

INGENIθUS CONSULTING NETWORK

Response to Ovum's report "Telstra ULLS Undertaking – ULLS International Benchmarking"

A note from the Ingenious Consulting Network

March 2009

1. About the authors

Kip Meek, Chairman, Ingenious Consulting Network

Kip is a board member of Ingenious Media and Chair of the Ingenious Consulting Network. Ingenious Media is based in London and is a provider of investment and advisory services to the communications industry. Kip is also Chair of the Broadband Stakeholder Group, a group set up to advise the UK government on broadband issues. In addition to the above, Kip is also director of the RadioCentre, the body representing commercial radio in the UK.

Prior to joining Ingenious he was at Ofcom where he held a variety of responsibilities, including chairing the European Regulators Group (ERG). While at Ofcom he led the team negotiating the undertakings which resulted in the 'functional separation' of Openreach from BT. Before joining Ofcom, he was Managing Director of Spectrum Strategy Consultants.

From his time at Ofcom, and in particular his work with the ERG, Kip has extensive cross-border experience in telecoms regulation and understanding of the national market, geographical and regulatory issues that can drive different cost estimates.

Rob Kenny, Managing Director, Human Capital

Robert is the Managing Director of telecoms, media and technology consultancy Human Capital, part of the Ingenious Consulting Network. He has significant telecoms experience and previously co-led the M&A team at Level 3. Rob also worked at Reach in Hong Kong as Commercial Director and led M&A and strategy at Hongkong Telecom.

Rob began his career in consultancy with the LEK partnership, and holds an honours degree in Mathematics and Management Studies from Cambridge.

Rob has lived and worked in the UK, Hong Kong, the US and Sweden, in each case in telecoms related roles. He has undertaken projects in many other countries. His experience in international benchmarking goes as far back as 1992, when he undertook a project for Cable & Wireless to compare the efficiency of their telecoms operations around the world.

Full CVs for Kip and Rob are available at page 14.

2. Introduction

In December 2008 Ingenious was briefed by Mallesons Stephen Jaques (“**Mallesons**”) on behalf of Telstra Corporation Limited (“**Telstra**”), to provide an expert opinion on the determination of interconnection prices.

We were asked to express our opinion as to whether or not the international benchmarking relied upon by the ACCC in its *Assessment of Telstra’s Unconditioned Local Loop Service Band 2 monthly charge undertaking* (“**the ULL determination**”) was appropriate; and if not, why it was not appropriate. The result was a report entitled *Commentary on the use of international benchmarking in setting interconnection rates* (“**the December Report**”).

In reply, Ovum Consulting have submitted an Advisory Note to the ACCC entitled *Telstra ULLS Undertaking – ULLS International Benchmarking* (“**the Ovum Report**”).

Ingenious have now been briefed by Mallesons, on behalf of Telstra, to review the Ovum Report and prepare a response that offers further development of some of the issues discussed in the December Report, as well as our views in relation to matters raised by the Ovum Report.

The letter of instruction is enclosed on page 21.

Please note that although commissioned by Mallesons on behalf of Telstra, the views contained in this report are entirely those of Kip Meek and Robert Kenny.

3. Findings

Based on our extensive experience in telecoms regulation, our view is that the simple benchmarking relied upon by the ACCC is not an appropriate basis for setting ULL tariffs. This is because it includes arbitrary choices (such as that of comparator set) and does not make allowance for differences in national circumstances that would legitimately lead to materially different tariffs in different markets.

The Ovum Report is silent on the majority of issues we raised in our December Report. For those issues it does address, it does not seek to demonstrate that these issues are immaterial for an appropriate international benchmarking exercise.

Thus we continue in our view that there are a significant number of adjustments that would be necessary in order to make the use of benchmarking, even as a contributor to a fuller analysis, a valid approach to helping to determine a complex regulatory issue. The combined impact of these adjustments is likely to be substantial. Thus it is highly uncertain whether the ACCC's simple benchmarking exercise even has value as a 'sanity check' of the more rigorously calculated figures from the TEA model.

4. Response to the Ovum Report

In the December Report, we raised a number of issues pertinent to the question of whether international benchmarking can be relied upon in determining ULL pricing. These were:

Issue	Addressed by Ovum	Comment
Comparator set	No	No mention
WACC	No	No mention
Timing considerations	No	No mention
Exchange rate movements	No	No mention
Exchange rate methodology	Yes	New composite exchange rate / PPP measure introduced
Negotiation element of regulation	No	No mention
Costing methodology	Yes	Addressed, although data supports Ingenious view that local factors are highly important
Population density	Yes	Key point of population density in served areas unaddressed
Mix of housing types	No	Ovum argues insufficient data
Copper prices	No	Ovum argues insufficient data
Loop length	Yes	Ovum argues insufficient data
Pricing structure	No	Ovum argues insufficient data

Of the twelve, the Ovum Report partially addresses four. In the remaining cases the Ovum Report is silent, or suggests that sufficient data required to examine the proposition more closely is not available. We are unable to say whether Ovum accept that these other points are material to a valid benchmarking exercise. We maintain our view that the great majority are material.

