



Strategy & Corporate Services

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CONFIDENTIAL COMMUNICATION

Dear Mr Wright

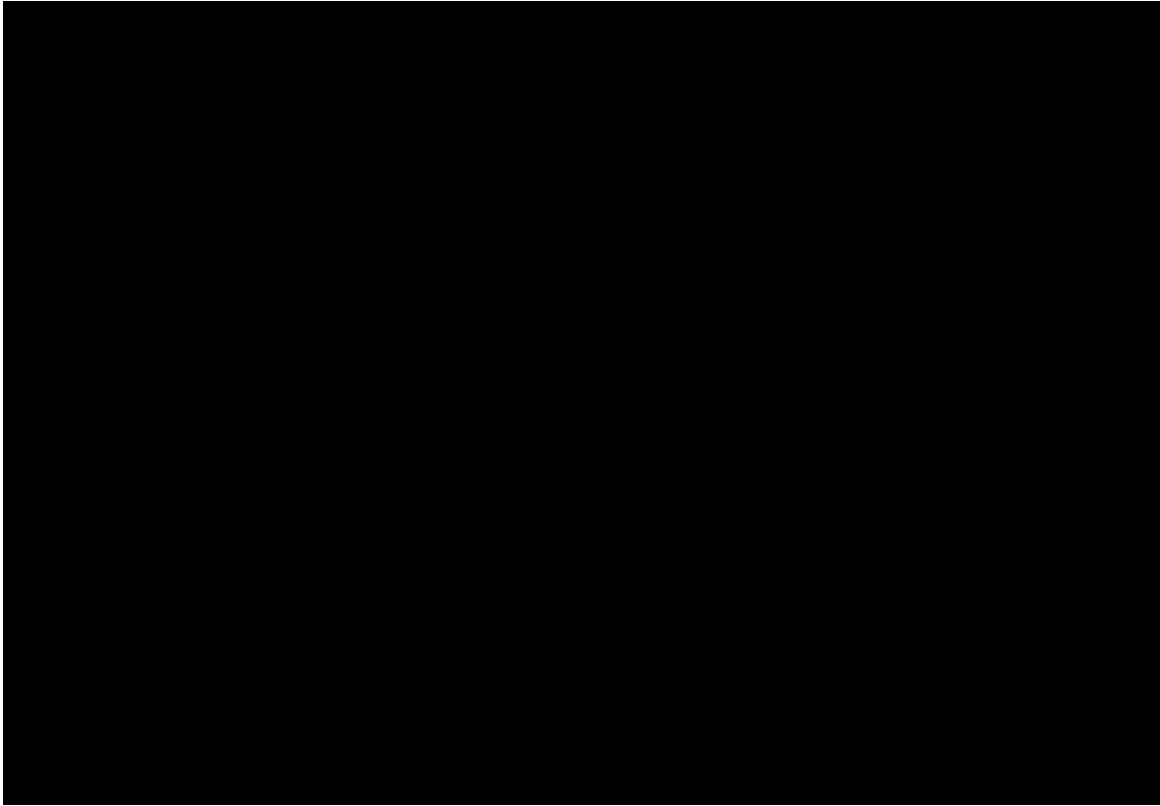
Demand Forecasts for Customer Access Network and Inter Exchange Network services

The purpose of this correspondence is to provide the Australian Competition and Consumer Commission (**ACCC**) with an update of Telstra's forecast demand for 2010/11 to 2012/13 for the Customer Access Network (**CAN**) and Inter Exchange Network (**IEN**) services. This demand forecast is based on the best information currently available to Telstra. The information set out in this document is directly relevant to any determination that the ACCC may make in connection with the pricing of declared wholesale fixed line services and is a matter that the ACCC must take into account.

Table 1 below shows Telstra's Services in Operation (SIO) forecasts for ULLS, WLR, LSS and other CAN services and traffic volume forecasts for PSTN OTA and LCS.

These demand forecasts have been prepared consistently with the demand forecasting methodology set out in part 5.5 of Telstra's initial response.

