

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

**STATEMENT OF [c-i-c]**

On 26 July 2006, I, [c-i-c] of 300 LaTrobe Street, Melbourne in the State of Victoria,  
Product Manager - Commercial and Regulatory, state as follows:

1 [removed]

**Background**

2 I am the [c-i-c] Unbundled Local Loop Services ("ULLS") in the Broadband  
Access Solutions Team at Telstra. I have been in that role since [c-i-c]. In that role,  
I am responsible for the management of the various issues which arise in relation to  
ULLS, including, for example, technical issues, operational issues, pricing issues  
and planning and strategy for ULLS including development of new features or  
capabilities. Forecasting of demand for ULLS is a key part of my role.

3 Prior to working at Telstra, from June 2004 to October 2004 I was employed as [c-i-  
c], where my role included developing contract-pricing scenarios, undertaking  
analysis of sales including analysis of competitor's business, and building data  
models.

4 From June 2003 to May 2004 I was employed by [c-i-c]. My role included  
research and analysis for the purposes of a Ministerial Inquiry in relation to the  
unbundling of the Local Loop Service in New Zealand. The research and analysis I  
conducted included:

- (a) an analysis of broadband uptake in the European Union countries, the  
United States of America and Japan; and
- (b) scenario modelling to assess the benefits versus the costs of increased  
regulation.

5 I hold a Bachelor of Science Degree from the University of Bombay and a Masters  
in Business Administration from Monash University.

6 Attached as Attachment A to this Statement is a copy of my Curriculum Vitae.

### **ULLS Forecasts**

7 I refer to paragraph 56 of Telstra's Submission in Support of the ULLS Monthly  
Charges Undertaking dated 23 December 2005 ("**ULLS Submission**") which:

- (a) contains Telstra's ULLS forecast as set out in paragraph 1 of Confidential  
Attachment B to this Statement for the financial years 2005/06, 2006/07 and  
2007/08; and
- (b) states that the demand forecasts are based on Telstra's official quarter 1  
forecasts for 2005/06.

### **Telstra's Physical Target Package**

8 I am informed by [c-i-c], a member of Telstra's Strategic Cost Analysis Group  
("**SCA Group**"), and believe that the ULLS demand forecasts which appear in the  
ULLS Submission were quarter 1 2005/06 forecasts extracted from the Physical  
Target Package ("**PTP**") by a member of the SCA Group, prior to 22 September  
2005.

9 The PTP consists of a number of excel spreadsheets which contain information in  
relation to all of the Telstra products across Telstra's business. The PTP is used by  
Telstra staff to record estimates of demand for different products for future periods.  
This is done by the relevant Telstra product managers for each Telstra product.

10 I am responsible for estimating the ULLS demand forecasts and updating the PTP  
with those forecasts.

11 I am able to view the PTP at any time. In accordance with the quarterly forecasting  
process undertaken by Telstra across its products, I update the forecast of the  
number of services in operation ("**SIO's**") for ULLS into a Telstra forecasting  
template. This forecasting template includes forecasts for both SIOs and the  
revenue expected to be generated from them, which I also update. Every quarter, I  
upload the template into a forecasting tool used by Telstra called Telfor. Prior to  
entering the data into Telfor, I provide my forecasts to my immediate supervisor,

currently [c-i-c], and previously [c-i-c]. I provide my reasoning for the forecasts to my supervisor and discuss the forecasts with them. With my supervisor's approval, I load my forecasts for ULLS onto Telfor, and from there the forecasts are loaded onto the PTP.

#### **Estimation of ULLS forecasts cited in the ULLS Submission**

- 12 The ULLS demand forecasts which appear in the ULLS submission and in paragraph 1 of Confidential Annexure B to this statement were prepared by me in August 2005.
- 13 In my experience, the take up of ULLS occurs by two means. First, take up for ULLS may occur due to what I will call "organic" growth. "Organic" growth occurs where the access seeker increases its customer base by acquiring new end users. Secondly, take up may occur because the access seeker migrates a group of its existing end user customers from other wholesale products onto its own ULLS based network.

