



COMMERCE COMMISSION

**Draft Principles and Regulatory Reporting Requirements for the
Accounting Separation of Telecom**

Date: 20 June 2008

EXECUTIVE SUMMARY & CONSULTATION

- i. The December 2006 amendments to the Telecommunications Act 2001 ('the Act') introduced new information disclosure requirements which include the accounting separation of Telecom. These regulatory reporting requirements are different to and in addition to the statutory¹ financial reporting requirements. These regulatory reporting requirements cover the reporting of many financial aspects of the operational separation of Telecom, but are separate to the reporting required by the operational separation undertakings. This paper presents the Commission's preliminary views on these new requirements.
- ii. Under Part 2B of the Act, Telecom is required, at a minimum, to prepare and disclose such information which the Commission requires as if all or any of its network, wholesale and retail activities were operated as independent or unrelated companies. The Act grants the Commission discretion to determine what information Telecom will be required to provide and the methodologies to be used in preparing it. This includes the discretion to request cost information, asset valuations, non-financial information and other information about certain other business activities.
- iii. This information which will be publicly available, is intended to inform a wide audience about the relevant Telecom business activities, and will provide improved transparency, identify any cross-subsidies, and support non-discrimination. In doing so it will complement the non-financial reporting required by the operational separation undertakings.
- iv. The Commission's view is that full regulatory reporting will commence on 1 July 2009, with limited transitional provisions applying for the year 1 July 2008 to 30 June 2009. To allow for flexibility, particularly during the initial stages of implementation, the Commission anticipates developing an exemptions process along with transitional provisions.
- v. In November 2008 Telecom will publish its first quarterly reports under operational separation. These reports are separate to information disclosure under Part 2B of the Act. Following the release of these quarterly reports, the Commission will identify what further information it considers is required for accounting separation purposes, and will call for submissions on any remaining issues relating to the 2008-09 information disclosure requirements and the reporting requirements for 2009-10.
- vi. For the 2008-09 transitional reporting year, the Commission's view is to require Telecom to prepare a consolidated Statement of Financial Position of 30 June 2009 (which is reconciled to the statutory Statement of Financial Position), as well as a separate Statement of Financial Position for each of the following business units: Chorus (fixed network access service), other fixed network business unit(s), Wholesale (relevant services), Wholesale (non-relevant services), and Telecom Retail. The Commission understands that Telecom's core network unit is operated within a division called Technology and Shared Services (T&SS) and that this unit also provides services to the other business units. Accounting separation will require transparent allocations to the relevant network, wholesale and retail business units.
- vii. For the 2009-10 reporting year, the Commission's view is to require Telecom to prepare the following:

¹ "Statutory" in this paper does not refer to the Telecommunications Act 2001, but as it is used in general accounting practice.

- a. A separate Statement of Financial Performance, and an opening and closing Statement of Financial Position for each business unit for the full financial year.
 - b. Product Statements for key regulated services which itemise revenue, costs, capital employed² (or debt and equity when appropriate), and volumes.
 - c. Statement of Assets which summarizes all of Chorus' assets which meet a materiality threshold to be set by the Commission.
 - d. Statement of Capital Investment which relates to all capital expenditure made during the year relating to those assets covered by the Statement of Assets.
- viii. In preparing these statements for the 2009-10 reporting year, Telecom must adhere to the following principles:
- a. Use NZ GAAP as the starting point when disclosing accounting information under Part 2B of the Act, unless the Commission issues alternative specific requirements.
 - b. Adhere to the requirements of being reliable, timely and informative, as well as the accounting profession's qualitative characteristics of financial reports. In particular, there should be a consistency of approach between periods.
 - c. Costs, revenues, assets and funding should be allocated on the basis of causation.
 - d. Assets are to be valued on the basis of historic cost, with supplementary reporting using a current cost methodology.
 - e. Transfer charges must be non-discriminatory and the methodology applied should be transparent, auditable and supported by a clear rationale.
 - f. Reconciliation of the regulatory accounts to the financial statements published in its Annual Report. Any variations must be explained.
 - g. Review of the information disclosed under these requirements by an independent auditor(s) who reports to the Commission. The audit reports and recommendations should be publicly disclosed.
- ix. The Commission's view is that in implementing these regulatory reporting requirements, Telecom will be required to obtain approval from the Commission on the choice of procedures used in preparing the relevant reports and other information disclosure, and will be required to document all methodologies, procedures and assumptions. Telecom will also be required to prepare a timetable relating to the preparation of the 2008-09 and 2009-10 information disclosure requirements. This timetable will be subject to approval by the Commission.

