

8 February 2006

Jason Reid  
Commerce Commission  
P O Box 2351  
WELLINGTON

**BY EMAIL**

Dear Jason,

**Vodafone submission on local service application**

In your letter of 25 January you invited comments on our application for a determination of our dispute with Telecom over interconnection with its fixed PSTN.

We have just two points to add to what we said in our submission.

**Investigation will help commercial negotiations, not hinder them**

Telecom may argue that it is willing to do a reasonable commercial deal, and that Commission intervention at this stage would be inimical to negotiating such arrangements.

It has said this to us many times.

We do not see this in practice.

If Telecom were willing to do a reasonable commercial deal it has had many opportunities since our previous agreement expired on 14 April 2003.

- It could have extended the previous agreements on similar terms.
- It could have entered into serious negotiations at any time in the last two and a half years.
- It could have engaged in discussion around the even more generous proposals that we put to them late last year, when we indicated that we were considering involving the Commission if a deal was impossible.
- It could engage with us right now and quickly come to a commercial settlement.

All of these lost opportunities are consistent in our mind with just one conclusion: Telecom does not want to do a reasonable commercial deal on local service interconnection.

Late last year we signed a heads of agreement with Telecom on local service negotiations. In it we agreed to negotiate and set out the parties' expectations that we would be able to conclude a deal by the end of February. In our discussions with Telecom, we specifically advised Telecom that we intended to file.

Unfortunately, in response to our filing of the local service application, Telecom cancelled the heads of agreement and is now refusing to negotiate with us again.

In our view Telecom was not legally entitled to cancel the heads of agreement. But the legal ins and outs of this point are not the issue here. We see this cancellation as just the latest example of Telecom's complete lack of desire to assist what it presumably sees as a potentially serious competitor into the fixed to mobile and local access and calling markets.

Our strong preference remains to make commercial arrangements. We are only approaching the Commission because, despite our best efforts over a number of years, we have been unable to secure an agreement with Telecom. We believe that investigation of our application by the Commission will provide an incentive for Telecom to come to the negotiating table and seriously seek to resolve commercial terms.

### **Local service should be simple to negotiate**

In our view local service interconnection is not a difficult problem. We are proposing to cut our interconnection rates for some calls from 26 cpm to effectively no charge at all. We can not offer more attractive pricing than this. Other terms should be equally straightforward to resolve.

We have a current local service interconnection arrangement with another fixed carrier which was put in place in March 2005. Its terms are similar to those we are seeking to negotiate with Telecom, but are even less restrictive on Vodafone's deployment of its service.

To us, this agreement with another fixed carrier on local service just underscores how easy this should be, and makes us view Telecom's objections to an agreement as even more tenuous.

If you have any questions, or would like further information about our submission, then please feel free to email me at [hayden.glass@vodafone.com](mailto:hayden.glass@vodafone.com) or call me on 021 689 176.

Yours sincerely  
**Vodafone New Zealand Limited**

Hayden Glass  
Public Policy