



FACE TO FACE
 KATE MCKENZIE, MANAGING DIRECTOR, TELSTRA WHOLESAL

Pace of change steps up



FLEUR LEYDEN

WHEN Telstra's Kate McKenzie says she has two speeds — "stop and flat out" — she's not joking.

The 47-year-old, who reports directly to Telstra boss Sol Trujillo, is a former champion walker, holding the Victorian state record for the 800m walk.

Admittedly, she snatched that title as a nine-year-old and the under-10 record may have since been broken but she has showed no signs of slowing down — even in heels she sets a cracking pace walking alongside the Yarra.

McKenzie runs the telco's \$2.7 billion wholesale division, which provides services to other carriers and internet providers and accounted for about 11 per cent of Telstra's \$24 billion fiscal 2007 revenue.

It's a task that sees McKenzie at her desk from 7am each morning and still there at 7pm most evenings, but she doesn't miss her daily walk — all 10,000 steps as measured by the pedometer she wears.

"In the middle of the afternoon if a meeting gets cancelled I put my sand shoes on and off I go and it clears your head," says McKenzie.

"Some of the staff are subjected to doing their performance reviews while walking around the park but they've learned to cope with that."

A lawyer who found public policy "absorbing", McKenzie was a senior

NSW public servant before joining Telstra four years ago to run its regulatory division. Within a year she hit the headlines and fired up political tempers by openly criticising how the telco was regulated.

McKenzie declared that funding for the Universal Service Obligation (USO), a mechanism for providing phone services for the city and the bush on an equal footing, was unsustainable. The USO involves taxing all phone companies, in proportion to their revenue, and is designed to subsidise Telstra's delivery of payphones and basic phone services to all Australians.

McKenzie argued at the time that funding being provided by carriers other than Telstra was not enough and the burden was falling on the incumbent which people considered to be "a magic pudding" of money.

Raising the ire of the Federal Government which was gearing up for T3, McKenzie was saying publicly for the first time what had been reserved for closed-door meetings between Telstra, the government and the regulator.

"Telstra's ability to invest in national infrastructure may be stifled if existing regulatory models continue to be applied, if the focus on cutting access prices is maintained and competitors continue to piggyback on Telstra's network while cherry-picking in the cities," she said to a Sydney conference.

Such phrases have now become well worn Telstra catch-cries but McKenzie was the first to publicly utter the hardline message that had

been sanctioned by Mr Trujillo.

"At that time Sol had only been in the company for a couple of weeks, maybe about a month, and certainly the messages that he'd given was 'tell the truth, you don't have to be defensive'," recalls McKenzie. "I took him at his word."

THE attention that the speech received was overwhelming, according to McKenzie.

"I just wrote the speech and I came back thinking it'd be a pretty normal working day and I just got absolutely inundated," she recalls.

"It was the strangest day — I got emails from thousands of people all around the company saying 'it's about time somebody stood up for Telstra'. I got notes left on my car from people I'd never met inside the company."

And so Telstra's public war with the government and the Australian Competition and Consumer Commission over regulation was under way.

McKenzie believes the company's hardline stance has been the best approach and would issue the same speech if she had her time again.

"There's not much doubt it put the previous government off side but at the end of the day we're in business to make a profit for the shareholders and to make good investment decisions on behalf of shareholders, not to keep the government happy," she says.

"That was a revolution that needed to occur inside the company — there was still, when Sol arrived, a



lot of the vestiges of former government ownership and the expectation that we would do whatever the government wanted.”

Asked whether enraging the government has slowed down the process of getting a national broadband network up and running — a project Telstra first proposed when Mr Trujillo arrived in 2005 — McKenzie pauses for a moment.

“Well it’s not like we didn’t have a go,” she says, referring to early discussions between Telstra and the ACCC which reached a stalemate over pricing.

“I’m not sure that being nicer about it or being quieter and doing things behind closed doors would have made it any easier.”

BIDDERS currently vying for the \$4.7 billion “fibre-to-the-node” project are unable to discuss their network proposals, leaving McKenzie’s comment on FTTN as:

“It’s a big big investment to be made, it’s still going to be a difficult thing to get up.”

On a personal level McKenzie is intelligent, forthright in her views and surprisingly willing to discuss almost anything.

She says that while she can be “an obsessive person” who finds herself absorbed by her work, she doesn’t consider herself to be particularly ambitious.

“I’m not personally ambitious or driven particularly, I just like to do the absolute best job that I possibly can of anything that I do.”

She confides that her ambition in life was to get married and have 10 children. Instead, McKenzie ended up with two children — now teenagers — and her husband stays home to run the household.

“Our choice was we wanted at least one parent at home with the kids and that’s the way it’s ended

up,” says McKenzie.

“I ring him up from work and say ‘there’s a big deal going down’ and he says: ‘I’ve got to go now, I’ve got to get the washing off the line.’”

A staunch advocate of allowing market forces to work McKenzie, who attended the Rudd Government’s 20/20 Summit, says business productivity is being hit by red tape.

She says this stifles innovation and people’s capacity to be able to contribute to the economy.

“I do believe that in the last decade or so we have fallen too much into thinking every problem that ever materialises in society has to be fixed by the government,” she says.

“Markets do work if you let them work, government intervention should be reserved for the small number of occasions where it’s really needed.”



Picture: JAY TOWN