

Notes:

Current Business Unit Structure

- It is important to note that the big difference between Telstra's present structure and the approaches discussed below is the Telstra presently has no internal separation between wholesale and retail
- Under all three of the alternative approaches discussed, Telstra would be free to structure its business units as it saw fit (ie. Through identification with customer groups such as Business & Government). The core element of the approaches are the mechanisms to create internal transparency.

Approach 1.

- Simple vertical division between retail and wholesale operations
- Agreements required for core and declared services but individual interconnect agreements do not achieve necessary transparency (eg. Mobile termination access service reflecting genuine fixed to mobile costs)

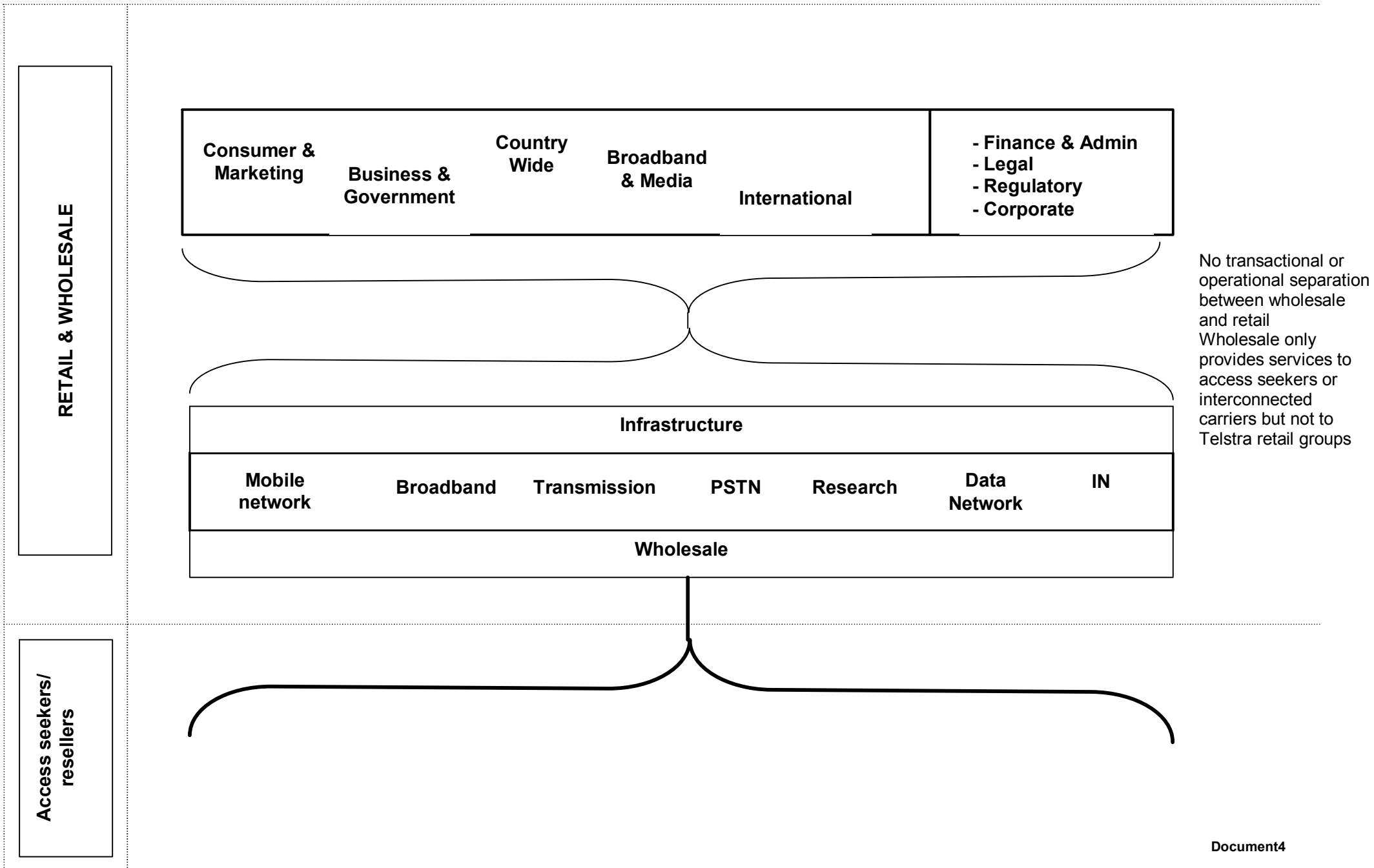
Approach 2.