Ovum's acknowledgement that data availability on potentially crucial issues such as mix of housing types and pricing structures is limited highlights the challenges of international benchmarking. For Country X's pricing to be a useful guide to appropriate pricing in Country Y, adjustments need to be made for all material environmental differences between the two countries. However, practically the necessary data to make such adjustments is rarely available. It is for just such reasons that benchmarking exercises are almost always subordinate to locally-specific cost models when setting regulated prices.

The need for these multiple adjustments also highlights the risk of looking at any one variable in isolation. The Ovum Report plots ULL charge against a selection of *individual* variables, in order to identify correlations. However, the appropriate price

depends on the combined impact of *multiple* variables. One consequence of this is that the price may be 'above the line' when plotted against a single variable, but nonetheless be appropriate when the combined impact of various variables is taken into account. To take a parallel example, a 60 minute international call may be expensive relative to all international calls (since it is a long call), and expensive relative to all 60 minute calls (since it is international), but nonetheless exactly average cost amongst 60 minute international calls.

Similarly, Figure 2.5 in the Ovum report plots ULL charge against average loop length, and shows the proposed Telstra charge as being 'above the line'. However, by itself this doesn't tell us anything. The charge may be quite appropriately above the line due to factors entirely separate from loop length, such as cost of capital or housing mix.

Exchange rates and Purchasing Power Parity (PPP)

In the previous Ovum research on which the ACCC relies in the ULL determination¹, two methods were used to compare benchmark prices, one using PPP exchange rates and one using market exchange rates². The Ovum Report introduces a third method, a composite rate (blending market and PPP exchange rates), to take into account the mix of international costs (such as raw materials and equipment) and local costs (such as labour and capital). We have no particular dispute with any of these methods, but Ovum's own use of three different approaches highlights the high degree of subjectivity. This is significant since the three different methods give materially different results. For instance, the non-PPP average quoted in the ULL determination is 26% higher than the PPP average. However all the analysis in the Ovum Report is based on the choice of one single method.

The new method also introduces another layer of subjectivity through the choice of ratio, in this case 40% market rate and 60% PPP. Given that local costs can fluctuate substantially from country to country – in Portugal for example, labour compensation per construction employee is 44% less than in Australia³ – the proportion of total cost

¹ ACCC, *Assessment of Telstra's Unconditioned Local Loop Service Band 2 monthly charge undertaking* (November 2008), p.42

² We note that in Ovum's original benchmarking exercise (using each of market and PPP exchange rates) for every country the PPP based tariff was lower than the market exchange rate based tariff. This is a puzzling result - it would imply that the comparative price levels for all other countries in the comparator set are higher than those for Australia. However, in April 2008 (matching the Q2 2008 date of the benchmarking figures) OECD figures show comparative price levels in both the UK and Portugal being lower than those in Australia - see www.census.gov/compendia/statab/tables/09s1312.xls . Without further details on Ovum's methodology we are unable to comment on this counterintuitive result.

³ Human Capital analysis of data from the OECD Stats Portal

which they will absorb will vary as well. As a result, a 40/60 split will not be appropriate in every case.

This composite approach, and the Ovum response more generally, also does not take account of the fact that the benchmark prices were set at various dates over a period of five years, during which exchange rates have varied considerably. In the December Report we observed that such movements could have introduced up to a 9% variation in the average rate used in the ULL determination.