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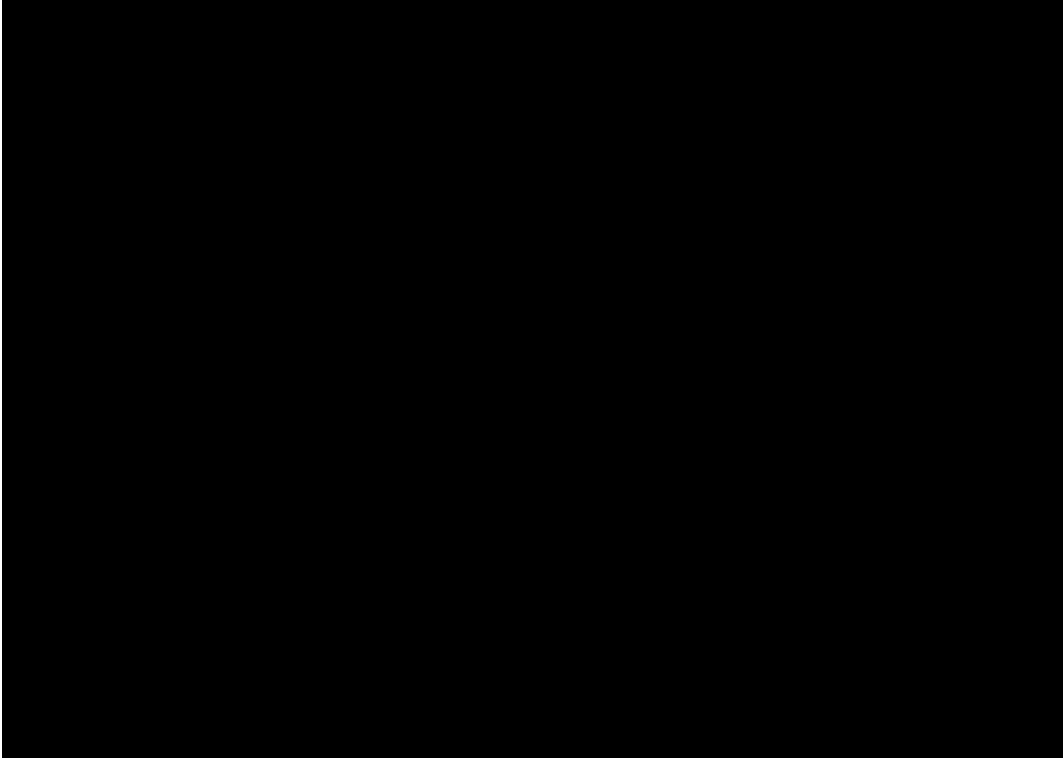


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This is illustrated in Figure 1, which compares the historical and forecast SIOs for WLR, ULLS and LSS.

¹ Note that Total CAN services is the sum of ULLS, WLR and Other lines.

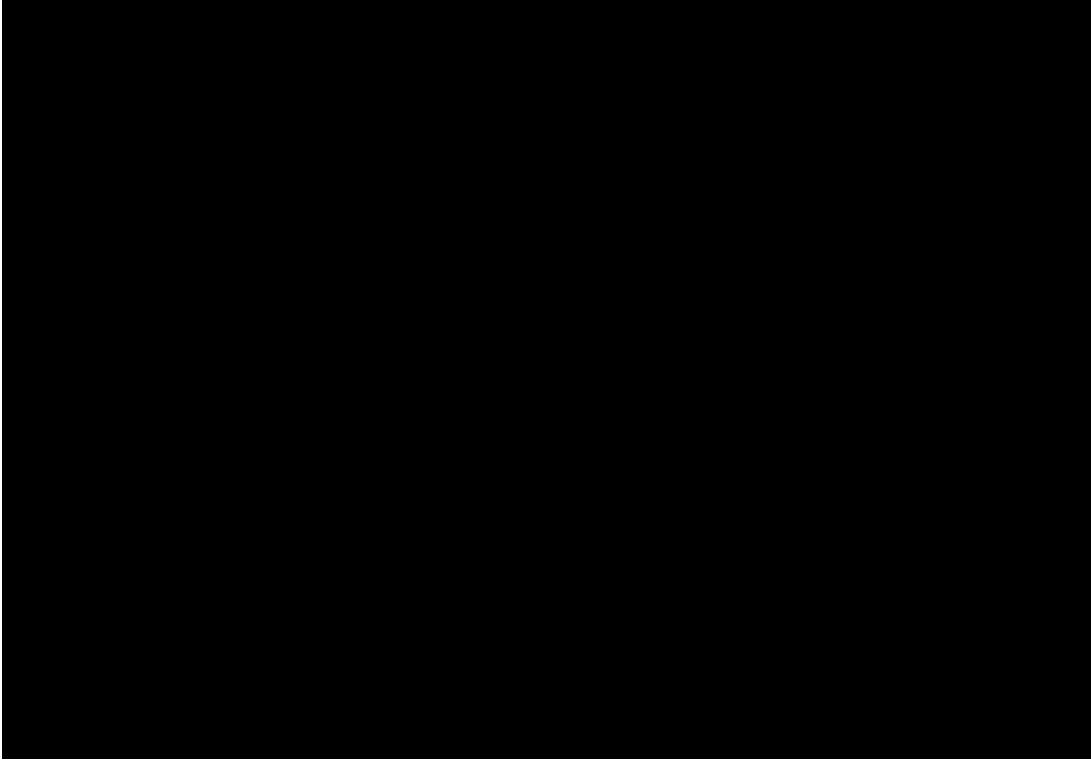
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Figure 2 compares the historical and forecast SIOs for the combination of WLR+ULLS+RLR.

