IN THE MATTER OF UNDERTAKINGS DATED 23 DECEMBER 2005 PROVIDED BY TELSTRA CORPORATION LIMITED TO THE AUSTRALIAN COMPETITION AND CONSUMER COMMISSION IN RESPECT OF UNCONDITIONED LOCAL LOOP SERVICE ("the Access Undertakings")

STATEMENT OF [c-i-c]

On 9 August 2006, I, **[c-i-c]** of Level 6, 242 Exhibition Street, Melbourne in the State of Victoria, **[c-i-c]**, state as follows:

1 **[removed]**

2 I make this statement from my own knowledge and based on my own enquiries, except where stated otherwise.

Background

3 I am **[c-i-c]**, within the Telstra Services Group at Telstra. In this role I am responsible for, amongst other things, conducting asset service life reviews of Telstra's communication plant assets to ensure that they reflect their revenue earning life. I have been in this role since January 2000 but have been the Manager of the Service Life Review process at Telstra since 1998.

Telstra Asset Life Reviews

4 Each year after a consultation process which I conduct, Telstra sets the service lives of its various assets. The asset service life is a forecast of the revenue earning life of that asset. The determination of a service life by Telstra is based on the collective experience of Telstra's leading technologists. These technologists determine a service life on the basis of the advice of subject matter experts and their knowledge and expectation of the future direction of the telecommunications business at that time. The asset lives determined from this process are used by Telstra for both internal and external reporting purposes.

5 Telstra's Corporate Accounting Instructions, in compliance with Accounting Standard ASRB 1021, require that the service life of assets be reviewed annually for the purpose of

ensuring that the service lives "*reflect the most recent assessment of the useful lives of the respective assets, having regard to such factors as asset usage and the rate of technical and commercial obsolescence ...*".

6 The service lives set by Telstra are based on a consultative process and reflect the collective views of Telstra's Managing Directors responsible for technology direction and infrastructure deployment, together with the subject matter experts responsible for each asset.

7 The consultation process commences with an identification of the expected requirements for communications plant infrastructure to support Telstra's anticipated business direction. In this regard, I interview Telstra's Managing Directors who are responsible for the company's technology direction ("**the Managing Directors**").

8 Issues considered with the Managing Directors are:

(a) future technology which Telstra is considering;

(b) Telstra's major plans or programmes which may impact on asset service lives;

(c) Telstra's future business plans; and

(d) international trends in the market, including the trends of Telstra's equipment suppliers.

9 The asset service lives determined by Telstra in the consultation process are reviewed by the Australian National Audit Office.

10 Telstra uses these asset lives in order to determine depreciation for the purposes of its profit and loss statement.

The Asset Lives Used in the PIE II Model

11 I have been asked to comment on the appropriateness of a number of the asset lives used in the PIE II model, in particular, the asset lives of the following:

(a) radio spectrum;

(b) network management; and

(c) main cable.

Each of these issues is dealt with in greater detail below.

Radio Spectrum

12 I understand that this asset category is limited to radio spectrum licenses for the 500MHz band and that **[c-i-c]** is used as its service life in the PIE II model.

13 Radio Spectrum is the "right to use" radio spectrum for a given frequency within a designated geographic set of areas. The 500Mhz spectrum licence is typically used for delivery of customer concentrator radio access services. The initial licences issued in 1997 were for **[c-i-c]**. On 4 May 2001 the licences were subsequently extended by the Government to **[c-i-c]** for the cost of an additional **[c-i-c]** in fee. Given this, a service life of **[c-i-c]** is appropriate.

Network Management

14 The network management assets are comprised of the following categories of assets:

(a) the traffic data acquisition system for the Ericsson AXE switch which allows the collection of traffic data on inter-exchange routes to ensure the routes are appropriately dimensioned;

(b) the alarm management system, which as part of the facilities offered by the Telecommunications Management Network ("**TMN**") collects alarm information from the various telecommunication infrastructures;

(c) the digital radio performance monitoring system, which analyses digital errors on digital radio systems and provides output to a central monitoring location;

(d) the digital transmission network performance monitoring system, which analyses digital errors on cable transmission systems and provides output to a central monitoring location;

(e) the TMN, which is a means of collecting network management data from telecommunications networks;

(f) the transmission equipment supervisory and alarm monitoring system is the national system for acquisition and processing of all transmission alarms; and

(g) other network management systems which include all network management systems other than those specifically identified above.

15 The weighted average asset life of those assets used by Telstra is approximately **[c-i-c]**. Therefore, the use of a **[c-i-c]** asset life in the PIE II model for network management is in my opinion appropriate.

Main Cable

16 The cable between the Telstra exchange and the customer premises is called access cable. This access cable is comprised of two serial components: main cable and distribution cable. Main cable is that component of the access cable between the Telstra exchange and the cross-connect point closest to the customer premises. If there is no cross-connect (e.g. to major CBD buildings) then all the cable is deemed to be main cable.

17 I understand that **[c-i-c]** is used in the PIE II model for the service life of main cable. Main cable was expected to be replaced by optic fibre technology to satisfy a growing demand for wide bandwidth by customers.

18 The retirement window for main cable is forecast to be between **[c-i-c]** and **[c-i-c]**. The midpoint of retirement is **[c-i-c]**. Therefore, a **[c-i-c]** asset life for main cable is appropriate.

DATED 9 August 2006

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[c-i-c]