- Vertical division between retail and wholesale operations
- Horizontal separation of wholesale operational groups
- Agreements required for core and declared services as well as individual interconnect agreements for the construction of individual services acquired by retail, (eg. Mobile termination access service between retail and the wholesale mobile supplier)
- Construction of product bundle would require separate agreements with each of the wholesale supply groups and the price structure of the bundle submitted to ACCC in the form of an undertaking

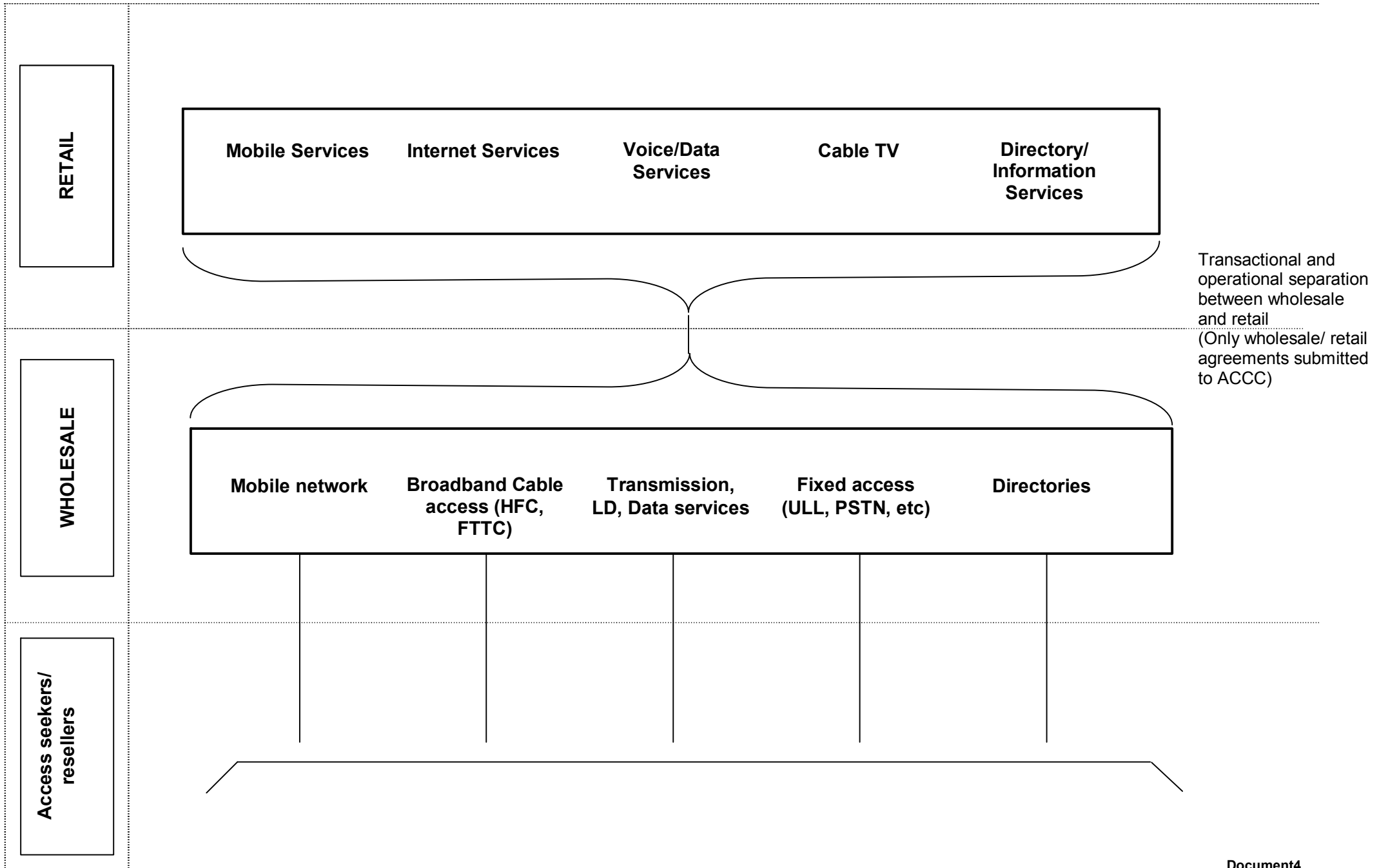
Approach 3.