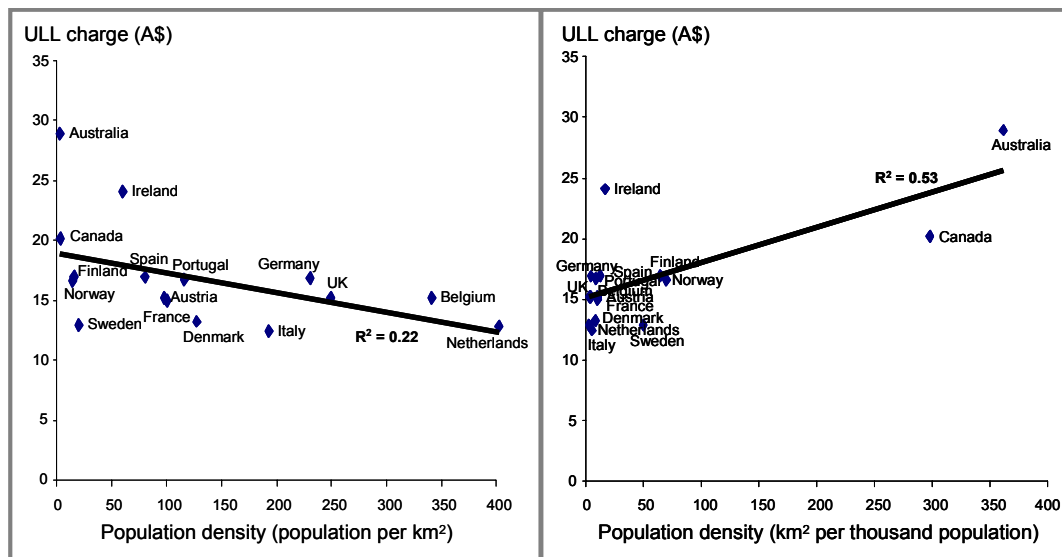
Costing methodology

We agree with Ovum's observation that (all other things being equal), a LRIC based charge is likely to be lower than an FDC charge. However, we note that the average of the comparator LRIC-based ULL charges they have offered is A\$15.02, and the average FDC-based charge is A\$14.56. In other words, the LRIC charges are in fact *higher* than the FDC charges. This is further evidence that in reality all other things are *not* equal, and local factors can make a significant difference to appropriate ULL charges. This is of course precisely the point we were seeking to make in our December report.

Population density

The Ovum Report plots population density against ULL charge and observes that the proposed Telstra charge is above the trend line. We maintain that population density is not necessarily a useful metric (as discussed further below) and indeed the correlation shown by Ovum is very weak. However, if it is used, it is important to note that quite small changes in methodology can lead to substantially different results;

Figure 1: Two different calculations of population density, plotted against ULL charge (A\$)⁴

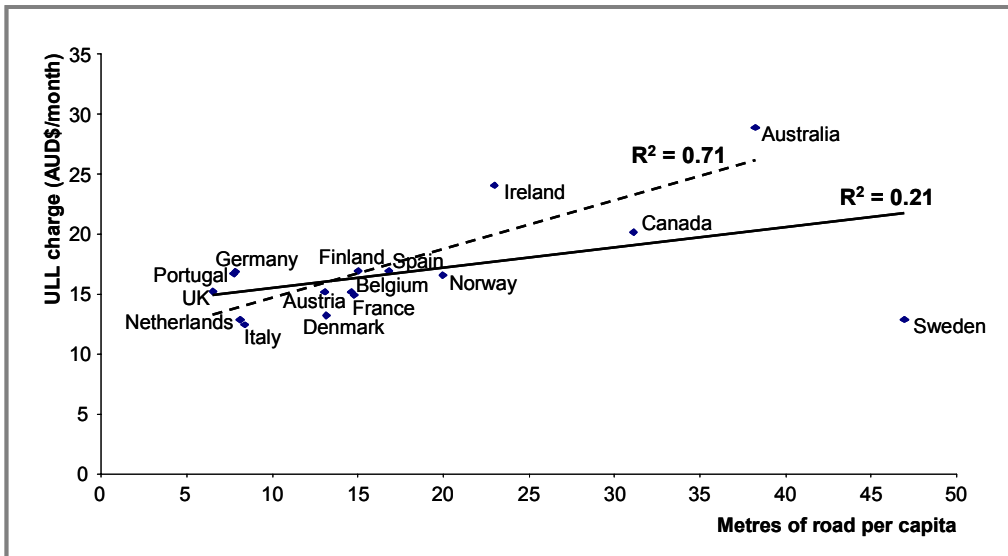


⁴ Human Capital analysis of data from the CIA World Factbook

If the calculation used for population density is altered from population per square kilometre (as used by Ovum, shown on the left) to square kilometres per population (on the right), a very different, more highly correlated⁵ picture results. The contrast between these two charts indicates how important the choice of metric can be – Canada, for example, goes from being above the line to below the line when the calculation is altered, whilst Spain moves in the opposite direction.

More important, however, than total population density is the density in served areas, along with the mix of housing stock. There are several metrics that could be used to approach this issue, and Figure 2 shows one possibility: metres of road per capita. We believe this is a useful proxy for population density in served areas, since the bulk of road length will be in inhabited areas.

