



24 March 2009

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Dear Mr Wright

Telstra's Band 2 ULLS Undertaking - Further submissions

I refer to my letter dated 13 March 2009. As foreshadowed in that letter, I enclose further submissions in support of Telstra's Band 2 ULLS Undertaking as follows:

1. a submission entitled "**Competing infrastructure in Band 2 areas: the implications of SingTel Optus' HFC network for ULLS pricing**" in relation to investment in SingTel Optus' Hybrid Fibre Co-axial ("HFC") cable network. This submission highlights the way in which the current artificially depressed price for ULLS is sending inefficient build/buy signals to Telstra's competitors and potential competitors. So distorted are the market signals that even having built an HFC network over large portions of the three largest cities of Australia, in many cases SingTel Optus chooses to use ULLS rather than its own network. Prices for the ULLS set in line with the TSLRIC+ of providing the service (as estimated by the TEA Model) will alleviate this perverse outcome. (A CD containing the supporting documentation referred to in that submission will be delivered to the ACCC's Sydney office under cover of a copy of this letter).

While this submission includes public evidence that was submitted in Telstra's application for fixed line services exemption in SingTel Optus cable network areas, a significant volume of confidential information from those proceedings is also in the ACCC's possession. Telstra believes that this material is relevant to the present matter, and that the ACCC should properly take it into account in assessing Telstra's undertaking. We have written to SingTel Optus seeking its consent to this course of action.

2. a further **expert report from Professor Robert G Bowman** in which he reviews and responds to the submissions made by access seekers, the report in relation to WACC prepared by Ovum Consulting for the ACCC and the ACCC's Draft Decision.

3. a study entitled “**The Impact of Distribution Area Design on Customer Access Network Investment Costs**”. This study uses statistical regression techniques in order to identify the parameters of DA design which may drive the cost of constructing the CAN. By running a standard statistical regression across all of the DAs in Band 2, the study identifies that, all other things being equal, DA design has no material impact on investment costs .
4. a study entitled “**Materiality Testing**” which demonstrates by reference to each of the inputs identified by the ACCC in its Draft Decision, that it is necessary to adopt the most extreme cost minimising inputs in order to obtain from the TEA Model an estimate of the cost of ULLS in Band 2 below \$30.
5. a further expert report of Mr Kip Meek and Mr Rob Kenny which responds to the Ovum advisory note in relation to benchmarking dated 26 February 2009.
6. a document entitled “**TCL1 - Development of the Default Conduit and Pit Placement Ratios Used in the TEA Model**” which explains the detailed estimation process used to establish the appropriate breakout and reinstatement ratios for turf and concrete/asphalt which are used in the TEA Model, together with a covering statement from an expert engineer which attests to the resonableness of that process.

Confidentiality status

Telstra **does not** claim confidentiality over:

- this letter;
- the documents identified at paragraphs 1 to 5 above; or
- the explanatory document (“**TCL1**”) referred to at paragraph 6 above.

and, accordingly, those documents may be published on the ACCC website.

Telstra **does** claim confidentiality over:

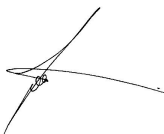
- the witness statement referred to at paragraph 6 above (Category 1 Confidential Information)

and, accordingly, those documents **may not** be published on the ACCC website.

Telstra will ensure copies of that Category 1 Confidential document are made available to interested parties subject to the same terms of access applicable to any other Telstra Confidential Material.

Telstra will provide further submissions shortly.

Yours sincerely,



Tony Warren
Executive Director Regulatory Affairs
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