- Vertical division between retail and wholesale operations
- Horizontal separation for each of the retail and wholesale operational groups
- Agreements required for core and declared services as well as individual interconnect agreements for the construction of individual services acquired by retail, (eg. Mobile termination access service between retail and the wholesale mobile supplier)
- Construction of product bundle would require separate agreements with each of the wholesale and retail groups.
- All agreements to be submitted to ACCC
- Price structure of the bundle submitted to ACCC in the form of an undertaking, including individual agreements associated with the construction of the bundle

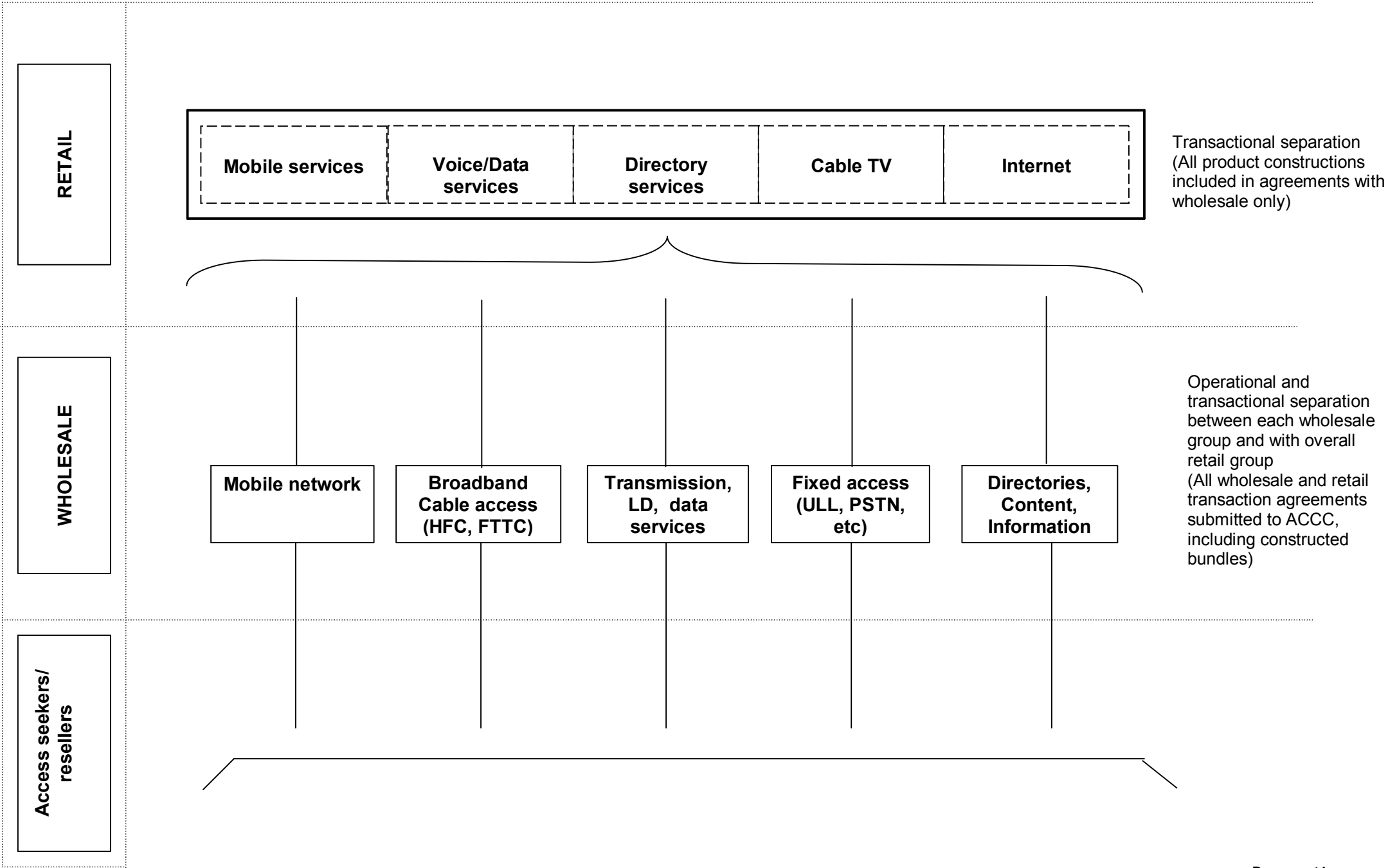
- Telstra's Current Business Unit Structure



Approach 1 – Vertical and Horizontal Transparency



Approach 2 – Retail & Wholesale Transparency with additional Wholesale Horizontal Transparency



Approach 3 – Vertical and Horizontal, including Retail, Operational Separation