Consultation timeline

- x. As the first part of the consultation process, the Commission invites Interested Parties to submit on this draft paper by no later than 5.00 pm on 18 July 2008. Submissions should be sent either by email to neville.lord@comcom.govt.nz or in writing to:
- Neville Lord
Commerce Commission
Level 6, Vector House
44-52 The Terrace
Wellington
- xi. After considering the submissions, the Commission will release a final paper that will set the information disclosure requirements for the transitional year 2008/09. It is expected that this paper will be released in August 2008.
- xii. The Commission will also seek public input on the content and format of the summaries of Telecom's information disclosure which the Commission must publish. This consultation is expected to occur in the first half of 2009. Other issues will be addressed as related operational separation reporting requirements are finalized.

² Capital employed is defined as the total written down value of non-current assets plus working capital.

INTRODUCTION

1. The December 2006 amendments to the Telecommunications Act 2001 ('the Act') introduced new information disclosure requirements which include the accounting separation of Telecom. These regulatory reporting requirements are different to and in addition to statutory financial reporting requirements and the reporting required by the operational separation undertakings. This paper presents the Commission's preliminary views on these new requirements, and seeks submissions in advance of the Commission issuing Telecom the reporting requirements for the financial year ending June 2009, which will be a transitional reporting period.
2. Under Part 2B of the Act, Telecom is required to prepare and disclose information as if its network, wholesale and retail activities operate as independent companies. Accounting separation, which is a form of regulatory accounting, has been implemented in several European countries, as well as Australia. It complements operational separation by providing improved transparency of financial information, identification of any cross-subsidies between different Telecom business units, and encouraging non-discrimination between wholesale customers and Telecom's own retail business unit. The operational separation undertakings require Telecom to prepare an opening Statement of Assets as of 1 July 2008 for Chorus, which is the fixed network access service business unit, and cover the non-financial reporting requirements.
3. The Act grants the Commission discretion to determine what information Telecom will be required to provide and the methodologies to be used in preparing it. This includes the discretion to request other forms of information such as cost information, asset valuations, and non-financial information.

LEGAL FRAMEWORK

4. Part 2B of the Act sets out the provisions for information disclosure and states that the purpose is:³

to promote competition in telecommunications markets for the long-term benefit of end-users of telecommunications services in New Zealand by requiring that reliable and timely information prescribed by the Commission is made publicly available—

(a) by Telecom, so that a wide range of people are informed about the operation and behaviour of Telecom's network, wholesale, and retail business activities and services; and

(b) by access providers, including Telecom, so that a wide range of people are informed about the operation and behaviour of prescribed businesses that provide prescribed services, in order to monitor and facilitate compliance with prescribed applicable access principles.

5. Section 69ZB(1) sets out the mandatory reporting disclosure for accounting separation of Telecom:

The Commission must require Telecom to prepare and disclose information about the operation and behaviour of all or part of its network, wholesale, or retail activities as if those activities were operated as independent or unrelated companies.

