

**Bill Scales AO**  
Group Managing Director  
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14 November 2003

Mr Ed Willett  
Commissioner  
ACCC  
GPO Box 3648  
SYDNEY NSW 2001

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Dear Sir

### Access Deficit Contribution ("ADC")

I refer to:

- the Commission's 'Final Determination for model price terms and conditions of the PSTN, ULLS and LCS services' dated 24 October 2003; and
- Telstra's undertakings dated 14 November 2003 ("**Undertakings**") in respect of Telstra's domestic PSTN originating and terminating access services ("**PSTN OTA**"), the declared local carriage service ("**LCS**"), and the declared unbundled local loop service ("**ULLS**") (together, the "**Undertaking Services**").

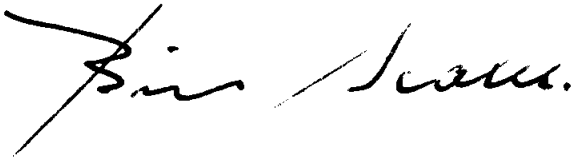
Telstra confirms that upon the Commission's acceptance of the Undertakings, Telstra agrees that it will not claim an ADC increment in regulatory proceedings regarding the price for any of the Undertaking Services for the 2006/07 financial year and beyond, on the following basis:

- 1) the commitment does not constitute an acknowledgement by Telstra that an access deficit will not exist in 2006/07 or subsequent years, or that Telstra's claim in respect of the ADC in relation to the Undertaking Services for the years the subject of the Undertakings and previous undertakings and/or subsequent years is not or would not be valid;
- 2) the commitment relates to Telstra's prices in respect of the Undertaking Services only;
- 3) the commitment is provided solely in the interests of avoiding industry disputes in relation to the Undertaking Services;

- 4) the commitment does not affect Telstra's rights generally, including but not limited to the following:
- (a) Telstra's right to continue rebalancing line rentals prior to and after 2005/06 in accordance with retail price controls; and
  - (b) all or any of Telstra's entitlements under the USO scheme.

For the avoidance of doubt, the above commitment includes any claim for an ADC in respect of, or any allocation of the ADC to, the cost of the declared LCS in 2006/07 or beyond.

Yours faithfully

A handwritten signature in black ink, appearing to read "Bill Scales". The signature is written in a cursive style with a long, sweeping underline.

**Bill Scales AO**  
**Group Managing Director**  
**Regulatory, Corporate and Human Relations and Chief of Staff**