



ICT Regulatory Team
Ministry of Economic Development
PO Box 1473
WELLINGTON

24 January 2008

Dear Reg,

Kordia Group once again welcomes the opportunity to comment on Telecom's Separation Plan. While we are supportive of many of the improvements in the Amended Separation Plan, we believe the plan issued by Telecom does not meet the intention of the Act or the Minister's Determination. Telecom's Amended Separation Plan and the Minister's Amending Determination have not taken into account many of the suggestions in our previous submission on the 23rd of November or many of the concerns expressed by the industry. As we have already expressed our suggestions in the previous submission these are not repeated here but many of our concerns remain.

The amending Determination and Telecom's Amended Separation Plan narrow the focus of the original Determination and the Telecommunications Act. Operational Separation has the opportunity to greatly accelerate the implementation and success of the new regulated services. Since New Zealand's unbundling of the local loop is considerably later than the rest of the OECD, we need a robust operational separation environment to ensure the success of these regulated services.

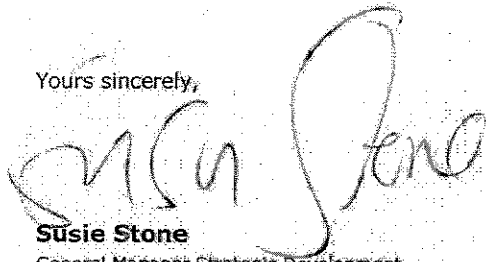
In order to achieve a successful operationally separated environment and Equivalence (EOI) as intended in the Act the separate business units of Telecom need appropriate incentives to serve their respective customers. Kordia Group believes it is unacceptable for the Wholesale business to offer incentives to any staff based on the performance of the retail business. In particular it is unacceptable that the performance incentive remuneration of the Manager of the Wholesale Unit might include up to 80% based upon the performance of Telecom as a group. Any performance remuneration will already favour Telecom Retail as the largest customer of Telecom Wholesale. Enhancing this with group based performance remuneration will only create the wrong incentives for Telecom Wholesale to favour its Retail counterpart over other Access Seekers. The Government and Telecom recognises this with the performance remuneration for the CEO of the Access Network business unit, and should apply the same requirement on the Wholesale business unit.

We are concerned with the requirements for the FTTP Access Service and the reciprocity requirements for FTTP infrastructure installed by a competitive investor. This section will effectively discourage competitors from installing FTTP infrastructure and will allow Telecom to maintain its Wholesale monopoly and substantial market power. There is no justification for reciprocity requirements as the Undertakings are to reduce Telecom's market power and encourage competition, rather than introducing disincentives for competitive investment.

Our previous suggestions, and the industry's suggestions, from the 23rd of November, must be considered further by Telecom and the Ministry of Economic Development. Kordia Group feels that these suggested amendments will strengthen the separated environment and assist in achieving the intentions of the Telecommunications Act. We have considered and support the submission by TUANZ on the amended plan and agree with their recommendations.

Kordia Group does not believe the Amended Separation Plan meets the Determination and as such we recommend the plans not be accepted by the Minister in their current form. Thank you for the opportunity to comment on the Amended Separation Plan. We look forward to an effective Operationally Separated environment.

Yours sincerely,



Susie Stone

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