

**Public Policy and Communications**

Executive Director Regulatory Affairs  
Unit 11, Level 2  
11 National Circuit  
BARTON ACT 2600

Telephone 02 6208 0740  
Facsimile 02 9261 8390

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Kim Huynh  
Communications Group  
Australian Competition and Consumer Commission  
GPO Box 520J  
MELBOURNE VIC 3000  
Email: [kim.huynh@acc.gov.au](mailto:kim.huynh@acc.gov.au)  
Fax# 03 9663 3699

Dear Huynh,

**Telstra's March 2008 ULLS Undertaking for Band 2: Request for further information**

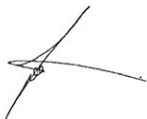
Thank you for meeting with Telstra on 11 March 2008. During the course of that meeting ACCC staff requested that Telstra provide a submission on the Weighted Average Cost of Capital (WACC) that is used in the TEA model and a submission on why Telstra's ULLS Undertaking is reasonable, including why it promotes the long term interests of end users.

Please find attached to this letter two submissions covering those requests. Neither of these submissions is confidential. Please let me know if you require a hard copy.

In relation to the WACC submission, Telstra's updated point estimate of the WACC is now 12.28% while the WACC used in version 1.0 of the TEA model is 11.86%. The WACC used in the TEA model is lower as it was calculated using the risk-free rate and debt risk premium as at late-November as an unbiased guide to the rates applicable as at 1 January 2008. The 12.28% WACC in the attached submission was calculated more recently and is, therefore, based on actual outcomes for the risk-free rate and debt risk premium as at 1 January 2008.

The TEA model is designed to be flexible so that any user can adjust any relevant inputs. In the case of the WACC, the ACCC can adjust the *Cost of Equity* and *Cost of Debt* variables in the TEA model's *Capital Costs* input sheet to the values set out in the attached WACC submission so that they reflect a WACC of 12.28%.

Yours sincerely,



Tony Warren  
Executive Director Regulatory Affairs  
Public Policy and Communications