



Level 35, The Tower  
360 Elizabeth Street  
Melbourne Central  
Melbourne Vic 3000  
GPO Box 520  
Melbourne Vic 3001  
Tel: (03) 9290 1800  
Fax: (03) 9663 3699  
[www.accc.gov.au](http://www.accc.gov.au)

Our Ref: M2008/26  
Contact Officer: Kim Huynh

28 March 2008

Dr Tony Warren  
Executive Director, Regulatory Affairs  
Public Policy & Communications  
Telstra Corporation Limited  
Level 2, Engineering House  
Unit 11 National Circuit  
BARTON ACT 2600

cc: Paul McLachlan  
Legal Counsel  
Regulatory Legal Group  
Telstra Corporation Limited  
Level 11, 231 Elizabeth Street  
SYDNEY NSW 2000

**By facsimile: 02 9261 8390**

**By facsimile: 02 9261 2401**

Dear Dr Warren

**Telstra's March 2008 ULLS Undertaking for Band 2: Request for further information**

This letter formally requests Telstra Corporation Limited (Telstra) provide the Australian Competition and Consumer Commission (ACCC) with further information under section 152BT of the *Trade Practices Act 1974* (the Act) for the purpose of assessing Telstra's unconditioned local loop service (ULLS) Undertaking. That application was lodged on 3 March 2008.

This requested information is material to the ACCC's assessment of whether Telstra's ULLS undertaking, including any supporting submissions, are reasonable.

The ACCC requests the following information from Telstra:

- The mathematical calculations and TEA model parameter changes used to reconcile Telstra's proposed ULLS undertaking monthly charge of \$30 for Band 2 and the TEA model's estimate of a ULLS monthly charge of approximately \$50.

- The source data and how Telstra derived the 'default' WACC input parameters. Specifically, the asset beta, costs for debt and equity, and the capital structure ratios, the tax rate and gamma and resultant tax allowance in the pre-tax WACC over the nominal WACC (*reference: 'Inputs Capital Cost' and 'Capital Cost Calculation' Excel worksheet, p. 46 of Telstra's Efficient Access Model - Model Documentation*).

In Telstra's letter of 17 March 2008, Telstra indicated that, in the first week of April, it would provide a submission on the long term interests of end users and the WACC.

- The source and how Telstra derived O&M factors, indirect expense factors, indirect asset factors, network support asset factors (*reference: 'Inputs Capital Cost' excel worksheet*).

Telstra's supporting material from Professor G. Harris states that:

'Investments in assets other than those directly estimates in the main and distribution portion of the model, such as investments in software and motor vehicles, are included in the model using factors that are based upon cost categorises submitted by Telstra to the ACCC in the Regulatory Accounting Framework (RAF).' (p.11)

The ACCC requests that Telstra provide information on the specific cost categories and services in RAF (or other sources) as well as methodology used to derive these factors.

Please forward the requested information (in both hard and electronic format) to:

Kim Huynh  
Communications Group  
Australian Competition and Consumer Commission  
GPO Box 520J  
MELBOURNE VIC 3000  
Email: [kim.huynh@accc.gov.au](mailto:kim.huynh@accc.gov.au)  
Fax: (03) 9663 3699

In accordance with section 152BT(X)(b) of the Act, a day during any part of which this request (or part of this request) remains unfilled, is disregarded in calculating the period within which the ACCC must make a decision about the exemption applications.

The ACCC requests that by **7 April 2008**, Telstra provide to the ACCC in writing, an estimated date when it will provide information in compliance with this request (**Estimated Response Date**). The ACCC advises that it will make an assessment regarding the Estimated Response Date and form a view on whether it is reasonable. If the ACCC does not consider the Estimated Response Date to be reasonable the ACCC will set a deadline for compliance with this request which it considers to be reasonable. In the event that Telstra fails to comply with this request by the Estimated Response Date or such other time that the ACCC considers reasonable, the ACCC may proceed to make a decision on the ULLS undertaking without considering any information provided in response to this request.

Should you have any questions regarding this request, please contact me on (03) 9290 1864 or Kim Huynh on (03) 9290 1960.

Yours sincerely

A handwritten signature in blue ink that reads "R. Wright." The signature is written in a cursive style with a large initial "R" and a period at the end.

Robert Wright  
General Manager  
Compliance and Regulatory Operations  
Communications Group