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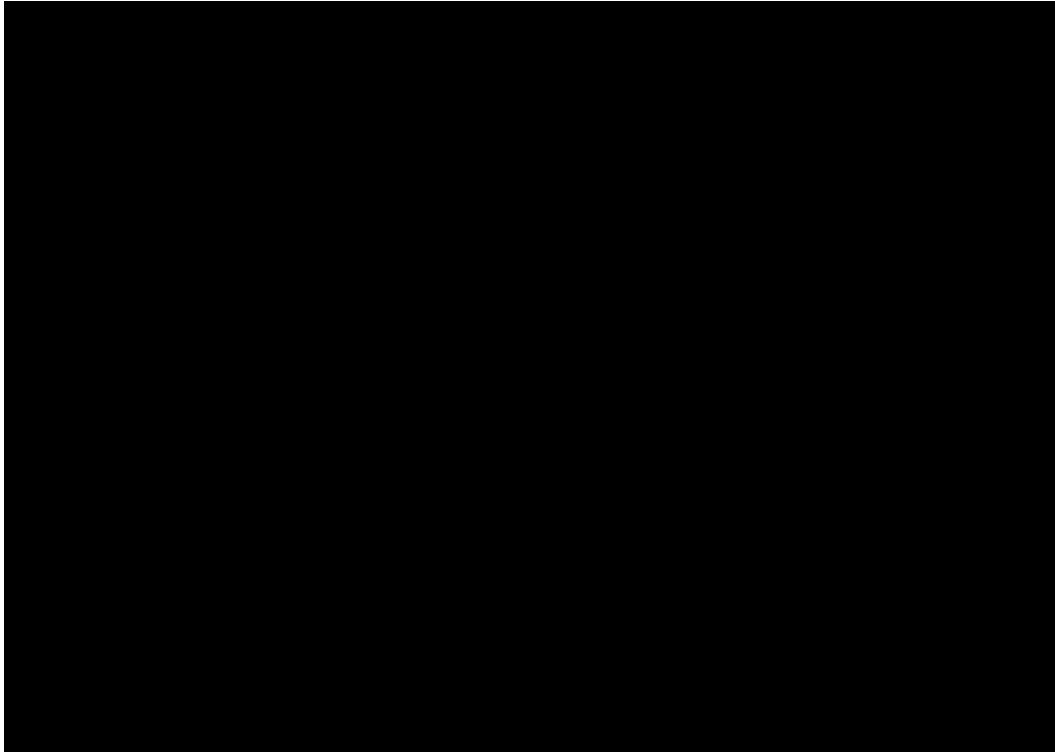
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Figure 3 compares the historical and forecast traffic volume for PSTN OTA and LCS.

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It should be noted that the above forecasts have not taken into account the impact of the rollout of the NBN on the supply of traditional fixed line services. It is expected that the rollout of the NBN would impact the number of Telstra's CAN services within the forecast period, and reductions in CAN services in operation impacted by the NBN rollout would be greater than the forecast reduction in the CAN services shown in Table 1.

Telstra has performed analysis to evaluate the potential impact of migrating Telstra's customers to NBNSCo's network. The potential impact on SIOs is based on demand and migration forecasts contained in NBNSCo's business case study applied to Telstra's forecast demand.

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Table 2 illustrates the potential impact on SIOs anticipated by Telstra as a consequence of the NBN rollout.

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Telstra considers that the forecasts in Table 2 below represent the best forecasts of demand over the period 2010 – 11 to 2012 – 13 currently available to Telstra. The ACCC may have other information available to it as to the impact that the rollout of the NBN may have on Telstra's CAN services. To the extent this information is different to that available to Telstra, this information should be made available to Telstra so that Telstra can properly consider the impact that information may have on its demand forecasts and make submissions to the ACCC on that basis.

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Finally, Telstra would like to remind the ACCC that the forecasts highlighted in this letter are confidential to Telstra. Accordingly, to the extent applicable, this data should form part of the confidential information that is subject to the confidentiality regime agreed with the ACCC in relation to the FLSM and accompanying consultation paper.

Yours sincerely,

A handwritten signature in blue ink that reads "Christine Williams". The signature is written in a cursive, flowing style.

Christine Williams
Acting Executive Director – Regulatory Affairs
Strategy & Corporate Services

² Note that Total CAN services is the sum of ULLS, WLR and Other lines.