

9 September 2009

Graeme Samuel
Chairman
The Australian Competition and Consumer Commission
Level 35, The Tower
Melbourne Central
360 Elizabeth St
Melbourne
Vic 3000

Dear Graeme

We write in relation to the draft indicative prices for fixed line services recently published by the ACCC.

The impact of the prices, if they were to ever be reflected in the market, would be to raise the inputs costs for all of our businesses. We would have no choice but to pass these significantly increased costs on to consumers.

That is, the ACCC's proposed prices, if you persist with them, would raise the end price for consumers for all fixed line services.

We are also deeply concerned that the direction of these prices is at odds with the clear direction from the Commission over many years, that competitors were expected to invest more deeply in the network in competition to Telstra, a direction that we have collectively responded to.

Having committed that investment, we now find that the Commission, apparently due to a strict commitment to a theoretic cost model, proposes to dramatically increase the cost to us of accessing the raw copper that we need to use to connect to customers. This will deliver a windfall to Telstra and undermine the value of our investment.

We would remind you that the Commission has the task of regulating in the long term interest of end users. The pricing principles it applies should be measured against this test, not whether they adhere to the output of a computer model of an entirely theoretical network.

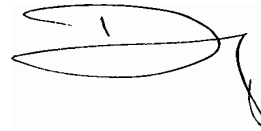
In no way can the longer term interests of consumers be met and competition advanced if competitor's costs are forced up by the ACCC at a time when Telstra continues to capture 90 per cent of the profits attached to fixed telecommunications services in Australia.

We trust the Commission will take a more considered and far sighted approach in reaching a decision on its final indicative prices.

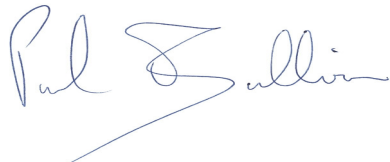
Yours Sincerely,



Stuart Marburg
**Managing Director, Netspace Networks
Pty Ltd**



David Tudehope
**Chief Executive Officer, Macquarie
Telecom**



Paul O'Sullivan
Chief Executive Officer, Optus



Michael Malone
Chief Executive Officer, iiNet



Ravi Bhatia
**Chief Executive Officer, Primus
Telecom**



Simon Hackett
Managing Director, Internode



Ivan Slavich
**Chief Executive Officer, TransACT
Communications Pty Ltd.**

