

Optus Supplementary Submission to the TEA model costing: A response to the ACCC's request for further information

Public Version

March 2009

Optus would like provide further information on the vendor prices that it submitted for comparison with the inputs in Telstra's TEA model on 22 December 2008 and 22 January 2009.

The vendor prices that Optus submitted in the statement of CiC (22 December 2008) represented the landed unit cost (LUC) of the various pieces of equipment. This means that they included an allowance by the supplier for delivery of the cable, but excluded additional tasks such as inventory management (e.g. storage). This issue was explained in Optus' supplementary submission to the Commission on 22 January 2009.

The Commission has now asked Optus to provide "base-prices" for copper cable - that is the cost of copper cable without the inclusion of any other costs.

Optus does not have vendor price information that directly correlates with the Commission's request as Optus always requires its vendors to provide 'landed prices' (i.e. LUC) that are inclusive of some type of delivery service. For example, delivery to an -site location (e.g. the actual site where the equipment is to be installed) or an off-site storage area (e.g. warehouse).

However, Optus considers that a reasonable estimate of 'base-prices' can be derived by subtracting local delivery costs from the LUC.

Optus previously submitted that that the average domestic transport cost is a flat charge of CiC per meter.¹ Optus derived this cost estimate based on a number of assumptions about the amount of copper being delivered.

Optus has derived values for the 'base-price' of copper cable by subtracting the CiC per meter domestic delivery charge from Optus original cable costs (contained in the statement of CiC). These values are contained in the table below.

¹ *Optus Supplementary Submission to the TEA model costing: A response to the ACCC's request for further information*, January 2009, Confidential Version, page 1.

CiC

Optus highlights that the reduction of the delivery cost does not change the result and that the price of copper cable available to Optus is lower across the full range sizes compared to the equivalent Telstra cost.

Further Optus' base price for copper contained in the above table is conservative as it removes only a domestic transport cost. Optus' vendor sources copper cable from a **CiC** manufacturer and therefore included in the final price offered is an allowance for all costs related to transportation to Australia (e.g. shipping and customs charges). This means that the total delivery component (that includes both domestic and international transport and other applicable charges) of the total cable cost is likely to be much larger than **CiC** per meter, and Optus' true 'base price' is likely to be even lower than reflected in the table above.