



TELECOM SEPARATION PLAN

**As provided to the Minister of
Communications on 25 March 2008 in
accordance with section 69K(2)(c) of the
Telecommunications Act 2001**

- 1 Telecom is pleased to provide its amended separation plan in accordance with section 69K(2)(c) of the Telecommunications Act 2001.
- 2 Telecom's separation plan comprises the attached Undertakings.
- 3 Telecom is committed to meeting the implementation timeframes for these Undertakings. This means that the key operational requirements of the Undertakings, including the establishment of the ANS Unit, will be implemented by 31 March 2008, with the majority of the remaining operational requirements implemented by 1 July 2008.
- 4 Telecom's Undertakings include specific transitional implementation timeframes for the following matters:
 - (a) trading arrangements – the Undertakings require Telecom to implement internal trading arrangements for all Relevant Services that are supplied by the ANS Unit or the Wholesale Unit to another Telecom Business Unit. Because Telecom does not currently operate internal trading arrangements, implementing these arrangements will be a significant exercise – services will need to be identified, and appropriate terms of supply established. Telecom proposes focusing first on implementing trading arrangements for those Relevant Services that it provides Service Providers and Telecom Business Units with. This will provide the necessary transparency for services that both Service Providers and Telecom use. These trading arrangements will be in place by 1 July 2008. Telecom will use its best endeavours to implement trading arrangements for Relevant Services that the ANS Unit and the Wholesale Unit only provide to Telecom Business Units as soon as possible, but by no later than 31 December 2008;
 - (b) arrangements with contractors and agents – the Undertakings require Telecom to put in place arrangements to ensure that each of its subsidiaries, and all of their officers, Employees, agents and contractors (including those persons who operate any of Telecom's assets, perform functions or carry out activities in respect of Relevant Services that would otherwise be done by Telecom) comply with the Undertakings. Telecom has a large number of policies, agreements and other arrangements in place with these people, and it will be a significant task to review and update these arrangements. Telecom will use its best endeavours to put these arrangements in place as soon as possible, but by no later than 31 December 2008. If, despite Telecom using its best endeavours, it would be impractical or unreasonably expensive to put an arrangement in place by 31

December 2008, the Commission may agree a date after 31 December 2008 by which the arrangement must be in place, so long as that later date does not undermine a robust operational separation of Telecom;

- (c) shared information systems - Telecom has a number of shared information systems that contain information from across Telecom. These systems are complex, and were designed as integrated systems for Telecom as an integrated company. Some of Telecom's shared information systems were not designed to partition information from different areas in Telecom, and upgrading them to limit disclosure to or access by Employees in the ordinary course of business (except as expressly permitted by the Undertakings) will be complex and time consuming. Telecom has committed that, from 1 July 2008, Customer Confidential Information in those systems accessed by Employees in the ordinary course of business will not be used or disclosed in a manner that is contrary to the Undertakings. By 31 December 2009, Telecom's shared information systems will be upgraded so that they do not disclose ANS Unit and Wholesale Unit Customer Confidential Information, except as permitted by the Undertakings;
- (d) Independent Oversight Group (IOG) related requirements – the Undertakings require Telecom to establish the IOG and its support office and submit codes of conduct to the IOG. Because there will only be a short period of time between the Approval Date and Separation Day, and sufficient time will be required to implement these requirements in accordance with the approved Undertakings, Telecom will comply with the relevant requirements by no later than 30 Working Days after the Approval Date;
- (e) Commercial Information disclosure provisions - the Undertakings require Telecom to limit disclosure of ANS Unit and Wholesale Unit Commercial Information. Because there will only be a short period of time between the Approval Date and Separation Day, and sufficient time will be required to put in place appropriate internal processes (backed up by appropriate training) to ensure compliance, Telecom will comply with the relevant Commercial Information disclosure restrictions in clauses 34 and 59 by no later than the first Working Day that is 30 Working Days after the Approval Date; and
- (f) legal and regulatory Employees working for the ANS Unit – the Undertakings require that Employees who are directly involved in providing legal or regulatory advice to the ANS Unit in respect of

Relevant Network Access Services will work solely for the ANS Unit by Separation Day. Because there will only be a short period of time between the Approval Date and Separation Day, and sufficient time will be required to implement these requirements (bearing in mind that many of the relevant personnel have been focusing solely on the preparation of the Undertakings), Telecom will comply with the relevant requirements by no later than 1 July 2008.