



19 August 2005

Ms Kate Saunders
Commerce Commission
PO Box 2351
Wellington
New Zealand

By EMAIL

Dear Kate,

Telecommunications Act: Review of Regulated Services

1. We refer to the Commission's request of 4 August 2005, seeking comment from interested parties on procedural issues relating to the upcoming review of the designated and specified services under the Telecommunications Act.
2. The Commission has sought comment on four aspects of the review:
 - (a) Whether it is appropriate to group the designated and specified services together for the purposes of the investigation and, if so, how best to group the services;
 - (b) Whether it is necessary to prioritise the investigation of the particular services and, if so, how;
 - (c) Whether it should also consider amendments to designated and specified services during its investigations into whether to extend the services and, if so, which services may require amendment; and
 - (d) Any other issues relating to the Commission's process for conducting the scheduled reviews of designated and specified services.
3. TelstraClear's comments on the above procedural issues are set out below.

Combination of Investigations

4. TelstraClear considers that it would be appropriate to group the designated and specified services together for the purposes of the investigation in order to expedite the review process. TelstraClear agrees that the grouping approach suggested by the Commission in its Request for Comment document makes sense:

- (a) Interconnection Services
 - Interconnection with Telecom's fixed PSTN; and
 - Interconnection with fixed PSTN other than Telecom's.

- (b) Retail Services
 - Retail services offered by means of Telecom's FTN;
 - Residential local access and calling service offered by means of Telecom's FTN;
 - Bundle of retail services offered by means of Telecom's FTN; and
 - Retail services offered by means of Telecom's FTN as part of the bundle of retail services.

- (c) Multi-network Services
 - Local telephone number portability service;
 - Cellular telephone number portability service;
 - National toll-free telephone number portability service; and
 - Telecom's fixed PSTN to mobile carrier pre-selection service.

- (d) Roaming and Co-location
 - National roaming;
 - Co-location on cellular mobile transmission sites; and
 - Co-location of equipment for fixed telecommunications services at sites used by Broadcast Communications Limited.

Prioritisation

5. TelstraClear considers that the Commission should investigate the services in order of complexity and the likely degree of controversy over the renewal of the relevant service.

6. We believe that there may be many instances where the continuation of a current regulation is non-controversial and in those instances, an expedited investigation process could be adopted. TelstraClear would suggest proceeding with the more "contested" renewals first to ensure that there is adequate time to complete these reviews.

7. In order to establish those instances of non-controversial regulation renewal, TelstraClear's suggestion would be for the Commission to ask the industry and interested parties the following question:

Please indicate whether your current position is to not oppose continuation of regulation of the service in substantially unaltered form and if not, please briefly outline the changes in the market which you consider warrant non-renewal or substantial amendment.

8. Parties would not be bound by their responses or constrained in the nature and extent of submissions that they might subsequently make but TelstraClear believes this information would sensibly allow the Commission to prioritise services within the renewal process.

9. On the basis of our own assessment of the likelihood of controversy surrounding renewal and our views of the complexity of the issues involved in considering

renewal, we recommend that the retail services be reviewed first, followed by roaming and co-location, multi-network services and then interconnection services.

Amendments to Services

10. TelstraClear considers that the Commission should also consider amendments to certain of the designated and specified services during its investigations into whether to renew the services. We believe that the following amendment should be considered:

- (a) Residential local access and calling service offered by means of Telecom's FTN – TelstraClear considers that the final pricing principle for this service should be amended to be a discount which is based on 'avoidable costs saved', rather than 'actual costs saved', as actual costs saved does not ensure efficient downstream competition in the supply of price capped services.

Additional Procedural Matters

11. TelstraClear does not have any further comments relating to the Commission's review process at this stage. However, we would be happy to provide any further detail on the above that the Commission considers necessary.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Grant Forsyth', with a horizontal line underneath.

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