



Thursday, 17 July 2003

Mr Douglas Webb  
Telecommunications Commissioner  
Commerce Commission  
P O Box 2351  
WELLINGTON

Dear Commissioner Webb

### **MOBILE TELECOMMUNICATIONS SERVICES**

We wish to draw the Commission's attention to the "Mobile Services Review" being carried out by the Australian Competition and Consumer Commission, and to request that the Commerce Commission take this timely opportunity to implement a parallel investigation of its own.

Over recent times TUANZ members have expressed increasing concern about the rising costs of fixed-to-mobile calls and international roaming. Our members report that their overall usage of fixed-to-mobile calls and international roaming has risen sharply in recent years, but the cost of the calls has failed to decrease in the way users might have expected were the market truly price-competitive. Many users are finding that fixed-to-mobile calls are the fastest-growing component of their telecommunications spend – in some cases individual organisations are spending multi-million dollar sums annually on fixed-to-mobile calls alone. The fact that toll charges have fallen dramatically in recent years but mobile calls have not seems to us to be evidence that the impact of competition on the two markets has been very unequal.

You will be aware that not only the ACCC, but many other regulatory authorities in Europe and around the globe, including OFTEL, have taken steps to deal with mobile termination charges. The issue of international roaming charges especially is one that requires a degree of collaboration among Regulators due to the jurisdictional issues involved when a user in one country is charged excessively as a result of a termination charge applied in a second country. TUANZ hopes that New Zealand will take this timely opportunity to add its weight to the international cause, and that if other countries' regulators force charges down and New Zealand does not, we will be competitively disadvantaged.

It is widely accepted by users worldwide that the cause of high mobile termination charges lies in market failure. There are a number of reasons for this. For example, a caller on a fixed line cannot exercise choice when calling a mobile – very few called parties are likely to have more than one mobile phone so the calling party is captive to whatever choice of mobile operator the called party has made. Similarly, when selecting a mobile carrier few people will give much weight to the price callers will pay for inward calls.

Telecommunications Users  
Association of New Zealand Inc.  
1st Floor, JD Edwards Building,  
157-161 Hurstmere Road  
PO Box 33 1014,  
Takapuna, Auckland.  
Telephone: 64 9 480 1808  
Facsimile: 64 9 480 0515  
Web: www.tuanz.org.nz

because these are borne by the third party. Further, in New Zealand the dominant fixed line operator is also the largest mobile operator so much of the transfer of funds arising from mobile termination actually takes place within the same company. Indeed it can be argued that termination charges allow all carriers to extract extra revenue from a captive customer base and each blame the other, so the incentives for them to place downward pressure on these charges is limited. All these factors are characteristics of a market in which the mobile operators are effectively free to charge whatever they please for termination, and have little incentive to act in a competitive manner.

It is notable that in New Zealand a fixed-to-mobile call from a Telecom or TelstraClear residential line is charged at 71c per minute. This is far in excess of the cost of a toll call between any two points in the country – further evidence of the lack of price competition compared to the dynamic and competitive toll call market.

New Zealand is already an extremely expensive country in which to be a heavy user of a mobile phone. The OECD "Communications Outlook 2003" shows three measures of mobile telephone charges (Tables 6.15, 6.16 and 6.17; copies attached.) These Tables show that in the "high user" and "medium user" baskets New Zealand is the fourth most expensive of the thirty countries measured after Hungary, Poland and Turkey. In the "low user" category we are eleventh dearest. As the actions being taken by many regulators to force termination charges down come to fruition, there is a very real risk that we will lose even more comparative ground.

The International Telecommunications Users Group, INTUG, has been active and successful globally in bringing this issue before regulators. A copy of its policy paper is available at <http://www.intug.net/mobile/> with many useful links. A hard copy is attached to this letter.

TUANZ appreciates that the legal framework in New Zealand differs from that in Australia. However, we are confident that the Commission can find a framework within which it can examine this issue. TUANZ is keen to assist at the appropriate time.

Yours sincerely

**TUANZ Chairman**



Graeme R. Osborne

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