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MEDIA RELEASE

Telecom Corporation of New Zealand Limited

CEO's speech delivered at the 2012 Annual Meeting, Telecom Place, Auckland at 10:00am on 28 September 2012:

Good morning everyone.

This week I am completing my seventh week as CEO of Telecom.

I can tell you it's great to be back.

In some ways it felt like I was coming home, but there is also much that is fresh and new.

I have been away for nearly five years, and Telecom has changed enormously during that time.

From time to time, people have asked me why I came back to Telecom.

Well that's an easy question to answer.

I am a passionate New Zealander, and I believe that Telecom is one of New Zealand's most important companies.

We connect New Zealanders to each other, we are fundamental to the business of everyday life, we connect New Zealand to the world and power a modern economy and practically every business that contributes to it.

From our data networks linking up our largest corporations to a newborn baby being shown off to the Grandparents on Skype, Telecom is there.

We have an enormous opportunity ahead of us to completely reshape this company.

We will do this by getting it right for our customers and doing all we can to enable New Zealand to look to the future with confidence and excitement through the incredible power of the technology that Telecom provides.

I came back because I believe I can add real leadership commitment to that exciting journey.

FY12 Results

One of my first jobs after my arrival was to work with the team to report the company's results for the previous financial year.

As the financial year ended before I started in the role, our interim CEO Chris Quin took the lead on this announcement.

A brief summary is that while the Chorus demerger made direct comparisons with the previous year complex, the overall performance of the company was satisfactory.

This is particularly so given the distractions of the year, which included the Chorus demerger and the closure of the old CDMA mobile network.

One of the highlights was that strong cost control meant that our free cash flow was very healthy.

As Mark mentioned a moment ago this enabled the payment of the same level of dividend that shareholders received last year before the split.

An excellent outcome for shareholders.

Listening and learning

I am now early on the path of reshaping Telecom to thrive in this new environment where we are truly free to compete without the encumbrance of invasive regulation.

To that end, my first few weeks have been all about listening and learning.

In my mind, it's important that I come back to the company with no preconceptions and take the time to understand exactly how Telecom works now, after such extensive change.

Many of my initial observations are positive, but it is also clear that there is still much work to do.

The company has many talented and passionate people who are keen to deliver great solutions and service to our customers. That much is certain.

In the Smartphone Network, Telecom has the leading mobile network in New Zealand. We also have a core transport network that is bigger, faster and more reliable than the competition.

Our Australian operations have improved significantly and are valued parts of the group now moving forward with clear strategies and a stable base to work from.

And our systems and processes are in better shape than when I left, although there is still plenty of scope for improvement.

Delivering for customers

Having said that, Telecom is now at the start of a long process of reshaping itself as it adapts to its fundamentally new operating environment as we move to simplify the technology stack post demerger.

Telecom faces intense competition in every market in which it operates.

As such, I am crystal clear that only **one** thing will determine if we are to be successful.

Simply, that is how we deliver for our customers.

In such an intensely competitive environment, the only way Telecom will win is by providing compelling products and services to our customers more efficiently and effectively than our competitors.

If we do this we will retain and win customers and grow our business.

And I'm confident, if we do the job for our customers, our shareholders will benefit.

Reshaping for the future

As I said, during these early weeks I am getting around the business, listening and getting to know the company again. There is no better way to take the pulse of an organisation than to spend some serious time face-to-face with frontline staff and customers.

I am hugely ambitious for Telecom, and I expect everyone who works with me to be just as ambitious.

Our greatest opportunity is to repurpose the company as a customer focused, agile provider of information communication and technology services which make a huge difference to people's lives and businesses.

To achieve this, I am a big believer in the power of a single, clear plan that everyone understands.

Once we have gathered the necessary information we will deliver a new strategic plan that puts Telecom back on the path to growth.

I expect to deliver this new plan early next calendar year.

While the detail is in the process of being nailed down, we already know some of the steps that we need to take to achieve our goals for the company.

We must step up the drive to transform Telecom's staff culture.

It must be completely customer focused, and we must be agile enough to make quick decisions and take the lead in a dynamic and competitive market.

We must tightly manage our cost base to ensure we are efficient and focused only on delivering what matters for our customers.

Cost reduction can be achieved with simplified processes and that will be one of my core focus areas.

And we must have an ambitious plan for long term growth.

I was never motivated to return to Telecom to manage a slow decline through simply cutting costs.

Cost control will be a part of what we do, of course, but I want and expect us to win in key markets and be innovative enough to deliver growth through the revenue base as well.

I am also very focused on ensuring we have the right leadership capability, across the organisation, to deliver.

Important for New Zealand

As I said at the start, Telecom is incredibly important for New Zealand.

Yet over the years it feels like Telecom has lost its emotional connection with many New Zealanders.

We have an enormous opportunity ahead of us to completely reshape this company, and re-forge our deep links with the people of this country.

We will do this by getting it right for our customers and doing all we can to enable New Zealand to look to the future with confidence and excitement through the incredible power of the technology that Telecom provides.

And there is no question in my mind that when we are successful in this mission, we will also be delivering on behalf of you, our shareholders.

Finally, I am conscious that we can only deliver through the good efforts of the Telecom team, and I would like to acknowledge their efforts over the last 12 months through the separation process.

To have increased our customer satisfaction during this time is testament to their abilities.

The Leadership team has done a great job ensuring we stayed focussed on the customer during that transition, so thank you.

I would like to welcome Chris Quin to his new role heading Telecom Retail and acknowledge Alan Gourdie who is leaving us today. Thank you Alan.

And thank you.