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Australia's first 3G network sharing to expand and accelerate customer access to world leading mobile services

Australians can look forward to greater competition and choice in third generation [3G] mobile services in 2005 under a new network sharing agreement struck between Telstra and Hutchison 3G Australia, a subsidiary of Hutchison Telecommunications (Australia) Ltd.

Telstra CEO, Dr Ziggy Switkowski, and Hutchison CEO, Mr Kevin Russell, today announced the signing of a Heads of Agreement to establish a 50/50 enterprise to jointly own and operate H3GA's existing 3G radio access network and fund future network development.

Under the agreement, the H3GA radio access network will become the core asset of the joint enterprise. In return for the 50 per cent ownership of the asset, Telstra will pay Hutchison \$450 million, under a fixed payment schedule, in four instalments, starting November 2004.

The joint enterprise will open opportunities for new revenues for Telstra and H3GA, stimulate growth in 3G service uptake and provide significant savings in 3G network construction capital expenditure and operating expenses such as site rental and maintenance.

Telstra will launch its 3G services to customers in 2005, utilising the entire H3GA network footprint of more than 2000 base stations covering Sydney, Melbourne, Brisbane, Adelaide and Perth.

Telstra and Hutchison expect to significantly increase the size of the network over the next three years, expanding into Canberra and other regional centres.

The joint enterprise unites two highly experienced companies, which will use their combined skills to develop and invest in leading technology to benefit customers.

The parties have agreed to maintain a world-best network and to adopt technological innovations as they occur to ensure the network remains at the cutting edge of 3G capability, allowing Australians to continue to enjoy the very best of global mobile services as they are being introduced.

This innovative initiative will deliver new competition in the mobiles market and expansion of the 3G footprint more quickly than would otherwise have been practical.

Telstra and Hutchison will each continue to own separate core networks, application and service platforms, and will conduct their retail 3G businesses independently and in competition with each other.

Decisions on network development will be made and funded jointly. The joint enterprise will utilise the existing spectrum holdings of both partners and will operate until the expiry of those spectrum licences in 2017 or later.

Telstra CEO, Dr Ziggy Switkowski, said the agreement supported Telstra's consistent view about the future appeal of 3G services and the Company's considered approach to the nature and timing of a sensible entry strategy into this market, adding that this announcement had no impact on Telstra's capital management program as announced on 21st June 2004.

"Today's announcement reveals Telstra's strategy for the 3G business, and reinforces our belief in the future of wireless services and communications," he said.

"In light of announcements by Singtel/Optus and Vodafone that they intend to build their own 3G networks, this agreement recognises that the interests of the industry and the nation are best addressed through this type of infrastructure sharing arrangement."

Group Managing Director Telstra Wholesale, Telstra Broadband and Media, Mr Bruce Akhurst, responsible for negotiating this outcome on Telstra's behalf, said today: "This is a commitment to innovation and growth that strengthens competition where competition is most important - in consumer services."

"This new approach will ensure our customers enjoy world class 3G mobile services, despite the relatively small size of our market," he said.

Mr Russell said the agreement was an emphatic endorsement of the long-term future of 3G, with significant benefits in profitability and shareholder value.

"It makes compelling commercial sense for both organisations," Mr Russell said.

"This agreement with Australia's biggest mobile network operator validates the quality and cost of the 3G network infrastructure built by **3**. It ensures that **3** customers will continue to be served by the best 3G network in Australia, in terms of depth and breadth of coverage, quality of service and leading edge capabilities.

"This network sharing provides a long-term infrastructure platform from which **3** can continue its market leadership in the delivery of new mobile products and services."

Under these arrangements, both companies will offer a range of competing products and services to customers including:

- Innovative multimedia content in news, sport, information and entertainment
- Advanced multimedia messaging,
- High speed music and video streaming
- Video calling with multiple parties
- Location based services, providing maps and directories
- Advanced business applications and messaging solutions

In 2005, both Telstra and Hutchison will offer customers the next wave of 3G handsets with features that include high-quality colour screens, digital camera and video capabilities and increased memory capacity.

The parties have discussed the agreement with the ACCC and sought informal clearance.

Media Contacts:

Telstra - Michael Grealy

Tel: 02 9206 0106

Mbl: 0419 217 343

Hutchison 3G Australia - Judy Goldman

Tel: 02 9964 4831