



Commerce Commission

Consultation on the Service description Mobile termination

April 2005

Submission by CallPlus



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Submissions on Service description for Mobile Termination

Introduction:

CallPlus welcomes the opportunity to have input on the issues as Mobile termination rates are a very material item for CallPlus' customers both now and into the future as it affects the single largest calling expense for our customers today – the price of which bears no resemblance to the cost.

We note that the commission is still considering regulating only 2G mobile termination and we would again like to state that we believe that this is a fundamentally flawed approach for the reasons outlined in our original submission on the draft report and in this paper.

Question 1

Will the service description achieve the effect of regulating the termination of 2G voice calls while excluding from regulation all 3G voice calls? If not why not?

Response:

When considering the service description there are a number of factors that the service description needs to address.

Issue 1: Firstly not regulating 3G will mean that ultimately the non-vertically integrated carriers will have to charge the consumer a different price to make a “3G” call, (however defined) to a 2G call.

This raises concerns that a vertically integrated operator (with mobile and fixed networks) may have an unfair competitive advantage by cross subsidizing and charging similar prices at retail for 2 & 3G. There would need to be some means to ensure that operators without a mobile network have a “level playing field” to compete.

Furthermore if the Customer is going to be charged a different rate for 3G calls then he needs to know for which calls he will be paying which rates. The only way practical way to do this is to have different number ranges for 3G handsets.

This raises many operational issues & complexities. These issues would need to be resolved before any service description as suggested is finalized.

- i) A move to the allocation of a different number range for 3G calls would make it impossible to implement number portability across 2G and 3G mobile networks. Any porting database solution would not work for the consumer as they need to know what price they will be charged when making the call.



- ii) Even if there was available a porting database lookup service, this would not be practical for international carriers who would be required to pay a higher call termination fee for 3G calls and so would require a number prefix range for this.

Issue 2: As noted by the commission the fact that a call terminates on a 3G handset does not mean that the call was routed across a 3G network. The commission is suggesting that these type of calls would be a small component however we believe that in reality there will be a significant number of calls of this type for many years.

If the level of the number of 2G calls that are being terminated on a 3G handset is not minimal then the network provider is getting an unfair competitive advantage by being able to charge a higher rate. It is in their interest to characterize calls as 3G.

We do not support the view that the number of occurrences could be treated as “leakage”, nor is it reasonable for consumers to pay higher prices for these calls as there is no benefit they receive over what they pay for 2G calls.

Question 2

Could the service description be improved? If so, how?

Response:

Unfortunately we do not believe that there is a simple solution to the issues hence we believe that the approach of differentiating 2G & 3G is impractical. If the regulation does only apply to “2G” (however defined) then it is our view that:-

1. A separate number range would have to be allocated for 3G in order that the caller can identify the cost of the call. This means that porting would be impractical.
2. The commission would need to ensure that there were provisions to ensure that a vertically integrated operator can not get an unfair competitive advantage through cross subsidizing and charging the same rates on LTC for 2G & 3G.
3. Calls from landlines to mobiles are a very material part of our business and continues to increase. The commission would have to define an acceptable level for the number of 2G calls that are being treated as 3G calls, simply because they terminate on a 3G handset. We would anticipate that if the number of calls of this type were more than 3-5% of the genuine 3G calls it would be unreasonable to treat all calls to the handset as 3G calls.