³ See s69Y Telecommunications Act 2001

6. As noted above the Commission has a broad discretion to specify the type of information required, the methodology to be used, the form in which it should be provided and the times/dates for disclosure.⁴ However, the Act does mandate that Telecom must prepare information about the operation and behaviour of certain activities as if these activities were operated as independent or unrelated companies. The Commission considers that this requires that the information prepared under section 69ZB(1) in relation to the specified business activities should have a format and level of detail comparable to information which is prepared for a legally separate company.
7. The Commission may also require ongoing disclosure, data retention, information to be audited and provide for exemptions. These information disclosure powers are not limited to regulated services but extend to unregulated network, wholesale and retail services. Section 69ZB(2) extends to any activity or service within the network, wholesale or retail categories. Under section 69Z the Commission's requirements must be reasonable having regard to the purpose in section 69Y, the confidentiality of the information in question, and the time required to prepare the information.
8. The Commission must consult with persons that the Commission considers have a material interest in the matter prior to giving public notice of the finalised requirements.⁵
9. When the Commission receives regulatory accounts and information from Telecom, the Commission must publish a summary and analysis as soon as practicable.⁶ These summaries must be timely, reliable and inform a wider range of people than would normally seek such accounting information.
10. Steps will be taken to ensure appropriate protection of confidential information. The Commission considers that all unit input costs will be presumed confidential, but that outputs will be assumed public. For outputs, the Commission's view is to adopt aspects from the existing confidentiality order regime,⁷ namely that:
 - all output information will be public unless confidentiality is requested and justifiable;
 - Telecom (or other parties) must establish grounds for confidentiality; and
 - information will be classified as confidential if it is necessary to avoid likely unreasonable prejudice to the commercial position of the person who supplied or who is the subject of that information.
11. If Telecom breaches the requirements for this information disclosure, the Commission may serve a civil infringement notice or apply to the High Court.⁸ The limit of any pecuniary penalty awarded by the High Court for each act or omission in respect of a breach of these requirements is \$1 million.⁹
12. The Commission's view is also to develop an exemptions process¹⁰ (along with transitional provisions¹¹) to allow appropriate flexibility, particularly during the initial stages of implementation – however, the Commission anticipates that it will closely monitor key issues such as cost, asset and capital allocation.

⁴*ibid* s69ZB

⁵*ibid* s69ZB(6)

⁶*ibid* s69ZG

⁷ See 'Guidelines on Confidentiality Orders under the Telecommunications Act 2001',

<http://www.comcom.govt.nz/IndustryRegulation/Telecommunications/GeneralInformation/confidentiality3.aspx>

⁸*ibid* s156B

⁹*ibid* s156(b)

¹⁰*ibid* s69ZD(1)(h)

¹¹*ibid* s69ZD(1)(i)

Purpose of Information Disclosure

13. The purpose of this information disclosure regime is to inform a wide range of people about the operation and behaviour of parts of Telecom's business activities and services. The Commission considers that this audience will include Telecom's wholesale customers, other industry participants, government, other regulators, consumers, the media and the financial community. Many of these people are familiar with having financial information presented using the formats adopted for statutory and other existing financial reporting and would therefore find it easier to understand the regulatory information disclosure if it includes statements presented in a similar manner. The use of similar formats will assist many users of the information when comparing the operation and behaviour of Telecom's individual business units to other companies.
14. As also noted above, under section 69ZG the Commission is required to prepare summaries and analysis of the information disclosed. These summaries must promote a greater understanding of the operation and behaviour of the relevant Telecom business units and of the changes in operation and behaviour over time. For the summaries to be informative to consumers, and others who are not familiar with financial information, the summaries will be written in an accessible style which does not assume financial literacy.
15. In order for the Commission to prepare these summaries, the information disclosed by Telecom must contain sufficient information for the Commission to make informed comment on the relevant Telecom business units and the changes over time. This necessitates that Telecom must prepare information at the business unit level.
16. The Commission considers that information on capital investment levels will be important when commenting on changes over time as network investment is a major factor of change in the telecommunications industry and is of interest to the wide audience (e.g. Telecom's capital expenditure on regulatory issues such as cabinetisation or rural broadband).

