

3 May 2005

Ms Louise Gell
Committee Secretary
Senate Environment, Communications,
Information Technology and the
Arts Committee
Department of the Senate
Parliament House
CANBERRA ACT 2600

Corporate Office
Federal Government Relations

Level 2, Engineering House
11 National Circuit
BARTON ACT 2600

PO Box 6308
KINGSTON ACT 2604

Telephone 02 6208 0700
Facsimile 02 6273 5884
Mobile 0407 244 129

athol.chalmers@team.telstra.com

Dear Louise

At the Senate Environment, Communications, Information Technology and the Arts Committee's public hearing in Canberra on 11 April 2005, Telstra took the following question on notice from Senator Lundy.

Senator LUNDY—Can you tell the committee why Telstra made a decision to cease investing in the installation of ADSL equipment in exchanges a couple of years ago? It is prior to HiBIS; it is prior to all of that. Telstra made a commercial decision not to proceed with a standard roll-out and devised, from memory of evidence provided, very amorphous commercial criteria for that investment. Why was the policy changed at that point?

Mr Scales—I cannot remember us making that decision in the way in which you have described it.

Senator LUNDY—It is in the transcript of evidence for the ATN inquiry that we heard in Melbourne.

Mr Scales—From Telstra?

Senator LUNDY—Yes. The cessation of that investment on the previous terms was discussed. I think you were aiming for some thousand exchanges out of the 5½ thousand to be upgraded, at which point that investment stopped and any subsequent investment was on commercial terms, which were described originally as 40 users wanting broadband and was then changed to 80. It was linked in with the broadband register et cetera. But clearly the rules were changed in any way Telstra liked, which is probably a reasonable thing from Telstra's point of view. Could you take that on notice and maybe review the Hansard and come back to the committee with an answer?

Telstra's response to that question is below.

Telstra only ever intended to invest in ADSL enabling infrastructure at exchanges where it proved to be economic. A network wide, 'standard rollout' approach was never envisaged. An initial analysis of the exchange base at the time identified over 1,200 exchanges that were expected to be economic. This 'estimate' was based on a broad guideline of size of exchange (and thus potential demand) and average enablement costs.

As Telstra approached the level of 1,000 enabled exchanges, and the economics became more marginal in many cases, it became clear that with the very long tail of smaller exchanges in Australia, and the great variations in the cost of enabling exchanges and upgrading the CAN where necessary, an equitable mechanism of selecting the exchanges to be enabled would be highly desirable to manage an otherwise very difficult planning exercise. Hence the ADSL Demand Register (ADR) was introduced, and it has proved to be a very effective mechanism to match demand and costs, as well as allowing for the later impact of HiBIS subsidies.

The ADR was established so we could find out where the greatest demand for broadband existed, so we could deliver Broadband to the people who wanted it – that is, have demand driven investment decisions. To assist in this endeavour Telstra Wholesale developed a Broadband Community Kit, which was placed on its website, to assist people run campaigns in local areas to increase demand.

In addition to the ADR, Telstra continues to invest in bringing broadband to more people through extending the distance limits, by modernising the network, and by removing historic blockers to broadband accessibility.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Athol Chalmers', written in a cursive style.

Athol Chalmers
Group Manager
Federal Government Relations