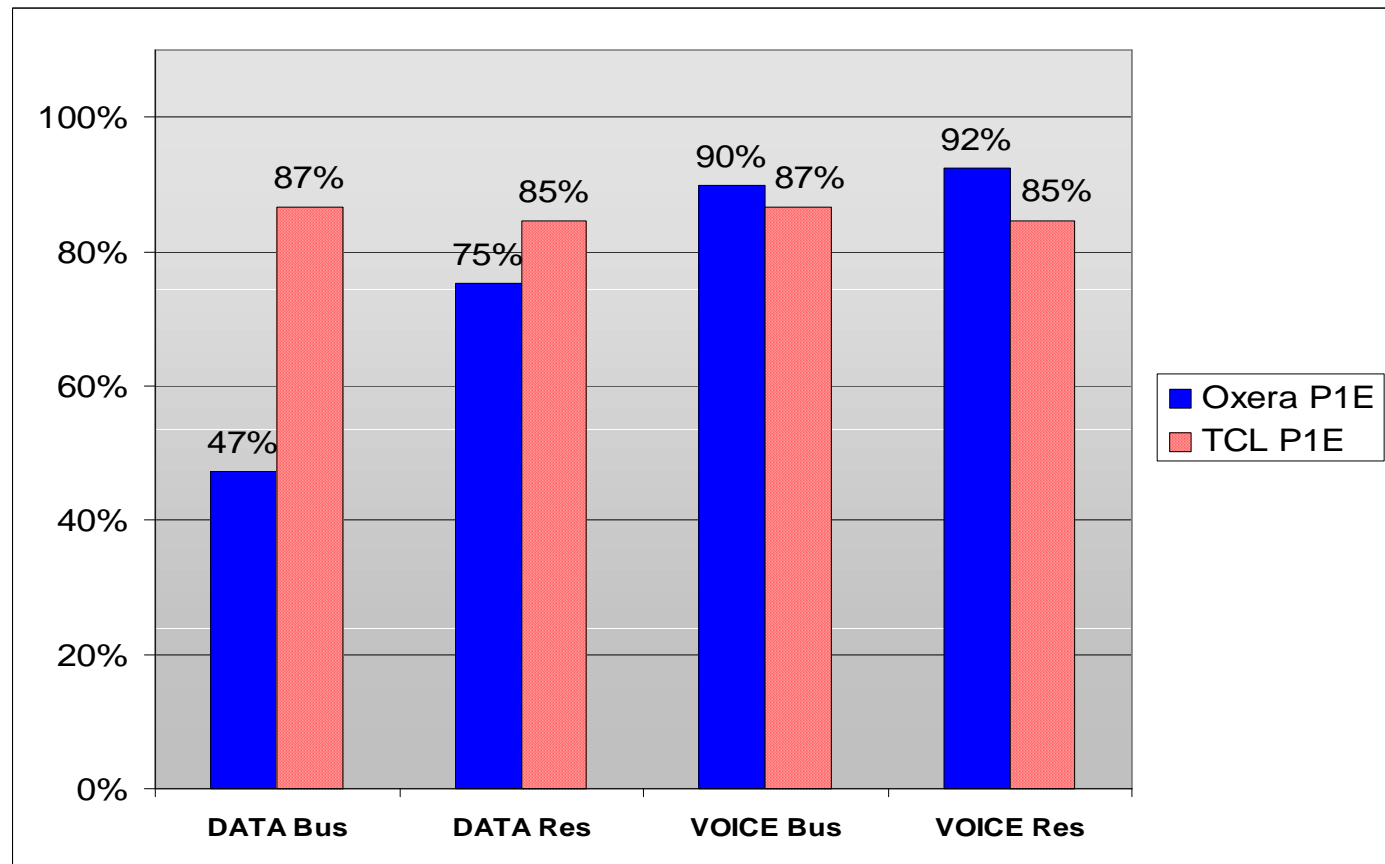
		Without OXERA costs	With OXERA costs
Full Unbundling			
	Residential	No	No
	Business	Larger businesses only	No
Bitstream			
	Residential	Yes, except rural	No
	Business	Yes	Larger businesses only

OXERA model overstates price reductions

- The projected retail price levels are central to the OXERA benefit estimates
- Most OXERA retail price levels are much lower than TCL's projections
 - Which undermines confidence in the reliability of the OXERA benefit estimates

Relative price reductions: Full unbundling

Price levels relative to counterfactual



Relative price reductions: Other scenarios

Price levels relative to counterfactual

