

10 November 2009

Mr Michael Cosgrave
Group General Manager
Communications Group
Australian Competition and Consumer Commission

ATTENTION Mr Chris Ratchford
Communications Group
Australian Competition and Consumer Commission

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Dear Mr Cosgrave and Mr Ratchford

Draft Pricing Principles and Indicative Prices for LCS, WLR, PSTN, OTA, ULLS and LSS

We refer to the Draft Pricing Principles and Indicative Prices for LCS, WLR, PSTN, OTA, ULLS and LSS issued by the Commission on 21 August 2009 (**the Draft IPP Determination**) and to Telstra's submissions dated 9 October 2009.

As indicated in Telstra's submissions, in relation to Error 9, Telstra considers that the Analysys Model has grossly underestimated the cost of building an IEN. In its submissions, Telstra repeated its request for the ACCC to provide the information sought in Telstra's letter dated 22 September 2009 as a priority to enable Telstra to make a meaningful comparison with the approach in the Analysys Model. At that time, Telstra also advised the ACCC that without the requested detail Telstra does not have the necessary knowledge of the core network architecture within the Analysys Model to be able to identify the source(s) of the underestimate.

Despite its repeated request, to date, the ACCC has not provided the information sought in Telstra's letter dated 22 September 2009. As such, Telstra has no alternative but to continue to consider this error in the absence of the information requested and now **encloses** an expert report on this issue by NERA for the ACCC's consideration in the course of its consultation on the Draft IPP Determination.

As submitted on 9 October 2009, in the continued absence of the requested information, Telstra's ability to make further meaningful submissions on this issue and to develop and propose a comprehensive "fix" for the error is impaired. Telstra repeats its request for the ACCC to provide the information sought in Telstra's letter dated 22 September 2009 as a priority.

Telstra confirms both this letter and the NERA report may be published on the ACCC's website should the ACCC wish to do so.

If you would like to discuss any aspect of the NERA report please do not hesitate to contact me (on 02 8576 2730).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Jane van Beelen', with a long horizontal flourish extending to the right.

Jane van Beelen
Acting Executive Director - Regulatory Affairs
Public Policy and Communications