Figure 2: Metres of road per capita vs. ULL charge (A\$)⁶



The unbroken line shows the weak correlation generated by the full set of comparators used by Ovum, whereas the dotted trend line shows the strong correlation if Sweden is treated as an outlier and removed. (Sweden is atypical – significant government investment has been channeled into providing access to rural areas. Moreover, although monthly charges are low in Sweden, the up-front connection charge is two and a half times that in Australia.⁷) In this correlation to

⁵ This is measured by R^2 , the 'coefficient of determination'. An R^2 of 1 represents a perfect fit, and conversely an R^2 of 0 suggests no relationship between the variables

⁶ Ingenious analysis of data from the CIA World Factbook

⁷ Commission of the European Communities, *Progress Report on the Single European Electronic Communications Market 2007* (March 2008), p.106. The up-front charge in Sweden equates to roughly A\$123, whereas in Australia it is A\$48.

metres of road per capita, which we believe is likely to be a key driver for duct and copper costs, the proposed Telstra charge is not materially adrift from the trendline.

Metres of road per capita also highlights some of the limitations of national population density as a proxy for population density in served areas. For instance, although Australia and Norway have roughly similar national densities, Australia's road length per capita is double that of Norway. Conversely Finland and Belgium have similar road lengths per capita, but Belgium's national density is over twenty times higher.

Land use, housing mix and local loop length

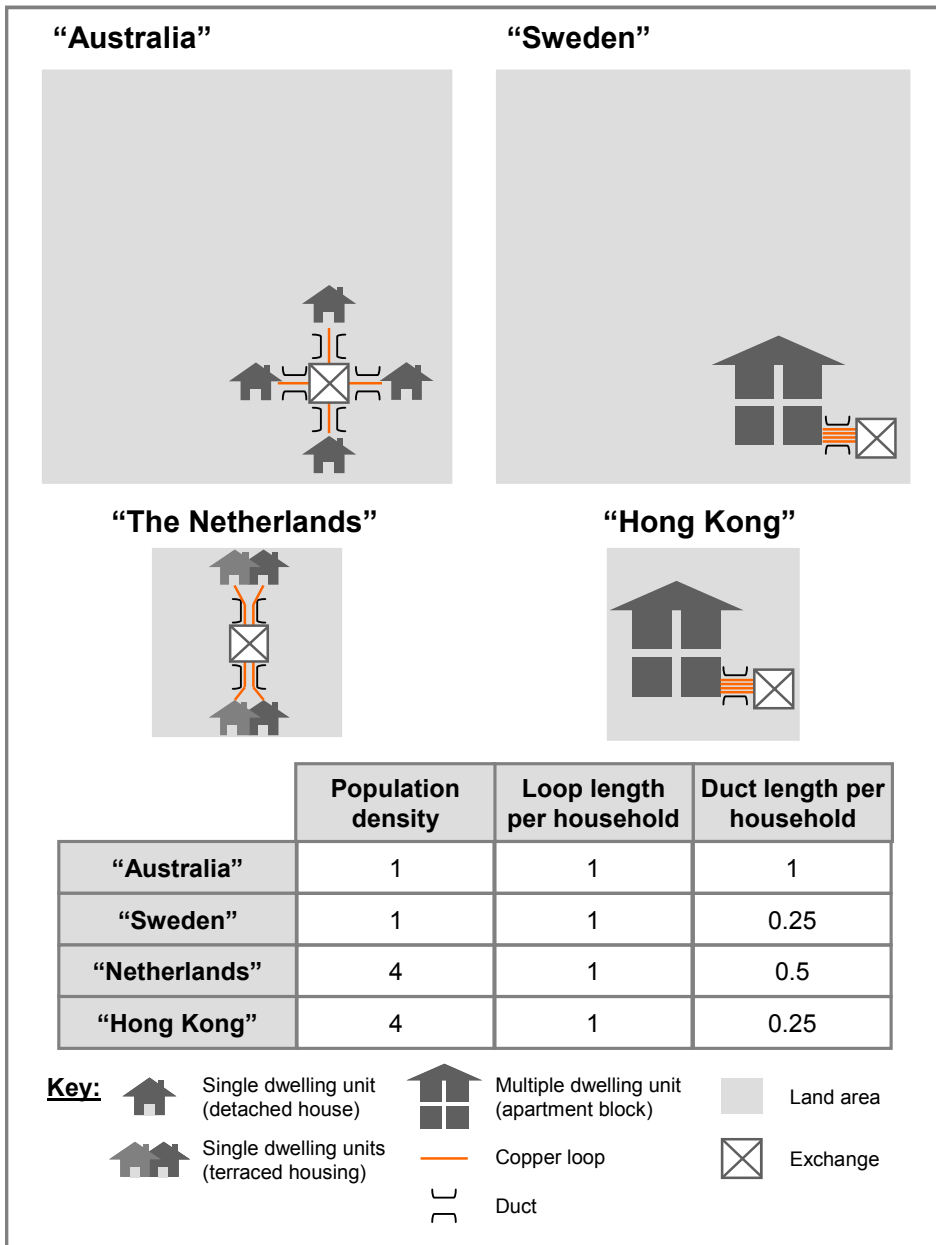
The disparity observed between population density and metres of road per capita also calls into question Ovum's unsubstantiated contention that land use (which the report conflates with housing mix) and population density are correlated.⁸ The Ovum Report does not attempt a comparison based on land use or housing mix because of limited data availability, but this is an extremely important consideration. When serving high housing density areas such as apartment blocks, duct density (the number of loops carried in a single pipe) is likely to be high, since one duct will carry all the loops required for many apartments. In suburban areas with detached houses, duct density will be lower, not least because for the 'tap out' from the street to the house, the duct will only carry the single line for that house.

