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25<sup>th</sup> July, 2008

Dr Ross Patterson  
Telecommunications Commissioner  
Commerce Commission  
42 - 52 The Terrace  
Wellington



*Dear Ross,*

Thank you for your letter of 10 July describing a prima facie breach of the undertakings. I too am very disappointed that we were unable to meet the timeframe for consulting with the Commission and the Minister on the information in question. The migration off the PSTN is a key element of our vision for the future of telecommunications and of Telecom, and I appreciate the importance of this information as a base for assessing our PSTN migration. I have sought and obtained an assurance that we making every effort to consult with the Commission and the Minister on the information in question, and I understand a proposal has now been provided to the Minister and the Commission for consultation.

We are committed to meeting all of our undertakings, and to this end we have put significant effort into process design and ensuring excellent people are in place. The one positive aspect of this incident is to highlight, early in the life of the undertakings, some weaknesses in those processes. I have taken this opportunity to institute a review of all commitments and of our processes for early identification of upcoming commitments, to ensure that any weaknesses are corrected and oversights such as this do not happen in the future. I am confident that as a result of this review, this breach will prove an aberration.

You note in your letter you would like to discuss the matter with me as soon as possible. I have asked my Executive Assistant to arrange a time for us to meet.

*Yours sincerely,*

*Paul Reynolds*

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Chief Executive Officer