#### **Forecasting "Organic" Growth**

- 14 In order to calculate the organic growth component of the forecast for ULLS, I first looked at the rate of take up of ULLS by each ULLS access seeker (except for Optus) for the eighteen months prior to June 2005. I did this by determining the increase in the number of SIOs at the end of each month for each access seeker. From that information, I extrapolated a trend, that is, the percentage growth per month in take up of ULLS over the 18 months prior to June 2005 for each access seeker. I then determined that the access seekers could be divided into three segments—high, medium and low—based on their differing rates of growth in demand of ULLS. I determined that the high segment had a [c-i-c] average growth trend, the medium segment had a [c-i-c] average growth trend, and the low segment had a [c-i-c] average growth trend per month.
- 15 I then took the number of ULLS SIOs for each of the segments as at June 2005, and applied to those figures the relevant trend of percentage growth per month to obtain my preliminary view of the projected organic growth in ULLS volumes for the 2005/06, 2006/07 and 2007/08 periods ("**Preliminary Organic Growth**").

- 16 My approach for estimating the ULLS trend for [c-i-c] was different to that outlined above, because [c-i-c].

<b>Period</b>	<b>Assumptions</b>
[c-i-c]	[c-i-c]
[c-i-c]	[c-i-c]

- 17 I made those assumptions based upon my past experience that projections given to Telstra by ULLS access seekers tend to overstate actual demand, in terms of both the volume and timing.

18 [c-i-c]

19 [c-i-c]

- 20 Telstra appoints at least one Account Manager for each access seeker, although some of the larger access seekers may have up to four Account Managers. The Account Managers manage the commercial relationship with the relevant access seekers, including their acquisition of Telstra wholesale services such as ULLS. They would generally be aware of any campaigns planned by their access seekers which might impact upon the take up rate of ULLS. [c-i-c]

- 21 During early August 2005, in conversations with each of the [c-i-c] Account Managers I outlined the preliminary organic growth forecast that I had prepared for their customer, and asked for the Account Manager's feedback.

- 22 Although I can not now recall making changes to those projected figures, I would have taken account of any comments I received from the Account Managers on my preliminary organic growth forecasts.

### **Forecasting Managed Network Migrations**

- 23 Telstra supplies a number of wholesale services to access seekers which can be used by access seekers to supply services to end users. Examples of such services are:

(a) local carriage service, which is used to provide local calls;

- (b) PSTN originating and terminating access, which is used to provide local, national long distance and international long distance calls;
  - (c) wholesale ADSL, which used to provide ADSL services; and
  - (d) other services, which provide transmission links.
- 24 By acquiring these wholesale services the access seekers must pay Telstra for these services on a per call, a per minute, or a per service basis.
- 25 Alternatively, an access seeker can build its own network and use ULLS to reach the end user customer. Managed network migrations involve the transfer of an access seeker's end user customers from the various wholesale services acquired from Telstra (some of which are set out above) to that access seeker's ULLS based network. In order for managed network migrations to occur, the access seeker must build sufficient capacity in its own network, install its functioning network equipment (such as DSLAMs) into the Telstra exchange, have suitable IT systems including billing systems, and adequate front and back end staff in place.
- 26 It is my understanding that the account managers constantly interact with their customers (that is, the access seekers for which they are responsible) in relation to the access seekers' short and medium term business plans and product requirements (including the timing and volume of ULLS migrations).
- 27 In order to develop a forecast for managed network migrations, I first extracted each access seeker's managed network migrations forecasts that I had prepared for the PTP for the previous quarter (quarter 4, 2004/05). Because access seeker demand for managed network migrations is project driven, I renewed those figures using any new information that I had received through conversations with the account managers, or business operations managers. This information included the "84-day forecasts" for migrations provided by [c-i-c] which contained [c-i-c].
- 28 [c-i-c]
- 29 During early August 2005, in conversations with each of the relevant Account Managers I outlined my preliminary view of managed network migration forecasts for their customer, for the period August 2005 to June 2008, and asked them to provide feedback.

- 30 Although I can not now recall making changes to those preliminary figures, I would have taken into account any comments I received from the Account Managers in finalising the projected forecasts.
- 31 I then combined the organic growth figures with the managed network migration figures to obtain the forecasts for the 2005/06, 2006/07 and 2007/08 periods. I then entered these into the PTP as the official Q1 forecasts for 2005/06. Those figures are set out in paragraph 1 of Confidential Attachment B to this Statement.