This matters because if duct density is low, each local loop has to carry a greater share of the duct cost. For instance, if a 1 km duct carries 100 local loops, then each loop needs to carry the cost of 10m of duct, whereas if the 1 km duct carries 1000 loops, each loop only needs to carry the cost of 1m of duct. As can be seen from this example, this is separate from the question of loop length (which is the same in both of these cases).

Figure 3 illustrates the impact housing mix can have. In each country schematic, the local loop length is the same. However, the duct length per is materially different, depending on the housing mix. For instance "Australia" and "Sweden" have the same loop length and population density, but have significantly different duct lengths. Similarly, "Hong Kong" and "Sweden" have the same loop and duct lengths, but very different population density. Given the unusual dominance of detached housing in Australia, housing mix is a vital factor to consider.

⁸ The Ovum Report, p. 8

Figure 3: Housing mix and population density (schematic)⁹



Pricing structure

The Ovum Report states that they have reservations about using a ‘whole of life’ approach to pricing, which would take into account up-front connection charges as well as monthly fees, since connection charges are subject to variability. However, this variability is surely indicative of the country-specific situations that lead regulators to spread costs in different ways, and that call into question the viability of a

⁹ These diagrams are indicative of the impact of different types of housing mix on local loop length, duct length and population density. They are not intended to reflect directly our view of the housing stock in the countries mentioned or of optimal network layouts

benchmarking exercise that does not take this into account. Indeed, such a 'whole of life' approach is adopted by other commentators, including the Commission of the European Communities.¹⁰ The Commission looks at prices across Europe using an average cost per month over the 3 year life of a connection. Similarly, in their Regulatory Scorecard report, the European Competitive Telecommunications Association takes connection charges into account by comparing ULL tariffs using an annual cost calculated assuming a two year contract.¹¹

We note also Ovum's introduction of a ULLS margin factor based on broadband retail prices as a further metric for consideration. However, we believe that this has little relevance for determining appropriate cost-based wholesale rates, since retail pricing depends on wholesale pricing, rather than vice versa.

Concluding thoughts

Based on our extensive experience in telecoms regulation, our view is that the simple benchmarking relied upon by the ACCC is not an appropriate basis for setting ULL tariffs. This is because it includes arbitrary choices (such as that of comparator set) and does not make allowance for differences in national circumstances that would legitimately lead to materially different tariffs in different markets.

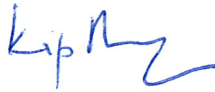
With a limited number of exceptions, we are broadly in agreement with the Ovum Report in the areas it covers. However the Ovum Report is silent on the majority of issues we raised in our December Report. For those issues it does address, it does not seek to demonstrate that these issues are immaterial for an appropriate international benchmarking exercise.

Thus we continue in our view that there are a significant number of adjustments that would be necessary make the use of benchmarking, even as a contributor to a fuller analysis, a valid approach to helping to determine a complex regulatory issue. Given that Australia is an extreme or high case on various drivers of ULL costs, including housing mix, equity premium and connection/rental fee split (as discussed in our previous report), the combined impact of appropriate adjustments for these and other factors is likely to be substantial. Thus it is highly uncertain whether the ACCC's simple benchmarking exercise even has value as a 'sanity check' of the more rigorously calculated figures from the TEA model.

