

7 February 2006



Internet & Phone

127 Newton Rd
Newton
PO Box 7281
Wellesley St
Auckland

www.ihug.co.nz

Submission by ihug Limited on the Schedule 3 Investigation into Regulation of Mobile Termination Reconsideration Draft Report

Introduction

Ihug was largely supportive of the Commission's Final Report to the Minister of 9 June 2005, recommending the designation of termination of voice calls from a fixed network to a mobile network.

However, as detailed in our earlier submissions, we were not in agreement with some of the detail, and thus welcomed the Minister's response of 9 August, requiring the Commission reconsider the recommendation for the following reasons:

- "give consideration to the definitional and implementation issues concerning 2G and 3G which have been identified by submitters and independent technical advice and, as part of the consideration, to consider what alternatives are workable and have merit and dynamic efficiency benefits";
- "consider the commercial offers made to me by Telecom and Vodafone following the Commission's Final Report, in comparison to regulation"; and
- "give further consideration to how best to ensure that end-users benefit from reductions in wholesale mobile termination rates."

Ihug considers that the Commission's reconsideration of the issues has led to a far more sensible and complete set of recommendations than was the case last year.

2G vs. 3G voice calls

As per our earlier submissions, ihug is adamant that voice calls should be treated the same whether they are carried over 2G or 3G networks and terminate on 2G or 3G devices. We are pleased to see that the Commission has now come to this view and therefore see no need to repeat our previous arguments, which still stand.

Commercial offers

While this was not an issue with the earlier recommendation (as the Telecom and Vodafone commercial offers had not yet been made), we are satisfied with the Commission's response to this issue.

We are appalled with Vodafone's attitude in this area, and the support they obtained from the legal system to keep their commercial offer confidential. Beyond this we cannot comment further.

Telecom's commercial offer, which we accepted along with the rest of the industry, was craftily formed to offer the industry (and therefore consumers) just enough to discourage the regulatory process.

However we firmly believe this is not enough and welcome the eventual move to the level of regulated pricing the Commission is indicating.

Pass through of benefits to end users

The Commission's analysis in paragraphs 207 – 237 of the draft report shows clearly that retail fixed-to-mobile prices have historically dropped in line with changes to mobile termination rates. Ongoing competitive pressure will see this continue. Unlike the situation with only 2 mobile operators, there are many operators selling fixed-to-mobile calls.

Conclusion

Ihug supports the revised recommendations in the Commission's reconsideration draft report. The recommendations are aligned with our earlier submissions and we believe they appropriately deal with the changed circumstances of the commercial offers.

However the need for the reconsideration does highlight shortcomings of the current Telecommunications Act, and we welcome the changes proposed by the Minister in August last year. Progress could have been made much faster if the Minister was able to call for reconsideration of just part of a Commission recommendation.

A handwritten signature in black ink, appearing to read 'David Diprose', written in a cursive style.

David Diprose
GM Regulatory
Ihug Limited