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MEDIA RELEASE

Telecom to table proposal to achieve regulatory objectives

Telecom announced today an outline of its response to the operational separation consultation document released by the MED last week.

Telecom Chairman Wayne Boyd said Telecom's submission will focus on the need to create a more sustainable future-proofed regime that can accommodate New Zealand's significant telecommunications investment requirements.

Telecom's proposal includes a structurally separated access network company that would have the ability to earn a commercial rate of return, a simpler separation model so resources can focus on faster delivery of local loop unbundling and Naked DSL, downstream de-regulation to enable Telecom Retail to compete and innovate, and committed broadband network investment from Telecom.

"Our principal concerns are that the consultation document released last week proposes a very complex form of separation that goes significantly beyond the BT model, and in our opinion fails to address important questions around investment," says Mr Boyd.

Telecom and the industry have been in active engagement around the changes required to adapt to the new telecommunications environment since July 2006. The relationship with wholesale customers has improved dramatically, and the dialogue between Telecom and the MED officials has been constructive.

"The emphasis on a strict form of separation is inconsistent with the desire of our wholesale customers to see new regulated services placed into the market as soon as possible. The complicated separation requirements add unnecessary cost, and propose governance arrangements that are unworkable within a single entity."

More significant is the absence of any incentives for future investment.

"The telecommunications industry is at a critical juncture and is facing a significant amount of future broadband investment. The proposed form of operational separation creates an independent, but unsustainable Access Network Services unit that has no capability or incentive to invest" says Mr Boyd.

“The consultation document effectively proposes a structural separation with none of the advantages of improved regulatory certainty. This outcome is untenable for Telecom shareholders and in our view will not deliver on the digital strategy objectives New Zealanders are seeking.”

Telecom will present a full submission on the Government’s white paper by 27 April and intends to consult with industry on the proposal in the interim.

Copies of Telecom’s high level proposal and related impact analysis are attached (and can be found on Telecom’s web site).

ENDS

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