BUSINESS UNITS SUBJECT TO REPORTING REQUIREMENTS

17. Operational separation requires Telecom to establish:¹²
 - a fixed network access service business unit;
 - one or more business units which provide a wholesale function for all relevant services;¹³ and
 - one or more business units that provide one or more other functions (for example retail).
18. The Information Disclosure regime relates to "*the operation and behaviour of all or any of its network, wholesale and retail business activities*".¹⁴
19. The Commission understands that Telecom has established:
 - A fixed network access service business unit (Chorus);
 - A wholesale business unit which provides a wholesale function for relevant and non-relevant services;
 - Two retail business units being Telecom Retail (consumer and small to medium businesses) and gen-i (business solutions/ICT integration) operations; and

¹² *ibid* s69D

¹³ Relevant Services means (a) Relevant Network Access Services and (b) Relevant Wholesale Services as defined in clauses 18.2 and 45.2 respectively of the *Telecom Separation Undertakings*, 25 March 2008.

¹⁴ *ibid* s69ZB

- A unit which includes the fixed core network services and technology and shared services (T&SS).
20. As Appendix 1 shows, T&SS provides services to each of Chorus, Telecom Wholesale and the retail business units.
21. The Commission's view is that to be effective, accounting separation must produce transparent accounts for each of Chorus, other fixed network services unit(s), Telecom Wholesale (relevant services), Telecom Wholesale (non-relevant services) and Telecom Retail (but not gen-i) business units. These accounts are to be prepared as if these business units were legally separated. In addition all costs, assets and capital (debt and equity when appropriate) relating to these business units which are incurred by T&SS must be allocated appropriately to each business unit in a manner approved by the Commission.

PRINCIPLES FOR REPORTING REQUIREMENTS

22. Like with other forms of reporting, incentives exist for the regulated firm to select accounting rules which are advantageous to the firm. These incentives can be significant when there is a link between the results reported in the regulatory accounts and actual profits.¹⁵ Hence in developing these principles, it is important to specify methodologies which ensure that the information disclosed is accurate, reliable, timely and informative.
23. In developing these principles and the reporting requirements, the Commission has been conscious of the need to ensure that they are cost-effective and avoid unnecessary duplication with other reporting requirements, while at the same time providing information which is useful to the audience and fulfills the purposes stated in the Act. This includes ensuring that Telecom's compliance costs are reasonable and, when appropriate, reusing data which Telecom already collects.

Use of Generally Accepted Accounting Practices (GAAP)

24. The accounting profession has developed comprehensive standards, commonly known as GAAP, which are accepted internationally. Telecom, like other listed New Zealand corporations, is required to prepare its financial statements in accordance with the Financial Reporting Act 1993, which requires preparing accounts in accordance with New Zealand GAAP¹⁶. As Telecom is listed on the NYSE as well as the NZX and ASX, Telecom also prepares accounts in accordance with US GAAP.
25. The use of NZ GAAP as a starting point for the regulatory requirements, allows for the information disclosure to be based (at least initially) on an established framework which is consistent with Telecom's existing accounting processes. This will reduce the costs of developing the framework, while also delivering ongoing compliance and monitoring cost savings. Since many financial professionals are familiar with NZ GAAP, using it as a starting point will help ensure the information disclosure is informative and thus fulfils the purpose of Part 2B of the Act.
26. The Commission's view is that Telecom should conform to NZ GAAP when disclosing accounting information under Part 2B of the Act, unless the Commission issues alternative specific requirements. The Commission also considers that variations from NZ GAAP may

¹⁵ For example if there is a direct or indirect link between the product costs reported via the regulatory reports and the wholesale prices charged to access seekers, incentives would exist to report a high product cost in order to achieve higher wholesale prices and hence higher profits.

