

**Telstra's response to the ACCC's request for further information on  
Telstra's Band 2 ULLS undertaking made pursuant to  
s152BT of the *Trade Practices Act*  
dated 23 January 2008**

**1) What, if any, additional functions (such as storage) do the prices contained in the TEA model include?**

The TEA model's input prices include the costs of all functions which are carried out by Telstra's vendors, including the manufacture of the equipment, inventory costs such as storage and the cost of money associated with maintaining a supply of equipment, logistics associated with delivering the equipment from the warehouse to the construction site (e.g. where the cable/conduit is to be installed in trenches) and installation. The installation cost is sometimes built into the equipment price (for example, in respect of manholes and pits), and sometimes as a separate entry (for example, in respect of copper cable, the haulage cost is a separate entry to the logistics inclusive price of the copper cable).

Telstra notes Optus' submission, dated January 2009, which states that:

*The vendor prices that Optus submitted...represented the 'landed unit cost' of the various pieces of equipment without the inclusion of additional tasks such as inventory management (e.g. storage).*

Consequently, to make a valid comparison of Optus' input prices with Telstra's input prices in the TEA model, the ACCC must add the cost of carrying the inventory investment on their books, inventory management/logistics, handling, storage and transportation to the job site (and in some cases installation) to Optus' input prices for the relevant pieces of equipment, and compare the sum to the TEA model input prices. This would help ensure a like-for-like comparison of the plant and equipment on a 'ready for installation' basis.

**2) What is the base vendor price for the equipment contained in the TEA model? For example, what is the cost for each type of main copper cable only, without any additional functions?**

The TEA model input prices for cable include the costs of all functions, including manufacture, warehousing, materials management, and delivery to the installation site. The material costs for cable make up approximately the following proportions of the total TEA model input prices:

Equipment	Material component of TEA model input prices
Copper cable - 2/040	██████████
Copper cable - 10/040	██████████
Copper cable - 30/040	██████████
Copper cable - 50/040	██████████
Copper cable - 100/040	██████████
Copper cable - 200/040	██████████
Copper cable - 400/040	██████████
Copper cable - 800/040 mm	██████████

Copper cable - 1200/040 mm	
Copper cable - 2400/040 mm	
Copper cable - 10/064	
Copper cable - 30/064	
Copper cable - 50/064	
Copper cable - 100/064	
Copper cable - 200/064 mm	
Copper cable - 400/0.64 mm	
Copper cable - 800/064 mm	

Note: (1) The prices for cable do not distinguish between whether the cable is used for distribution, main, or building terminals.

The TEA model input prices for pits and manholes, pillars, multiplexers and placing lead-ins include the cost of materials, delivery to the installation site, and installation. The material costs make up approximately the following proportions of the total TEA model input prices:

Equipment	Material component of TEA model input prices
PF28 manhole	
PF20 manhole	
PF12 manhole	
PF4 manhole	
No. 9 Pit	
No. 6 Pit	
No. 5 Pit	
Large Pillar	
Small Pillar	
Placing Lead-in	
Placing Lead-in >20m	

[REDACTED]

3) Specify the percentage volume/quantity discounts that:

- Are available to Telstra;
- Telstra currently receives; and
- Have been applied in the TEA model. If the application of volume discounts varies between items in the TEA model, indicate the extent volume discounts have been applied to each item. For example, Telstra may apply a greater volume/quantity discount on equipment that is used more when constructing a network.

The TEA model input prices reflect the rates that Telstra actually pays to its A&AS contracted vendors (Visionstream, Service Stream and Silcar) who carry out the installation of equipment for Telstra. [REDACTED]

[REDACTED]

THE REMAINDER OF THIS DOCUMENT IS TELSTRA CATEGORY 2 CONFIDENTIAL INFORMATION AND HAS BEEN REDACTED FOR THAT REASON

[REDACTED]