



**REGULATORY AFFAIRS**

**Telecom New Zealand Ltd**

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29 September 2008

Osmond Borthwick  
Director, Telecommunications Branch  
Commerce Commission  
44-52 The Terrace  
Wellington

Dear Osmond

**National roaming investigation**

I refer to your letter of 12 September 2008 requesting information from Telecom about the operation of the minute plus second billing construct. Telecom's responses to your questions are set out below.

Telecom notes firstly however, that minute plus second billing has existed in New Zealand for a significant period of time, and underpins current interconnection and retail tariff structures. It is not clear to Telecom why the representation of any termination or origination changes in this manner could reflect "new" evidence.

Telecom also notes that it is very difficult to make a strictly accurate comparison of interconnection rates between different jurisdictions. Effective rates are influenced by all of the non-price terms of interconnection contracts. These would include whether there is a minute plus second billing basis, but also a number of other factors such as:

- What is the threshold, if any, below which short duration calls are not charged for?
- Are there charges for calls meeting busy signals?
- Are there charges for ring-no-answer calls?
- Is there a flagfall or capacity charge component in the tariff?
- What rounding basis, for measurement or charges, is used?
- What are the credit and payment terms?
- Who pays for which interconnection assets?

The Commission will be very familiar with all of these issues as they were explored in some detail in previous determinations such as the TelstraClear interconnection investigation and the TSLRIC analysis for the Interconnection Pricing Review.

As Telecom has noted previously, minute plus second remains an appropriate method for interconnection charging for a number of reasons, including:

- It is easier to measure than other charging methods which have been suggested;
- It corresponds more closely to typical retail price structures, hence the access provider takes the risks around short duration, busy calls etc rather than the access seeker – and the access provider is likely to be better placed to bear that risk. As a result of the current minute plus second billing construct, there are a large number of such calls made each year for which

carriers do not currently bill each other. This would change under a second plus second construct.

**Questions 1&2:**

**The Commission has used Mobile Termination Rates as a proxy for roaming rates. The Commission requests that you provide evidence of charging structures for regulated mobile termination rates in other jurisdictions, in particular how those MTRs are applied to the first minute of a call;**

**Evidence of the charging structure for regulated or commercial national roaming rates in other jurisdictions.**

Answer: Telecom does not have sufficient information on international domestic charging structures overseas to provide a robust answer to this question. In our experience as an international counter-party for the termination and origination of minutes however, we can confirm that second plus second billing is the most common billing construct applied. Anecdotally, there does however appear to be some evidence of minute plus second, 30sec+6sec, or flag-fall billing constructs in some OECD countries. We have also reviewed at least one EU report comparing EU termination rates which measures the termination rates in each EU country based on a three-minute call, which suggests that there are at least some EU countries operating different tariff structures.<sup>1</sup>

**Questions 3 & 4: For each of national fixed-to-mobile and national mobile-to-mobile calls please provide the following:**

**(i) For calls under a minute:**

- a. **The total number of calls that were terminated on the Telecom network in the last financial year;**
- b. **The total volume of seconds represented by the calls given in a. above;**
- c. **The revenues generated from the calls terminated on the Telecom network in the last financial year (given in a. above);**
- d. **The applicable mobile termination rate for the period;**

**(ii) For calls over a minute:**

- a. **The total number of calls that were terminated on the Telecom network in the last financial year;**
- b. **The total volume of seconds represented by the calls given in a. above;**
- c. **The revenues generated from the calls terminated on the Telecom network in the last financial year (given in a. above);**
- d. **The applicable mobile termination rate for the period; and**

**The average duration of all calls terminated on the Telecom network in the last financial year.**

Answer: Telecom was unable in the time available to extract the exact information set required (calling information for all calls terminating on telecom's network). However, we can provide this information for all Telecom billed lines (retail and

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<sup>1</sup>[http://ec.europa.eu/information\\_society/policy/ecomm/doc/library/annualreports/13th/SEC\(2008\)356DTSVol2final.pdf](http://ec.europa.eu/information_society/policy/ecomm/doc/library/annualreports/13th/SEC(2008)356DTSVol2final.pdf), p 29.

wholesale). Calling profiles for these customers should be a very good approximation for the overall market. This does however make the revenue information irrelevant. Please also note that the period for which this information is given is August 2007 – July 2008, not FY07/08 as Telecom does not store readily-retrievable detailed information longer than 12 months.

The Attached Excel worksheet provides:

- The number of calls made split of over/under 60 seconds duration, for prepaid mobile customers and for all other customers;
- The total call duration for each category; and
- The average call duration for each category.

Telecom's termination rates for the relevant period were as disclosed in Telecom's public Fixed to mobile termination Rate Deed Poll.

Finally, Telecom requests that all information provided in this letter and the attached excel worksheet be treated as Commission-Only information and confidential to Telecom.

I trust this information will assist the Commission in its assessment of whether to commence a new investigation or not. Please contact me if you have any further questions.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'JWS', is positioned above the typed name and title.

**John Wesley-Smith**  
**Head of Regulatory Affairs**