¹⁶ This includes the New Zealand equivalents to International Financial Reporting Standards (IFRSs) and Financial Reporting Standards (FRSs)

be required, either during the transitional year or at a later stage, when this results in the information disclosure better meeting the regulatory purposes.

Qualitative Characteristics

27. The Act states the information disclosed should be reliable, timely and informative to a wide range of people. The NZ accounting profession has issued a framework paper which sets out the qualitative characteristics of financial statements.¹⁷ This paper considers the four principal qualitative characteristics as understandability, relevance, reliability and comparability.¹⁸ Timeliness is seen as being a constraint on relevance and reliability in that if there is undue delay in reporting, information may lose its usefulness, even if reliability is improved.
28. Consistency across both time and reporting entities is seen as an attribute of comparability.¹⁹ The Commission considers that the use of consistent methodologies will aid comparability of the disclosed information over time and between Telecom's business units. It also avoids situations where a change of accounting practices can artificially change reported costs.
29. The Commission's view is that for the purposes of these regulatory requirements, Telecom's information disclosure should adhere to the accounting profession's qualitative characteristics of financial reports. In particular the Commission expects that the methodologies applied should be consistent between periods. Any change of methodology must be approved by the Commission in advance and the extent of the impact of the change disclosed.

Cost, Revenue, Asset, Capital and Liability Allocation

30. The Commission's view is that assets, liabilities, capital, costs and revenues will be allocated on the basis of causation. The principle of causality implies that these items are allocated to the services that "cause" the items to arise and that all items are allocated once and only once. Where there are items, such as overheads, that cannot be allocated directly then an indirect causative linkage will need to be made. This requires the implementation of appropriate and detailed allocation methodologies. In practice this requires that Telecom:
- Review and justify each item of cost, revenue, asset, capital or liability;
 - Identify the driver that caused each item to arise; and
 - Use the driver to allocate each item to the appropriate area.
31. Depending on the methodology, each allocation will be applied to an aggregated information segment. For example, overall customer billing service costs may be allocated on the basis of some common driver. Each of these aggregated information segments will be subject to approval by the Commission and must be documented.

Asset Valuation

32. The Commission's view is that for the transitional year, assets are to be valued on the basis of historic cost, with supplementary reporting using a current cost methodology. In subsequent years, if a forward looking approach is adopted for regulatory purposes, it will be necessary to make greater use of a current cost methodology. However, at this stage it is envisaged that a historic cost methodology will provide the primary basis for asset valuation in the regulatory accounts. The historic cost methodology reduces compliance costs during the implementation period.

¹⁷ FRSB of NZICA, *New Zealand Equivalent to the IASB Framework for the Preparation and Presentation of Financial Statements*, June 2005

¹⁸ *ibid*, F.24

¹⁹ *ibid*, F.39, F.40

Transfer Charging (Trading Arrangements)

33. The methodology applied to the costs of products and services that are used internally must be transparent and auditable. There must be a clear rationale for the transfer charges used and each charge should be supportable. Charges must not unduly favour or disadvantage any business unit (or entity), be based on a clear and supported rationale, and there should be transparency of transfer charges in the separate accounts.
34. The Commission's view is that all methodologies used for internal transfer pricing will be subject to approval by the Commission.

Consolidation and Reconciliation

35. When regulatory accounts are prepared for separate business units, there is a risk that a systematic bias leads to over or under reporting and thus reduces the information's reliability. One way to address this is to require that the financial statements produced for the regulated accounts are reconciled to the statutory financial statements published in the Annual Report.
36. The Commission's view is that Telecom must consolidate the regulatory financial statements provided under Part 2B of the Act and reconcile the consolidated statements to the financial statements published in its Annual Report. Any variations must be explained. The reconciliation procedures will be subject to approval by the Commission.

