

12 August 1997

Rt Hon Bill Birch
Minister of Finance
Parliament Buildings
WELLINGTON


Dear Mr Birch

This letter is a follow up to our recent discussions on residential directory assistance charging.

We have also received from Treasury officials a list of points covering a range of additional issues (including customers with disabilities, white pages, future price changes and our Change Number Service). While we are prepared to accommodate these suggestions, we see these matters as fundamentally between Telecom and its customers.

We therefore propose to give appropriate assurances in writing to our residential customers. These assurances will be made in the form of a letter or brochure and will be sent to every residential customer with their Telecom bill.

- 1 Telecom will reduce the standard residential monthly line rental by \$1.25 (gst included).
- 2 Telecom will continue to offer free residential directory assistance on their primary home line to those who, through physical or print disability or sight impairment, have difficulty in using the ordinary telephone directory, provided:
 - (a) these persons provide satisfactory medical or other documentation from a recognised expert or a recognised society of which they are a member; and
 - (b) they are a Telecom residential access customer paying either the standard residential line rental or any other residential pricing option made available by Telecom. Customers receiving free DA due to a physical infirmity or disability will not receive the \$1.25 (gst included) rebate;

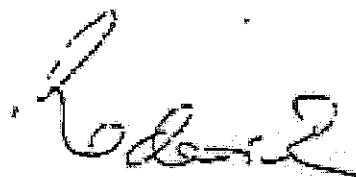
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- (c) subject to allowance for technological change or alternative universal provision mechanisms, Telecom will maintain the white pages to at least the quality, frequency and timeliness prevailing in 1996;
 - (d) the current Change Number Service will continue whereby for a period after a customer moves and receives a new number, callers to the old number are advised of the new number;
 - (e) Telecom will not increase the DA charges of 50 cents (gst included) and \$1.50 (gst included), faster than the rate of increase in the CPI. For the purposes of calculating any such CPI increase Telecom may, at its discretion, either:
 - (i) adjust the charges applying to DA services directly; or
 - (ii) add back the \$1.25 (gst included) rebate and adjust the total standard line rental, including the amount of the rebate.

Telecom envisages that the CPI cap will also apply to the special package to be made available to customers unable to use the phone book (as per (1) above).

In terms of timing we wish to implement the changes with effect from 1 November with one month's notice required. This means announcing publicly the changes by the end of September. In turn, to put in place the necessary staff training and system changes we need to make a final decision by 1 September. Your confirmation of your support of the above before that date would be very much appreciated.

Kind regards

Yours sincerely



cc Theresa Gattung
Mr Bruce Parkes
Mrs Arianne Burgess
Mr Roger Ellis
Mr Richard Dammary



OFFICE OF THE
MINISTER OF FINANCE

FAXED

- 1 Oct 1997

Dr Roderick Deane
Chief Executive
Telecom New Zealand Limited
P O Box 570
WELLINGTON

Dear Dr Deane

TELECOM DIRECTORY ASSISTANCE PROPOSAL

Thank you for your letter of 12 August 1997.

After consideration of your Directory Assistance (DA) proposal and discussion with my colleagues, I hereby grant approval under the terms of the Telecom Kiwi Share. My approval is granted subject to the conditions below and to Telecom's written advice to its customers of these points:


- residential customers will pay 50 cents (GST incl) per call for National DA and \$1.50 (GST incl) per International DA call, in exchange for which the standard residential monthly line rental will be reduced by \$1.25;
- Telecom will continue to offer free residential directory assistance on their primary home line to those who, through physical or print disability or sight impairment, have difficulty in using the ordinary telephone directory, provided:
 - a those persons provide satisfactory medical or other documentation from a recognised expert or a recognised society of which they are a member; and
 - b they are a Telecom residential access customer paying either the standard residential line rental or any other residential pricing option made available by Telecom. Customers receiving free DA due to a physical infirmity or disability will not receive the \$1.25 (gst incl) rebate.

- subject to allowance for technological change that permits alternative universal provision mechanisms, Telecom will maintain the white pages to at least the quality, frequency and timeliness prevailing in 1996;
- the current Change Number Service will continue whereby for a period after a customer moves and receives a new number, callers to the old number are advised of the new number;
- Telecom will not increase the DA charges of 50 cents (gst incl) for local DA calls and \$1.50 (gst incl) for international DA calls, faster than the rate of increase in the CPI. For the purposes of calculating any such CPI increase Telecom may, at its discretion, either:
 - a adjust the charges applying to DA services directly; or
 - b add back the \$1.25 (gst incl) rebate and calculate the CPI line rental adjustment on the total figure. Telecom will then reduce the new nominal line rental charge by the \$1.25 rebate to calculate the actual line rental charge. In that event no allowance will be made for that amount of CPI adjustment in any subsequent CPI adjustment to the DA service charges.
- Two years after the introduction of the DA charge Telecom will carry out a review of the impact of the charge on customers with disabilities. This review will be carried out in consultation with the Kiwi shareholder and will identify if any additional measures should be put in place to ensure customers with disabilities are not unreasonably disadvantaged by the DA charge which measures will then be implemented.

With regard to point (a) of the second bullet point I note that Telecom has also agreed to recognise registered members of the Foundation for the Blind as being exempted from the impact of any DA charges, and has also agreed to provide access for registered members of the Foundation to the DA service through the Telephone Information Service operated by the Foundation.

You will appreciate that the communication of this change is of interest to the Government. I would appreciate it if Telecom would keep my press staff fully informed of the proposed media and customer communications, enabling me to make appropriate statements if necessary.

Yours sincerely



Rt Hon W. F. Birch
Minister of Finance