

**STANDARD
& POOR'S**

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January 31, 2003

The Secretary
House of Representatives Communications,
Information Technology and the Arts Committee
R1 Suite 116
Parliament House
Canberra ACT 2600

TELSTRA INQUIRY
Submission No. 42

Dear Secretary

Re: Inquiry into the structure of Telstra

I am writing in reference to the aforementioned inquiry and the invitation to provide a submission to the Committee contained in your communication dated January 6th 2003.

In its capacity as a credit rating agency Standard & Poor's does not consider it to be appropriate to propose any particular structure as a preferred option nor comment in a speculative nature as to a preferred business or financial model.

We are however willing and able to provide an opinion as to the consequences for Telstra's overall creditworthiness, as measured by its Standard & Poor's credit rating, of one or more proposed structures that may be under consideration by the Committee.

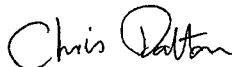
The credit ratings of the Telstra network and non-network business, should they be separated, may have a direct impact on the ongoing commercial viability of these businesses. As such, the resultant creditworthiness of each entity should be considered in light of the Committee's remit to consider the impact upon "Telstra's shareholder value and its shareholders" and "ongoing investment in new network infrastructure" in advance of a final structure being determined.

The credit rating of entities within the domestic and international telecommunications industry have direct implications for the operation of the business including:

- access to debt capital market funding
- the rate, terms and tenor of funding
- the terms of contractual engagements with significant counterparties
- the perception of the national telecommunications carrier in international markets

We would welcome the opportunity to assist the Committee in understanding the credit implications of any proposed restructuring of Telstra through the application of our analytical expertise. Please feel free to contact me should you require any further information as to how we may co-operate in the future.

Yours sincerely



Chris Dalton
Managing Director