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30 March 2008

Hon David Cunliffe
Minister for Communications and Information Technology
Parliament Buildings
WELLINGTON

Dear David

Operational separation: management of Commercial Information and Customer Confidential Information

As you know, the separation Undertakings we submitted to you on 25 March 2008 provide for transitional periods to enable Telecom to meet the requirements relating to the disclosure by Chorus and Wholesale of their Commercial Information and Customer Confidential Information.

We think these transitional periods are necessary because Telecom had expected to finalise the processes and procedures and all of the staff training necessary to be sure we fully comply with these information requirements during the two or three month period between finalisation of the separation plan and Separation Day. These two days are now likely to be very close to, if not the same date. These transitional periods provide Telecom with the minimum practicable amount of time necessary to ensure we are in a position to fully comply.

I want to assure you that I am committed to ensuring that Telecom complies with the intent of the Undertakings regarding Chorus and Wholesale information disclosure during these transitional periods. In order to better achieve this, we will be progressively implementing processes and systems and completing staff training across Telecom during the transitional periods.

In the meantime, Telecom will continue to adhere to its existing strong wholesale contractual requirements that will ensure that wholesale customer confidential information is not disclosed or used to advantage by other parts of Telecom. Nor will Telecom seek to reduce these requirements.

In addition, I confirm that, by Separation Day Chorus and Wholesale staff will be made aware of the requirements in the Undertakings relating to disclosure of their Commercial Information and Customer Confidential Information. These staff will be expected to comply with these requirements to the best of their ability during the transitional period.

Telecom will not misuse Commercial Information or Customer Confidential Information during the transitional period and I am committed to taking the steps necessary to ensure this. I am very aware, and will be stressing to my team, that misuse of Commercial Information or Customer Confidential Information during this time will be contrary to the principles of our Codes of Conduct, will significantly impact on Telecom's reputation, and will be treated with the utmost seriousness.

Telecom will provide information to the Commission to demonstrate compliance with this letter, as may be reasonably requested by the Commission from time to time, including preparing reports or other information and requiring Telecom personnel to meet with the Commission for this purpose. Telecom will ensure that:

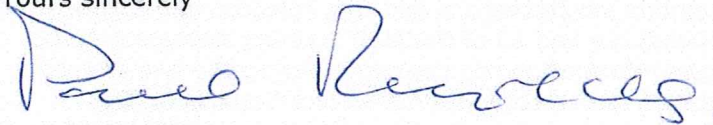
- any information requested will be provided in a manner, form and timeframe required by the Commission; and
- any request for information or for personnel to meet with the Commission will be directed to the most appropriate contact person within Telecom who can best facilitate the provision of the information or access to personnel in a timely manner.

Telecom will also disclose to the Commission forthwith any inappropriate disclosure, access to or use of Commercial Information or Customer Confidential Information during the transitional period that it becomes aware of.

Telecom agrees that:

- the Commission may from time to time report to the Minister on any disclosure, access to or use of Commercial Information or Customer Confidential Information during the transitional period. The Commission will provide a copy of any such report to Telecom and the IOG; and
- the Commission may publicly release any such report, provided that the Commission first removes any information the Commission agrees is confidential or commercially sensitive.

Yours sincerely

A handwritten signature in blue ink that reads "Paul Reynolds". The signature is written in a cursive style with a large initial "P" and "R".

Paul Reynolds
CHIEF EXECUTIVE OFFICER