

11 April 2007

Ms Danet Khuth  
Communications Group  
Australian Competition and Consumer Commission  
GPO Box 3648  
SYDNEY NSW 2001

Dear Danet

**Hutchison's response: Optus's 2007 Undertaking in relation to Domestic Mobile Terminating Access Service**

We refer to the Commission's discussion paper released in March 2007 regarding Optus's Undertaking for Domestic Mobile Terminating Access Service (MTAS). Hutchison 3G Australia Pty Limited (H3GA) is pleased to be able to provide this response to the Commission.

H3GA contends that it would be inconsistent with the Commission's LTIE test to accept the Optus undertaking when the Commission is in the process of determining new indicative prices.

Furthermore, H3GA submits:

- The work undertaken by WIK Consult on indicative prices suggests the current 12cpm rate would appear to be substantially above cost
- Accepting the Optus undertaking would pre-empt the Commission's decision on indicative pricing
- The Optus undertaking provides no valid justification for maintaining the current MTAS rate

The Commission's report on "Changes in prices paid for telecommunications services in Australia, 2004-05" illustrates the level of price discrimination between residential and business consumers in the fixed-to-mobile (F2M) market. While business consumers enjoyed average fixed-to-mobile price reductions of 21.2%, residential consumers experienced a reduction of only 1.8% in retail F2M prices. It would appear fixed/ mobile integrated carriers have used the opportunity to price discriminate to retain their business customers. Clearly the average consumer has not benefited from the MTAS glide path reductions.

The Commission should reject the Optus undertaking as it will lock the industry into costs that are not reflective of the cost model that is intended to inform the Commission of "indicative prices for the MTAS from 1 July 2007 to 30 June 2009".

Yours sincerely



Louise Sexton  
General counsel & Company Secretary