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<b>Date</b>	9 May 2006	ABN 47 702 595 758
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Confidential Email

Dear Mr Cosgrave

### **FOXTEL Digital Set Top Unit Service Special Access Undertaking**

We refer to FOXTEL's Regulatory Accounting Procedures Manual (*RAPM*), which is Attachment 12 to FOXTEL's submission accompanying its special access undertaking lodged on 6 October 2005.

Section 7.3.3 of the RAPM (page 17) currently describes the methodology in relation to marketing costs as follows:

Line 15 includes an assumption that 100% of Marketing is non-brand for the full 10-year period.

FOXTEL wishes to amend this methodology so that it is responsive to any changes over the 10-year period in the level of brand marketing. Accordingly, FOXTEL intends to remove this sentence from the RAPM and replace it with the following:

Line 15 will record the percentage of Marketing which is non-brand for each year. This percentage will be determined by FOXTEL and subject to an independent review.

PWC are currently reviewing FOXTEL's marketing costs for the period March 2004 to June 2004 in order to confirm the percentage for the 2004 financial year. FOXTEL anticipates that that this review will be completed within the next 4 to 5 weeks. FOXTEL will advise the Commission of the results of this review when they are available.

FOXTEL reiterates that it is appropriate to include 'non-branded' marketing in its cost base. FOXTEL's business, being a retail one, cannot easily be separated into retail and wholesale marketing and FOXTEL does not engage in any "pure" wholesale advertising. However, FOXTEL will divide its marketing costs into "branded" and "non-branded" marketing (as defined in Schedule 3 of the DAA) for the purposes of developing the rate card and only "non-branded" marketing costs

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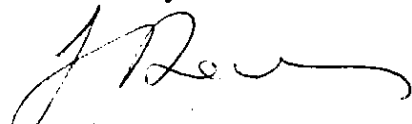
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are passed on to access seekers. This reflects the benefit that access seekers receive by obtaining access to FOXTEL-installed STUs (both as part of the IBAC and on-going as part of the digital service).

FOXTEL is content for this letter to be published on the Commission's website if the Commission deems that appropriate.

Yours sincerely



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