



COMMERCE COMMISSION

Please refer to:
13.6/J10310

8 May 2008

Dear Interested Party

Mobile to Mobile Termination

The Commission in its 2007 Telecommunications Market Monitoring Report noted that there is a significant differential between the price charged for mobile on-net and off-net calls. The Commission concluded that such rates are likely to be sustainable only if mobile-to-mobile termination rates between networks are significantly above cost. The Commission also noted that high mobile-to-mobile termination rates are a particular concern for new entrants, as such rates may make it difficult for new entrants to attract customers from existing networks which offer low on-net rates.¹

As part of the Commission's investigation into amending the roaming service, the Commission updated its mobile termination rate benchmarking.² Using a 10 year average exchange rate to compare cost-based termination rates, the Commission calculated an average rate of 9.5 cpm, a median rate of 10.8 cpm and a 75th percentile rate of 11.6 cpm. These rates are significantly lower than the 15 cpm rate that the Commission had arrived at during its investigation into fixed to mobile termination in 2004.³

As part of the roaming investigation⁴, the Commission also developed a factual rate for the SMS roaming service. This factual rate for roaming was based on using SMS termination as a proxy. The Commission calculated that an appropriate benchmark for a forward-looking cost-based estimate of SMS termination was 1.10 NZ cents per SMS for the 3G network elements, and 1.31 NZ cents per SMS for the 2G network elements. The Commission notes that these rates are significantly less than the 9.5 cents per text charged by Vodafone.

Against this background, the Commission is considering commencing an investigation under clause 1(1) of Schedule 3 of the Telecommunications Act 2001 into whether or not to subject mobile-to-mobile termination rates for both voice and SMS to regulation. The Commission is interested in your views on the issues and would appreciate a response by 15 May 2008.

Yours sincerely

Dr. Ross Patterson
Telecommunications Commissioner

¹ Commerce Commission, 2007 Telecommunications Market Monitoring Report, 31 March 2008, p 24

² Commerce Commission, Schedule 3 Investigation into amending the Roaming Service, 10 March 2008

³ Commerce Commission Schedule 3 Investigation into Mobile Termination, Final Report, 9 June 2005

⁴ Commerce Commission, Schedule 3 Investigation into amending the Roaming Service, 10 March 2008