Audited Accounts

37. The Commission may request that all or any of the information Telecom provides is audited.²⁰ The Commission considers that audits are an effective tool in improving the reliability of information and increasing users' confidence in the information.
38. While Telecom's statutory financial statements are already subject to independent audit, some of the information likely to be required for regulatory purposes is not currently audited and regulatory accounts have different materiality levels. This may include non-financial information that will be used for allocating costs and the reconciliation of regulatory accounts to statutory financial statements.
39. The Commission's view is that in accordance with section 69ZD(1)(d), by 1 December 2008, Telecom must engage an independent auditor(s) to review the information disclosed. This will include the auditing of information and processes which are not audited as part of the standard statutory reporting process. The scope of the audit report will be subject to approval by the Commission in advance of the auditor(s) being engaged. The auditor(s) must report their findings to the Commission and the audit reports and recommendations should be publicly disclosed. Subject to the accounting profession's rules in relation to audit independence, Telecom may engage the same firm to audit both the information disclosed for these regulatory purposes and for statutory reporting purposes.

REGULATORY REPORTING REQUIREMENTS

40. The Commission's view is that full regulatory reporting will commence on 1 July 2009, with limited transitional provisions applying for the year 1 July 2008 to 30 June 2009. To allow for flexibility, particularly during the initial stages of implementation, the Commission anticipates developing an exemptions process along with transitional provisions.

²⁰ See s69ZF(3)(a) Telecommunications Act 2001. The Act also empowers the Commission to require statutory declarations of verification (see s69ZF(3)(b)).

41. The Act requires reporting on the operation and behaviour of all or any of Telecom's network, wholesale and retail business activities as if these activities were operated as independent or unrelated companies. The Act²¹ also allows the Commission to require disclosure of information relating to any activity or service within the network, wholesale or retail categories. Telecom's operating structure currently includes Technology and Shared Services (T&SS) which controls significant network assets including the core network and is expected to have a close relationship with the Chorus, Telecom Wholesale, and retail business units. Accordingly, the Commission requires Telecom to report on its other fixed network business unit(s) (which are currently in T&SS) to the same level as it reports for the other business units as this will provide significant additional information about Telecom's network business activities. The Commission notes that in the United Kingdom, British Telecom is required to report on equivalent business activities.
42. For the 2008-09 transitional reporting year, the Commission's view is to require Telecom to prepare a separate Statement of Financial Position as of 30 June 2009 for each of the following business units: Chorus, Telecom Wholesale (relevant services), Telecom Wholesale (non-relevant services), Telecom Retail, and other fixed network business unit(s). These separate statements are to be consolidated and the consolidated regulatory statement must be reconciled to Telecom's statutory Statement of Financial Position with any variations explained.
43. These statements must be completed within a timeframe approved by the Commission, which will be no earlier than when the annual statutory financial statements are due.
44. For the 2009-10 reporting year, the Commission's view is that Telecom will be required to:
 - adhere to the Principles for Reporting Requirements (as above);
 - provide Regulatory Financial Statements;
 - provide Product Statements; and
 - Provide Statements of Assets & a Statement of Capital Investment.
45. In order to ensure that these statements reflect the operation and behaviour of the relevant business activities as if they were independent companies, the product statements must include allocations of all relevant items provided as shared services including assets, liabilities, capital, revenues and costs. This requirement will apply for the 2009-10 reporting year.

Proposed 2009-2010 Regulatory Financial Statements

46. Telecom must provide a separate Statement of Financial Performance, and opening and closing Statements of Financial Position for the following business units: Chorus, Telecom Retail, Telecom Wholesale (relevant services), Telecom Wholesale (non-relevant services), and the other fixed network business unit(s). These separate statements are to be consolidated and the consolidated regulatory statements must be reconciled to Telecom's statutory financial statements with any variations explained.
47. These regulatory statements will adopt the format (or equivalent) used in Telecom's statutory accounts but with a suitable disaggregation of assets, liabilities and capital in the Statements of Financial Position, and costs and revenues in the Statement of Financial Performance, as approved by the Commission.
48. For the 2009-10 reporting year these statements must be completed within the same period as the statutory financial statements.

