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PUBLIC VERSION

24 July 2009

Shane Kinley
Senior Analyst
Telecommunications Branch
Commerce Commission
P.O. Box 2351
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Dear Shane

RE: Schedule 3 Investigation into mobile termination access services (MTAS) – Review of classification of information under the MTAS Confidentiality Order and request for information about commercial interconnection agreements

We are referring to your letter to all Interested Parties to the MTAS Investigation dated 21 July 2009 and 22 July 2009.

We are very concerned that the Commission's preliminary view of calling card agreements as not required for the purposes of the MTAS Investigation. We believe that calling card agreement must be included in the MTAS Investigation for below reasons.

Calling card is a part of commercial interconnection agreement

As can be seen from standard Telecom and Vodafone interconnection agreements, the calling card billing mechanism between interconnected parties is identical to Toll-Free calls where terminating carrier pays for origination. The only difference is that Toll-Free number begins with 0800 or 0508 and calling card number begins with 01. LinkTel believes that the Commission's preliminary view on excluding a particular call type in its review on all commercial interconnection agreements is not appropriate as calling card call is defined in both Vodafone and Telecom standard commercial interconnection agreement.

Artificially over-priced carrier interconnection rate

Gotalk Superbuzz and Compass V8 is retail brand of Vodafone according to verbal and written correspondence between Vodafone and LinkTel. Yabba is retail brand of Telecom.

Please refer to Table 1 for the Telecom and Vodafone interconnection rates for mobile origination to calling card calls and Table 2 for on-net retail price of Vodafone V8, Vodafone Superbuzz and Telecom Yabba.

For a fixed line carrier without own mobile network to launch calling card service for mobile users

or similar service in nature, one has to take two components into consideration of per minute cost calculation.

- 1) Mobile origination cost
- 2) International hand-off cost

To achieve break-even without any margin, a calling card provider's minimum theoretical per minute retail price must be equal to Mobile origination cost plus International hand-off cost. In case of Vodafone and Telecom calling card brands, end-user retail price for Mobile origination call is significantly lower than interconnect Mobile origination cost that it charges to carriers not including International hand-off cost. This price difference of on-net mobile origination and interconnect origination price creates a barrier to entry which is impossible for any fixed line carrier to compete.

LinkTel considers that current interconnect rates for all mobile related origination and termination are over-priced and it should be justified. Furthermore, LinkTel also considers that given network utilisation and call volume generated by calling cards, retail price justification from Vodafone and Telecom calling card brands are required in comparison with the current mobile interconnection rates.

Limited competition in mobile supplement market

LinkTel considers that limited competition in the mobile supplement market such as calling card is a key attribute to low volume of mobile minutes per subscriber, and the low proportion of mobile minutes to fixed line minutes despite the over 100% mobile penetration in New Zealand.

Fixed line users have a variety of choices for providers for calling mobile destinations such as toll bypass, VoIP or calling card. However mobile users have only one practical provider either Vodafone or Telecom to make mobile calls or its calling card.

LinkTel believes that if the interconnection rate for both mobile origination and termination reduces below Vodafone and Telecom retail rate including on-net calls, not only mobile carriers or new mobile entrant but both mobile and fixed carriers would be able to actively compete in the market.

Again LinkTel considers that not only calling card but all mobile related call types in commercial interconnection agreements would be useful for the Commission in the MTAS Investigation. Thank you for the opportunity to comment, should you need further information please do not hesitate to contact me.

Yours sincerely

Jay Lee
Director
Link Telecom (NZ) Limited

Table 1: Interconnection rate for mobile origination to fixed

	Telecom's interconnection rate of mobile origination to calling card (Mobile-to-Fixed)	Vodafone's interconnection rate of mobile origination to calling card (Mobile-to-Fixed)
Until 31 March 2009	\$[] per min	\$0.16 per min
Until 31 March 2010	\$[] per min	\$0.15 per min
Until 31 March 2011	\$[] per min	\$0.144 per min
Until 31 March 2012	\$[] per min	\$0.14 per min

All prices are excluding GST

Table 2: On-net retail price of Telecom and Vodafone calling cards to international destinations

Country	Vodafone Superbuzz	Vodafone V8	Telecom Yabba
USA,	\$0.0427 per min	\$0.0347 per min	\$0.0889 per min
UK	\$0.0427 per min	\$0.0347 per min	\$0.0889 per min
Ireland	\$0.0427 per min	\$0.0347 per min	\$0.0889 per min
Australia	\$0.0667 per min	\$0.0347 per min	\$0.0889 per min
China	\$0.0667 per min	\$0.0347 per min	\$0.0800 per min
South Korea	\$0.0667 per min	\$0.0613 per min	\$0.0800 per min
Japan	\$0.0667 per min	\$0.0613 per min	\$0.0889 per min

All prices are excluding GST