### **Reliability of Telstra's ULLS Demand Forecasts**

- 32 I refer to page 88 of the ACCC's "Assessment of Telstra's ULLS monthly charge undertakings, Draft Decision" ("**the ULLS Draft Decision**"). In relation to Telstra's demand forecasts, the ACCC states that "*Telstra's demand estimates consistently turn out to be too low...*".
- 33 Paragraph 2 of Confidential Attachment B to this Statement contains a table setting out the forecasts included in the Submission for Telstra's 13 December 2004 ULLS Monthly Charges Undertaking dated 3 March 2005 ("**2004 ULLS Undertaking Submission**") for the 2004/05 and 2005/06 periods.
- 34 Paragraph 3 of Confidential Attachment B to this Statement contains a table setting out the actual cumulative figures for ULLS at the end of June 2005 and the end of May 2006.
- 35 In relation to the Commission's statement set out in paragraph 32 above, I note the following:
- (a) Access seekers generally have a history of delaying the timing of managed network migrations, and revising downwards their projections of the volume of ULLS.
  - (b) In spite of the forecasts included in the ULLS Submission including significant volumes for managed network migrations for ULLS, the migrations conducted to date have been substantially less than that forecasted.

- (c) The actual ULLS volume for the 2004/05 period, as set out in the table contained in paragraph 3 of the Confidential Attachment B to this Statement was [c-i-c].
- (d) The actual ULLS volume as at 30 May 2006, as set out in the table contained in paragraph 3 of the Confidential Attachment B to this Statement, was [c-i-c].
- (e) Further, from the information I have received to date from the Account Managers, and access seekers themselves, including further revisions and delays in relation to projected managed network migrations, I consider that [c-i-c].

36 Consequently, in contrast to the ACCC's statement set out in paragraph 32 above, I consider that Telstra's ULLS forecasts have [c-i-c]. Further I consider that Telstra's ULLS forecasts for the 2005/06, 2006/07 and 2007/08 periods included in the ULLS Submission are [c-i-c].

37 If fibre-to-the-node ("FTTN") is rolled out by Telstra, ULLS may not be available in the areas where FTTN is rolled out. Consequently, if this does occur, ULLS demand is likely to be even lower than the demand that is likely to be realised without FTTN.

38 I also set out at paragraph 5 of confidential Attachment B to the Statement a table containing actual ULLS demand for the period 2000/01 to 2004/05, taken from Telstra's quarter 1 2005/06 PTP figures.

#### **Take-up of ULLS in Bands 3 & 4**

39 I have been asked to comment on the take-up of ULLS in Bands 3 & 4.

40 There has been take-up of ULLS in Band 3 by [c-i-c] and in Band 4 by [c-i-c]. Although the take-up of ULLS in Bands 3 and 4 is not significant, it is also not immaterial. For example, the take up of ULLS in Band 3 is set out in Paragraph 4 of Confidential Attachment B to this Statement.

#### **Product Management Costs**

41 In order to supply ULLS, Telstra incurs costs in respect of the product management of those services.

- 42 In that context, I have been asked to comment on the tasks undertaken by the product management team in respect of ULLS and to estimate the necessary time for those activities. I understand that other people are providing statements relating to other ULLS-related activities such as sales and marketing, which my team does not undertake.
- 43 Set out below is a description of the type of work activities currently being undertaken by the members of the Telstra product management team in relation to ULLS:
- (a) ***Customer meetings***
    - (i) attending customer meetings with the customers and Account Managers in relation to pricing, service terms and conditions, and technical issues such as recurring faults; and
    - (ii) attending pre-meetings to the above meetings with the relevant team members;
  - (b) ***Planning and Forecasting***
    - (i) preparing analysis of sales, market conditions, customer issues and strategies for the products;
    - (ii) preparing, finalising and obtaining sign off for product strategies which form the basis of the product plan for the next financial year;
    - (iii) preparing, finalising and obtaining sign off for the quarterly update to the annual product plan;
    - (iv) estimating ULLS demand forecasts and updating the PTP with those forecasts on a quarterly basis;
    - (v) finalising and obtaining sign off for the PTP forecasts;
    - (vi) preparing, finalising and obtaining sign off for annual capital expenditure outlays for the next financial year which include a project description, scope, key deliverables and cost estimates;



