

Australian
Competition &
Consumer
Commission

Our Ref: S2009/79
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30 September 2009

Ms Jane van Beelen
Acting Executive Director
Regulatory Affairs
Public Policy and Communications
Telstra Corporation Ltd
Level 11, 400 George Street
SYDNEY NSW 2000

By email: jane.vanbeelen@team.telstra.com

Dear Ms van Beelen,

Review of fixed line wholesale services pricing 2009–12

I refer to your letter of 22 September 2009 requesting that the Australian Competition and Consumer Commission (ACCC) specify and itemise the transmission equipment used in the Analysys Mason cost model. In particular Telstra has requested that the ACCC provide a detailed list of the specific equipment (including the quantity of equipment) which comprises the 'Assets' listed on the UnitCost.Core tab of the Cost.xls module in column D and included in the 'Basic equipment cost' in column F categorised as transmission or satellite in column B.

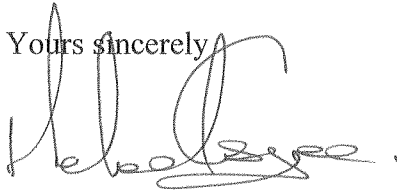
Telstra submits that obtaining the above information will assist it to assess whether the specific equipment used in the model, or the assumed cost for that equipment, is reasonable. However, in the ACCC's view Telstra does not require the specific engineering details requested above in order to make an assessment about the types and quantities of assets that would be required to meet the demand estimated in the modelled network.

The ACCC understands that traffic generated by the model must be provisioned by sufficient transmission equipment to accommodate the capacity requirements of the core network model and considers this is sufficiently enabled within the design parameters of the model. The ACCC acknowledges that the Analysys cost model, like all models, necessarily simplifies real world systems to provide useful numerical

estimates. The purpose of the current consultation is to expose the model assumptions to scrutiny. Telstra would be expected to submit not only what it considers to be in error in the model – but also to submit what preferred values it would like to see in the model for asset prices and quantities. For this task it is sufficient that the Analysys cost model identify a generic class of asset with starting price assumptions and the model calculate the units of that asset class to deploy.

Telstra should be capable of making its own reasonable estimates as to the specific types of equipment (and the price of that equipment) that it would consider reasonable to meet the demand estimated in the Analysys Mason cost model.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Cosgrave', written over the text 'Yours sincerely'.

Michael Cosgrave
Group General Manager
Communications Group
Australian Competition and Consumer Commission