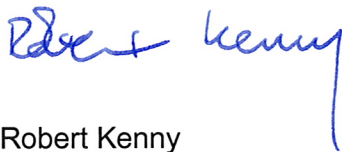
¹⁰ Commission of the European Communities, *Progress Report on the Single European Electronic Communications Market 2007* (March 2008), pp.104-106

¹¹ European Competitive Telecommunications Association, *Report on the relative effectiveness of the regulatory frameworks for electronic communications in Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden and the United Kingdom* (February 2008), p.83

In reaching this conclusion we have made all the inquiries that we believe are desirable and appropriate and no matters of significance that we regard as relevant have, to our knowledge, been withheld from the ACCC.

A handwritten signature in blue ink that reads "Kip Meek". The signature is written in a cursive style with a prominent initial "K" and a long, sweeping underline.

Kip Meek
Chairman, Ingenious Consulting Network

A handwritten signature in blue ink that reads "Robert Kenny". The signature is written in a cursive style with a prominent initial "R" and a long, sweeping underline.

Robert Kenny
Managing Director, Human Capital

5. References

ACCC, *Assessment of Telstra's Unconditioned Local Loop Service Band 2 monthly charge undertaking*, November 2008

Australian Census, 2006 (<http://www.abs.gov.au/CDataOnline>)

CIA World Factbook (<https://www.cia.gov/library/publications/the-world-factbook/index.html>)

Commission of the European Communities, *Progress Report on the Single European Electronic Communications Market 2007 (13th Report)*, March 2008

([http://ec.europa.eu/information_society/policy/ecom/doc/library/annualreports/13th/SEC\(2008\)356DTSVol2final.pdf](http://ec.europa.eu/information_society/policy/ecom/doc/library/annualreports/13th/SEC(2008)356DTSVol2final.pdf))

European Competitive Telecommunications Association, *Report on the relative effectiveness of the regulatory frameworks for electronic communications in Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden and the United Kingdom*, February 2008

(<http://www.fub.it/files/Methodology%20Scorecard%202007%20-%20Update%2025.02.2008.pdf>)

OECD, *Comparative Price Levels – Selected OECD Countries: 2008*, April 2008

(www.census.gov/compendia/statab/tables/09s1312.xls)

OECD Stats Portal (http://www.oecd.org/statsportal/0,3352,en_2825_293564_1_1_1_1_1,00.html)

6. Appendix : Author CVs

KIP MEEK Ingenious Media, 15 Golden Square, London, W1F 9JG
Mobile: 07770 450867

CAREER DETAILS

May 1st 2007 Chairman, Ingenious Consulting Network

- present Responsible for building up Ingenious Media's consulting capability

Chairman, Broadband Stakeholder Group (BSG)

The BSG is an advisory body to the UK government, concerned with the infrastructural and content aspects of broadband

Director, RadioCentre

The RadioCentre is the body representing the UK's commercial radio sector.

2003-2007 Executive Board Member, Ofcom

Joined Ofcom in April 2003 before it took on its formal powers in December 2003 and was a major contributor to its design and establishment.

Subsequent roles in Ofcom were:

Senior Partner, Content and Competition (2003-2005)

Responsible for the major policy groups within Ofcom, i.e. those colleagues dealing with competition issues, with spectrum management issues and with content issues.

Main achievements:

During Ofcom's start up phase:

- Establishing the relevant managerial units with effective leadership
- Ensuring each policy unit became effective both in terms of quality and speed
- Recruitment of senior team (80% of Ofcom's senior managers were recruited externally)

During Ofcom's operational phase:

- Leading the negotiation of the undertakings with BT which set up Openreach
- Transferring advertising regulation to the ASA
- Overseeing the regulatory relationship with ITV (post-merger) and C4
- Introducing a new regime for local loop unbundling

Chief Policy Officer (2005 to 2007)

Main achievements were:

- Setting up an international group within Ofcom
- Chairing the European Regulators Group (ERG). The ERG is comprised of heads of 33 European regulatory bodies and has an official role in advising the European Commission (and specifically Commissioner Reding).

Board Memberships at Ofcom:

Ofcom Main Board, Ofcom Content Board, Executive Committee, Policy Executive, Chair of the Radio Licensing Committee (until March 2006).

1993-2003 Founder & Managing Director, *Spectrum Strategy Consultants*

Spectrum Strategy Consultants is a specialist consultancy advising on major decisions in the media and telecoms industries

Achievements

- Negotiated venture capital backing for Spectrum
- Created and sustained a unique culture within Spectrum which helped the company retain high calibre staff
- Maintained the company's profitability through good and bad times
- Built Spectrum's brand position in the media and telecoms industry
- Taking Spectrum international – successful offices openings in Brazil and Singapore
- Built a top flight management team
- Took hard decisions in a timely fashion (closing the German operations, implementing redundancies in October 2001)
- Maintained a professional reputation for integrity and clarity of thought

1988-1993 Partner, Head of the Media Practice, *Coopers & Lybrand*

Set up Coopers' Media Practice in 1988 and in the course of 1990 / 91 advised six successful bidders for ITV licences. Worked extensively in cable and telecommunications.