(c) ***Undertakings and Regulator Queries***

- (i) assisting the Telstra Regulatory team in relation to access undertakings, including reviewing and responding to emails, assisting with provision of information in relation to commercial and operational matters, preparation of responses to queries from the Commission and attending meetings in relation to those matters;
- (ii) assisting the Telstra Regulatory and legal teams with any customer disputes, including investigating the situation, preparing an appropriate response and taking action if required;
- (iii) preparing for and attending briefings of the Commission;

(d) ***Project Related Activities***

- (i) at any one time there are a number of projects at various stages of implementation in relation to ULLS. Presently there are five ULLS projects being implemented. Of these projects, a member of the product management team is the project leader for one ULLS project. One or more product managers are on the team for the other projects but are not responsible for the delivery of benefits. For that project for which a member of the product management team is a leader, a number of work activities must be undertaken by the project leader, including:
  - (A) initial analysis of the project, which includes performing a cost/benefit analysis, analysing the project against the company's strategic plan and market strategy;
  - (B) organisation of the project team;
  - (C) preparing, settling and obtaining sign off for the ideas pack;
  - (D) presenting the ideas pack to obtain initial funding for a feasibility study;
  - (E) preparing and providing project outline and key deliverables to the feasibility manager;

- (F) preparing and presenting the feasibility study;
  - (G) working with the IT architect to define the work which must be undertaken to meet the key project deliverables;
  - (H) preparing, settling, and obtaining sign off for the business case;
  - (I) presenting the business case to obtain approval to begin the project;
  - (J) directing the overall project including reviewing and preparing emails, organising and attending meetings and ensuring that contracts and contract schedules are developed and met;
  - (K) preparing proposals in relation to the pricing and non pricing terms and conditions to be implemented as a result of the project (if any are required), including reviewing and preparing emails and attending meetings in relation to these matters;
  - (L) planning the “go to market” strategy, for example, preparing marketing material, product information sheets, media and customer communications;
  - (M) obtaining pricing approval; and
  - (N) preparing a product implementation report;
- (ii) for those projects where a member of the product management team is not the project leader (i.e. projects with an operational rather than commercial focus), a member of the product management team is involved in the project in relation to the necessary commercial activities. The member is actively involved, from a commercial perspective, in the tasks set out at (A) and (B), passively involved in the tasks set out at (D), (F) and (G) and is a key member of the team in relation to the tasks identified at (J), (K) and (L);

(e) ***Other daily activities***

(i) management of the following issues:

(A) operational issues requiring immediate attention.

This includes liaising with Account Managers and the provisioning/delivery team regarding customer concerns/queries in relation to the provision, delivery or the service assurance process and regarding issues raised by the provisioning/delivery team in relation to customer use of a new service offering or Telstra's processes. It involves reviewing and responding to numerous emails, attending meetings with the relevant Telstra personnel and, if necessary, the customer. It also includes educating Account Managers in relation to new service offerings.

(B) technical / IT systems issues.

This relates to issues identified by the provisioning/delivery team, arising from the use of technology / IT systems by access seekers. It involves consideration of the issue and determining whether there is an immediate solution or whether long term action is required and then being involved in the required actions.

(C) commercial issues.

This involves responding to Account Managers in relation to customer requests regarding matters such as pricing or other terms and conditions on which ULLS is offered. It includes reviewing and preparing emails, liaising with and attending meetings with the legal team, the Account Managers and, if necessary, the customer;

(ii) management of the product management team. This includes reviewing and preparing emails, planning tasks, staff management including performance reviews and general administration;

(f) *Other weekly activities*

- (i) attending weekly meeting with relevant Telstra personnel involved in the delivery of ULLS to discuss mid to long term operational, strategic and customer issues;
- (ii) attending steering group meetings and governance meetings in relation to wholesale and commercial strategy to identify any cross product impacts on ULLS.

44 The above work activities are ongoing. Therefore, I expect these activities to continue throughout 2005/06, 2006/07 and 2007/08.

45 Product management work activities for any product are typically influenced by the particular life cycle stage of the product. For example, in the introductory phase of a product's life, product management primarily consists of developing and implementing product processes such as pricing, billing, provisioning, delivery, and service assurance processes. It also involves educating customers in relation to product features, and improving customers' product awareness.