²¹ *ibid* s69ZB(2)

Proposed 2009-2010 Product Statements

49. The Commission's view is that revenue, costs and volumes, must be itemized for the designated access service, interconnection with Telecom's fixed PSTN and for the key regulated services, together with an urban/rural split where it has been specified in the Standard Terms Determinations. These key regulated services are those for which charges have been identified in the Standard Terms Determinations made by the Commission.²² The Commission seeks submissions on the choice of which services Product Statements should be prepared for.
50. Issues on which the Commission is interested in comment include the level of aggregation of reporting for similar services, materiality thresholds, and whether it is necessary to report on services that have one-off charges (e.g. connection fees).
51. Capital employed (or debt and equity when appropriate), revenues and operating costs must be identified separately for each of these services.
52. The product statements must be completed by a date approved by the Commission.

Proposed 2009-2010 Statement of Assets & Capital Investment

53. The Commission's view is that Telecom must prepare a Statement of Assets listing all of Chorus' assets which meet a materiality threshold to be set by the Commission. Such assets are likely to relate to cabinetisation, fibre rollout, rural broadband, and IP-based equipment and platforms. This statement will list these assets by asset type with a level of aggregation to be defined by the Commission, and will identify the acquisition costs and current values using the same asset valuation methodology(s) used in preparing the Statement of Financial Position. The Statement will also identify, to the same level of scope and detail, those assets removed from the fixed asset register (e.g. disposed of or decommissioned) during the reporting period.
54. The Commission's view is that Telecom must also prepare a Statement of Capital Investment for all capital expenditure made during the reporting period relating to those assets covered by the Statement of Assets. This Statement will describe the investment (e.g. DSLAM upgrade), the purpose of the investment (e.g. reduce future operating costs, expand rural broadband coverage), the dollar amount invested, and the asset type using the same classifications as used for the Statement of Assets. In support of the Statement of Capital Investment, Telecom must document the policies that specify the treatment of project costs (e.g. labour costs of project managers).
55. The Statement of Assets and the Statement of Capital Investment must be completed by a date approved by the Commission.
56. The Commission seeks submissions on the scope and level of detail appropriate for the Statements of Assets and the Statement of Capital Investment. The Commission is particularly interested in submissions on which network infrastructure should be included in the scope, materiality thresholds, and the level of granularity or aggregation in the statements.

²² For example Schedule 2: UBA Price List of Commerce Commission, *Standard Terms Determination for the designated service Telecom's unbundled bitstream access: Decision 611*, 12 December 2007,

IMPLEMENTATION

57. In implementing these regulatory reporting requirements Telecom will have to make decisions on a range of issues. As noted above the Commission proposes to require Telecom to obtain approval from the Commission on the choice of procedures used in preparing the relevant reports and other information disclosure and to document all methodologies, procedures and assumptions made in fulfilling these requirements.
58. To ensure the timely delivery of this information, Telecom is required to prepare a timetable for the 2008/09 and 2009/10 information disclosure requirements. This timetable will include milestones relating to audit, systems development, accounting rules and preparation of reports, and will be subject to approval by the Commission. Telecom will be required to meet with and report to the Commission on progress in meeting these milestones on a monthly basis. Minutes will be prepared for formal meetings and made available for the audit.
59. The Commission seeks submissions on the choice of milestones and due dates for Telecom's 2008/09 and 2009/10 information disclosure requirements timetable.

APPENDIX 1: TELECOM BUSINESS UNITS

This graphic presents the internal trading arrangements between Telecom’s business units. Chorus is the fixed network access business unit and Shared Services is the unit also referred to as T&SS which stands for Technology and Shared Services. IOG stands for Independent Oversight Group. This chart was provided by Telecom on 6 June 2008.

FY09 External Reporting – Undertakings Related Trading Relationships Overview