1986-1988 Managing Director, *Octagon Services Ltd*

Created this business offering a portfolio of services to the information technology sector.

1984-1986 Deputy Director, Marketing, *British Telecom*

Responsible for 200 staff in BT and for the following areas: pricing, marketing intelligence and planning.

1981-1984 Consultant, *McKinsey & Co, London*

Consulted mainly to the financial services, consumer goods and government sectors.

1977-1979 **Consultant, *Boston Consulting Group, Boston USA***

Consulted across a range of industries (financial services, power tools, paper, etc).

EDUCATION **1979-81** London Business School, MSc with Distinction

1973-76 Magdalen College, Oxford, First Class Honours, Modern History

Rob Kenny

ICN Group Company	Human Capital
Job Title	Managing Director

Profile

Rob joined Human Capital as managing director in 2006. His clients include CSL, the BBC, Sky and TPG. His projects have covered telecoms, TV, magazines, music and events, and he has a particular specialisation in online. His functional expertise includes regulation, transaction support, modelling and public value work.

Prior to joining Human Capital Rob was co-head of corporate development for Level 3, the leading internet backbone provider. Before joining Level 3 Rob had been Commercial Director for Reach, the largest Asian internet backbone operator; a Founding Director of IncubASIA, a venture capital firm investing in Asian internet businesses; and Director of Corporate Development (M&A and strategy) for Hongkong Telecom.

He has a degree in Mathematics and Management from Cambridge University.

Employment History	Human Capital	Jul 2006 – now
	Level 3 (SVP, Corporate Development)	Jul 2003– Nov 2005
	Reach (Commercial Director)	2001 – 2003
	IncubASIA (Founding partner)	1999 – 2001
	Hongkong Telecom (EVP e-commerce, Director of corporate development)	1996-1999
	Delta Strategy Asia (Founder, MD)	1993-1996 1990-1993
	LEK (Associate Consultant)	

Professional Consulting Experience (sample)

2008 Telecoms	CSL et al - Interconnect dispute support <i>Project lead</i> Led team that analysed an interconnect determination by OFTA, the Hong Kong regulator, demonstrating that the proposed charges were unreasonable, and that an inappropriate methodology had been used to cost the network in question
2008 Online/TV	BBC - Public Value Test Support for new learning service <i>Project lead</i> Led team that provided a distinctiveness analysis, a demand forecast and a preliminary market impact assessment for a possible BBC learning service aimed at 6-10s, in support of BBC Management's submission for a Public Value Test
2008 Online classified ads	SUP - Market opportunity analysis <i>Project lead</i> Led team reviewing online property, job, auto and auction sites, to understand key drivers of success, to assess the potential for such business in Russia and to identify appropriate partners
2007 Consumer magazines	TPG – Commercial due diligence <i>Modelling lead</i> Supported TPG in its bid for Emap, including forecast modelling of individual titles, and detailed analysis of competitor performance
2007 Cross-media	Sky – News plurality review <i>Project lead</i> Undertook detailed analysis of audiences' consumption of news across platforms and publishers, and the effects of Sky's investment in ITV, for submission by Sky to the Competition Commission. Resulted in CC rejecting news plurality concerns raised by Sky's competitors
2006 Telecoms	Barlow Lyde & Gilbert – Litigation support <i>Advisor</i> Provided sector knowledge and analysis of witness statements to BLG, to support successful defence of an insurance claim related to a faulty submarine fibre-optic cable
2003 Telecoms	CTM (Macau incumbent telco) – Strategy awayday <i>Project lead</i> Designed and led a strategy awayday for CTM, to identify new business opportunities

Other Professional Experience

2003-05

LEVEL 3 (Leading wholesale telco and internet backbone operator)

DENVER, USA

SVP Corporate Development (2003 -5)

SVP Strategic Marketing (2003)

Co-led the M&A and business development team, managing multiple projects including acquisition strategy, individual acquisition reviews of public and private companies, disposals of subsidiaries and customer workouts. Transactions included:

