



TELSTRA CORPORATION LIMITED

Local Carriage Service and
Wholesale Line Rental
Exemption Applications

SUPPORTING SUBMISSION

PUBLIC VERSION

12 October 2007

Overview

On 9 July 2007, Telstra applied for exemption from the Standard Access Obligations (“SAOs”) in relation to the supply of the Local Carriage Service (“LCS”) and the Line Rental Service (“WLR”) in 371 competitive exchange services areas (“ESAs”) across metropolitan Australia (“July Exemption Applications”). Those applications included a supporting submission and detailed evidence and arguments as to why the Commission should grant the exemptions. That evidence was further supplemented on 27 August 2007 and 11 October 2007. Telstra now applies for exemption from the SAOs in a further 16 ESAs (“Further Exemption Area”) based on the continuing rapid deployment of alternative infrastructure since the July Exemption Applications.

Exemption from the SAOs in the Further Exemption Area will promote the long term interests of end-users (“LTIE”) for all the reasons set out in the July Exemption Applications. Therefore Telstra relies upon all the materials provided in connection with the July Exemption Applications for the purposes of these exemption applications also. A list of those materials is in Attachment 1.

Within the Further Exemption Area, the LCS and WLR no longer constitute the kind of “enduring bottleneck” to which the declared access provisions of Part XIC of Act were originally intended to apply. Continuing to regulate access to the LCS and WLR in the Further Exemption Area:

- ignores the existence of other declared services such as the Unbundled Local Loop Service (ULLS) that enable the provision of substitutable services to those offered via the LCS and WLR (in effect regulating the same bottleneck twice);
- ignores the presence of significant alternative infrastructure (primarily Digital Subscriber Line Access Multiplexers (DSLAMs), but also HFC and wireless networks), which provide a competitive platform for the delivery of substitute services; and
- ignores the competitive environment made possible by the deployment of this infrastructure, and in particular the ability of competitors to provide facilities-based services in direct competition to those offered via the LCS and WLR services.

As Telstra said in the July Exemption Applications, the Commission has now recognised in the context of the Fixed Services Review that it is no longer appropriate to mandate access to the LCS and WLR in areas where alternative infrastructure exists. Given the dynamic state of deployment of competitive DSLAM infrastructure within metropolitan (Band 2) ESAs, the

Commission must grant Telstra's exemption applications, and allow competition in the marketplace to thrive without undue regulation.

New competitor DSLAM deployments

Since the July Exemption Applications, competitors have continued to deploy DSLAM-based infrastructure in metropolitan (Band 2) ESAs. This is indicated in Table 1.

Table 1: Recent expansion and deepening of competitor DSLAM infrastructure in Band 2 ESAs

	WLR/LCS exemption application (June data)	July 2007	August 2007	Change (June to August 2007)
Band 2 customers covered ^a	5.2 million	5.3 million	5.4 million	179 118
Number of Band 2 ESAs covered ^b	371	381	387	16
Number of DSLAMS installed in Band 2 ^b	1084	1141	1213	165

^aRefers to the number of PSTN SIOs served by ESAs in the Exemption Area in which competitor infrastructure has been identified. ^bTelstra has identified 11 companies (or related companies) that have deployed DSLAMs in ESAs in Exemption Area. This figure is conservative (see Box 1, Telstra's July Submission).

Source: Telstra analysis.

The number of Band 2 ESAs in which at least one competitor DSLAM has been installed has increased from 371 in June 2007 to 387 in August 2007, an increase of 16 ESAs or 4.3 per cent.

This growth, and its economic significance, was recognised in the supplementary statement by Dr Paul Paterson provided in support of the July Exemption Applications.¹

¹Supplementary Statement by Dr Paul Paterson of CRA International for Mallesons Stephen Jaques on the Economic Considerations for LCS and WLR Exemptions by Dr Paul Paterson of CRA International dated 11 October 2007.

The Further Exemption Area

The Further Exemption Area comprises 16 ESAs in metropolitan (Band 2) Australia.² Table 2 provides a State- and Territory-based breakdown of the Further Exemption Area.

Table 2: ESAs with competitor infrastructure in the Further Exemption Area, by State and Territory

	Number of ESAs	Services covered by the Further Exemption Area *
NSW	7	67,827
Victoria	3	41,749
Queensland	5	58,601
Tasmania	1	11,995
<i>Total</i>	<i>16</i>	<i>180,172</i>

