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29 May 2008

Commissioner Dr Ross Patterson

Commerce Commission  
Wellington  
New Zealand

Dear Commissioner

**Re: Mobile to Mobile Termination Investigation**

Thank you for your letters of 8 and 14 May 2008.

NZ Communications Limited (NZCL) welcomes the opportunity to give its views as to whether or not to subject mobile to mobile termination rates for both voice and SMS to regulation.

NZCL strongly believes that reasonable grounds already exist to commence such an investigation.

NZCL agrees with the market observations made in your letters and specifically believes that the high mobile to mobile rates proposed by incumbent networks are significantly above cost. These rates will indeed make it difficult for new entrants to attract customers from existing networks which offer a significant price differential for mobile on net and off net calling.

In particular, NZCL suggests that reasonable grounds already exist to commence an investigation for the following reasons:

1. The mobile market generally and the mobile to mobile termination rate market specifically are not competitive.
2. The mobile to mobile termination rates on offer are a real and significant barrier to entry for any potential provider, such as NZCL to enter the mobile market.
3. Evidence from overseas jurisdictions shows that appropriate regulation of the Market can lead to far greater competition and consumer benefit.
4. High mobile to mobile termination encourages retail behaviours that hinder effective competition such as closed network pricing, pocket pricing, bundling, and fixed price calling plans.

Accordingly, we believe that the Commission's mandate to "*promote competition in the telecommunications market for the long term benefit of end users of telecommunications services within New Zealand by regulating, and providing for the regulation of, the supply of certain telecommunications services between providers*" as described in the Act, justifies an investigation.

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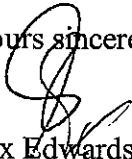
## NZ COMMUNICATIONS LIMITED

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Attached to this letter are more detailed submissions on these key issues, describing why NZCL believe that there are already reasonable grounds for the Commission to commence an investigation into mobile to mobile termination pricing with urgency.

NZCL also supports the release of an Issues Paper with a broad ambit to traverse all regulatory methods that may be employed to restore competition in the NZ Market. If the Commission proceeds with that course, NZCL will make more detailed submissions on such a paper.

Yours sincerely



Tex Edwards  
NZ Communications Ltd