- *Disposal of (i)Structure*. Led disposal of this IT outsourcing subsidiary for \$81.5m. Level 3 share price up 5.1% in a down market on announcement. Managed bid process and negotiations, run in parallel with potential IPO
- *Repurchase of McLeod fiber*. Negotiated repurchase of nationwide dark fiber backbone leased to McLeod, generating ~\$100m of termination revenue for Level 3
- *Acquisition of software resale business*. Led purchase of the CSC's Australian reseller division

2001-03

REACH (Asia's largest international telco. PCCW/Telstra JV)

HONG KONG

Commercial Director (2002 -2003)

Director of Corporate Development (2001-2002)

As Director of Corporate Development, created strategy and led acquisitions and disposals, reporting to the CEO. Worked with the board to secure approvals. Built the corporate development team from scratch. Major achievement was:

- *Acquisition of Level 3's Asian assets*. Led negotiations, due diligence and integration for the acquisition of \$600m of assets from Level 3. REACH paid no cash or equity, but received \$90m cash and working capital in exchange for taking on future obligations. Called 'deal of the year' by Comms Day Asia. Deal executed without financial advisors

As Commercial Director, reporting to the CEO, managed a team of 200 across 14 countries, covering data sales, product, customer care, provisioning and corporate development. Responsible for ~\$300m of net revenue, half the company total. Achievements included

- *Increased sales*. New weekly sales up by 49%, H2 2002 vs H1 2002
- *Improved relationship with major customer*. Relationship with largest customer shifted from adversarial to collaborative through improved service and better engagement
- *Improved provisioning*. On time delivery of circuits increased

from 70% to almost 100% through operational changes, creation of cross functional teams and consistent management attention

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1999-2001

**INCUBASIA (Incubator of Hong Kong and US internet start-ups)
HONG KONG
Co-Founder and Partner**

Co-founded incubator providing finance and advisory services to Hong Kong start-ups. Raised US\$12m fund, including investments from two Hang Seng Index companies. Led three of the firm's five investments. Served as a director of investee companies, including:

- *Black Octopus*, a developer of instant messaging and SMS applications, with dominant market share in Taiwan
- *Enabilis*, an online exchange linking Asian travel agents and consolidators
- *Incentify*, a jobs board providing incentives for consumers to recommend candidates

1996 -99

**HONGKONG TELECOM
HONG KONG
Executive VP, E-Commerce (1999)
Director of Corporate Planning and Dev't (1996 -1999)**

Developed corporate strategy, reporting to executive directors. Responsibilities included: M&A; competitive and regulatory strategy; investor relations; providing reports and presentations to the board. Areas of focus included mobile, fixed, international and IP services. Achievements included:

- *Sale of C&W HKT international monopoly*. Member of core team of 3 that negotiated US\$1.5bn compensation from government. Extensive involvement in all aspects of the deal
- *Regional and global internet strategy*. Devised, planned, and executed C&W HKT's regional internet strategy. Led team making acquisitions throughout Asia
- *Online Brokerage*. Negotiated JV with local investment bank to establish online brokerage

Education

1987-1990 Cambridge University, BA in Mathematics and Management

Publications

Can Oxford be Improved?, 2007
(Book on the future funding and structure of Oxford University – Co-author)

7. Appendix : Letter of instruction

MALLESONS STEPHEN JAQUES

Mr Kip Meek
Mr Rob Kenny
Ingenious Consulting Associates Ltd
15 Golden Square
London W1F 9J6
UNITED KINGDOM
By Email

10 March 2009

Sarah Weinberg
Direct line
+61 3 9643 4369

Partner
Agata Jarbin

Dear Mr Meek and Mr Kenny,

Telstra Corporation Limited

We refer to our letter dated 9 December 2008, and your report entitled "Commentary on the use of international benchmarking in setting interconnection rates", dated December 2008 ("**December Report**").

We are instructed to request you to review a report prepared by Ovum Consulting entitled "Telstra ULLS Undertaking - ULLS International Benchmarking: an advisory note to the ACCC", dated 26 February 2009 ("**Ovum Report**"), and in light of your December Report, prepare a response to it.

A copy of the Ovum Report is enclosed for your review.

In your response, you should explain (among any other matters you consider relevant):

- 1 whether you wish to qualify or further explain any of the matters dealt with in your December Report;
- 2 your views in relation to the matters dealt with in the Ovum Report, including any further material that you consider relevant to a proper understanding of those matters; and
- 3 whether, in all the circumstances, the use of international benchmarking in setting regulated charges for the ULLS in Australia is appropriate in your opinion.

Please also note our comments in relation to the guidelines for expert witnesses, and confidentiality in our letter dated 9 December 2008. Please ensure that your response complies with the guidelines, and our comments in relation to confidentiality.

Yours faithfully



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