46 Presently, there are [c-i-c] product managers, of which I am one. On average, each spent approximately [c-i-c] on ULLS during 2005/06. The work of the other [c-i-c] product managers is overseen by myself, while the whole team is overseen by the Group Manager. In or about February 2006, I made enquiries of the then Group Manager, [c-i-c] regarding the proportion of time which was spent by her on ULLS activities per week. I was informed by the Group Manager, and believe that, approximately [c-i-c] of her time was dedicated to overseeing ULLS product management activities. In addition to the [c-i-c] product managers and the Group Manager, there are additional members of the product management team who undertake ULLS activities on a weekly basis but to a lesser extent than the product managers. Based on my enquiries of these members, I believe that their main involvement with ULLS is performing revenue management and business planning activities such as, looking at actual revenue and tracking it against forecast revenues, tracking the number of ULLS services, analysing capital expenditure requests, and forecasting ULLS revenue.

47 On the basis of the above, I am able to estimate that the equivalent of [c-i-c] full-time people were required by the product management team for ULLS activities in 2005/06. For the reasons identified above, I expect that the estimate for 2005/06 will continue through 2006/07 and 2007/08.

*The SSS on ULLS upper spectrum project*

48 I refer to Annexure B of Telstra's Submission in Response to the ACCC's Discussion Paper in respect of ULLS, dated 14 March 2006 ("**the Discussion Paper Response**").

49 Page 3 of Annexure B of the Discussion Paper Response includes a description of the capital and other costs associated with various ULLS projects over the period 2004/05 and 2005/06. In respect of the SSS on ULLS Upper Spectrum project the following costs are identified:

- (a) [c-i-c] capital expenditure for 2005/06; and
- (b) [c-i-c] operating expenditure for 2005/06.

50 The project allows Internet Service Providers to use the upper spectrum to provide DSL. I believe that ULLS access seekers benefit from the project as it allows them to offer end user customers, on migrating to ULLS, a choice of DSL providers and also the potential functionality for end user customers to retain their existing DSL provider.

51 The estimate of the total cost of the SSS on ULLS upper spectrum project, as at November 2005, was [c-i-c]. Of that cost, only [c-i-c] were allocated to ULLS.

52 In order to calculate the proportion of these amounts that should be allocated to ULLS, I first analysed which parties would potentially benefit from the project.

53 I then allocated each party's contribution to the project based on a combination of two factors: the interest of those parties which would potentially benefit from the project, and the market share for DSL for those parties as at October 2005.

54 Accordingly, I allocated [c-i-c] of the costs to Telstra, [c-i-c] to SSS access seekers, and [c-i-c] to ULLS access seekers.

55 I estimated the operating costs, based on my past experience of the costs of other IT projects, as [c-i-c] of the capital expenditure. The operational expenditure costs are labour resource costs for preparing the ideas pack, undertaking feasibility, solution definition, build and acquire, executing the launch stage, and any other project associated costs that are not capitalised except for costs associated with communications material.

***The SSS to ULLS Connection Process project***

56 I refer to page 3 of Annexure B to the Discussion Paper Response in which the following costs are identified in respect of the capital and other costs associated with the SSS to ULLS Connection Process project:

- (a) [c-i-c] capital expenditure for 2005/06; and
- (b) [c-i-c] operating expenditure for 2005/06.

57 As at November 2005, the total estimated capital expenditure of the SSS to ULLS Connection project was [c-i-c], and the total estimated operating expenditure was [c-i-c]. Of those total estimated costs, I allocated only [c-i-c] to ULLS.

58 In order to calculate the proportion of these amounts that should be allocated to ULLS, I first analysed which parties would potentially benefit from the project.

59 In order to calculate the proportion of these amounts that should be allocated to ULLS I then allocated each party's contribution to the project based on a the interest of those parties which would potentially benefit from the project. As I considered that ULLS access seekers would be the major gaining parties, I allocated [c-i-c] to SSS access seekers, and [c-i-c] to ULLS access seekers.

**DATED:** 26 July 2006.

.....  
[c-i-c]

**ATTACHMENT A TO THE STATEMENT OF [c-i-c]**

**CONFIDENTIAL ATTACHMENT B TO THE STATEMENT OF  
[c-i-c]**