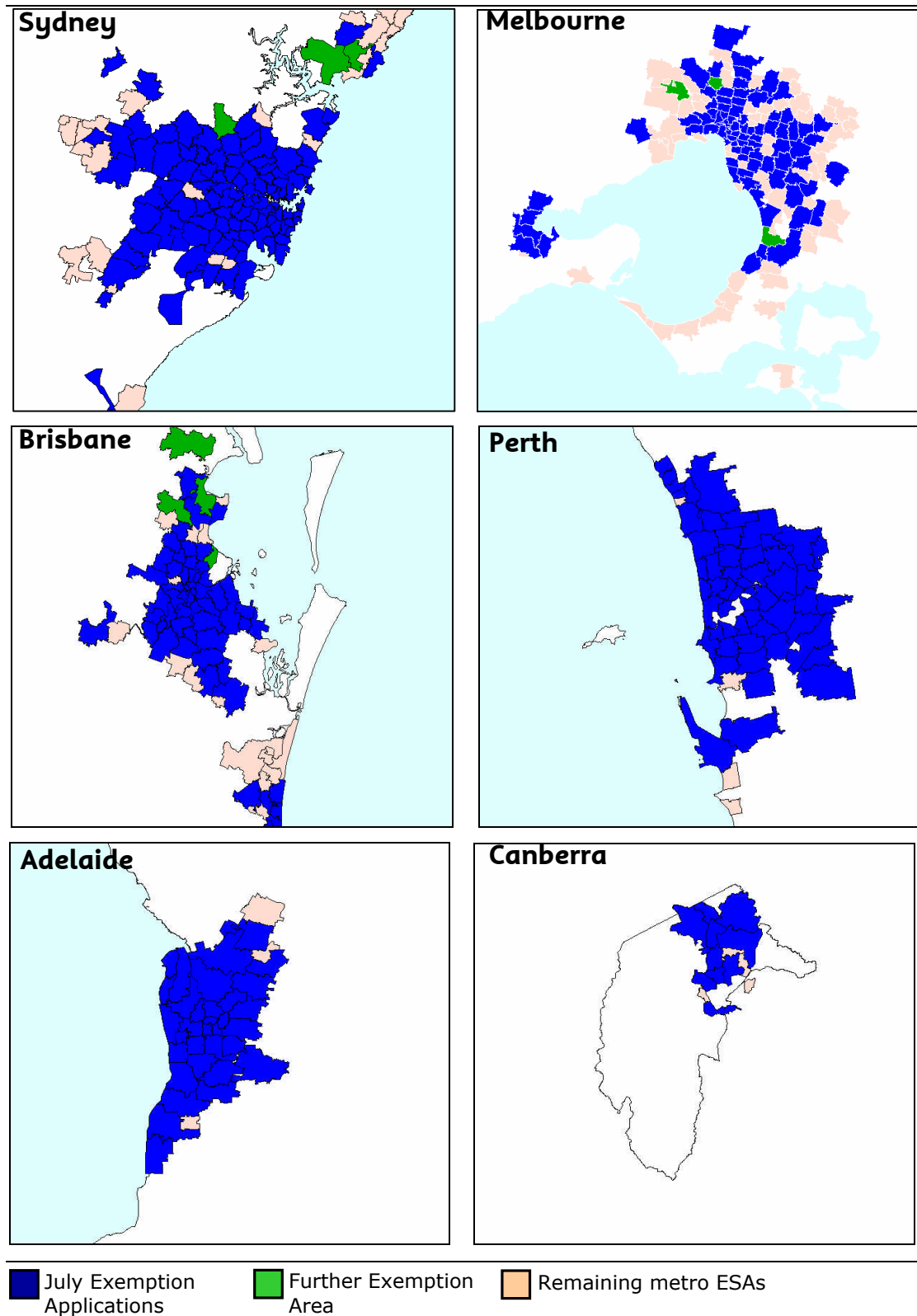
* Refers to PSTN basic access services in operation in the Further Exemption Area ESAs as at August 2007.

Source: Telstra.

Figure 1 provides a diagrammatic comparison between the ESAs that are the subject of the July Exemption Applications and the additional ESAs that are the subject of these further exemption applications.

² Each of the ESAs in the Further Exemption Area are classified as Band 2 ESAs for the purposes of Telstra's Ordering and Provisioning Manual as at the date of the Exemption Applications.

Figure 1: LCS and WLR Exemption Areas — Comparison between July Exemption Applications and current exemption applications.



Confidentiality

This submission and all the information contained in it is confidential to Telstra and may only be disclosed by the Commission to persons approved of in writing by Telstra who have signed confidentiality undertakings that are acceptable to Telstra.

Telstra will provide this submission and the information contained in it to interested parties subject to those parties signing appropriate confidentiality undertakings. The confidentiality undertakings do not limit the extent to which interested parties, and the Commission, can analyse and comment on the content of this submission. Rather they are intended to prevent the distribution and use of the confidential material contained in this submission for purposes other than participating in the Commission's public inquiry relating to the Exemptions.

Telstra will also provide a public version of this document in which confidential information will be deleted.

Attachment 1

Evidence and materials relied upon by Telstra :

- Telstra Submission in support of the July Exemption Applications, including the following annexures:
 - Annexure A - Statement by Dr Paul Paterson of CRA International for Mallesons Stephen Jaques on the Economic Consideration for LCS and WLR Exemptions dated 9 July 2007;
 - Annexure B - [C-I-C];
 - Annexure C - [C-I-C];
 - Annexure D - [C-I-C];
 - Annexure E - [C-I-C];
 - Annexure F - [C-I-C];
 - Annexure G - [C-I-C];
 - Annexure H - [C-I-C];
 - Annexure I - [C-I-C];
 - Annexure J - [C-I-C];
- Supplementary Submission in support of the July Exemption Applications lodged on 27 August 2007;
- The following materials in support of the July Exemption Applications lodged on 11 October 2007:
 - Supplementary Statement by Dr Paul Paterson of CRA International for Mallesons Stephen Jaques on the Economic Considerations for LCS and WLR Exemptions dated 11 October 2007; and
 - [C-I-C];
 - [C-I-C];

➤ [C-I-C]; and

➤ [C-I-C].