



Public Affairs

Telecom New Zealand Ltd

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29 May 2008

Dr Ross Patterson
Telecommunications Branch
Commerce Commission
Level 6, 44-52 The Terrace
Wellington

Dear Ross

Mobile to Mobile Termination

Thank you for letter of 8 May 2008 requesting Telecom's views on whether or not there are reasonable grounds for the Commission to commence an investigation into possible regulation of mobile to mobile termination rates.

Telecom is currently in the process of preparing a mobile interconnection reference offer to be published on our website in accordance with s111A of the Telecommunications Act 2001. The standard termination rates included in that reference offer will reflect the rates Telecom has committed to for terminations of fixed to mobile calls in our Fixed to Mobile Termination Rate Deed Poll. These rates trend down to 12cpm on 1 April 2011.

12cpm was the Commission's projected 2010/11 cost estimate for termination at the time the Deed Poll was agreed, and is a mere 0.4cpm above the 75th percentile rate in the Commission's most recent cost benchmarking. On this basis, Telecom considers its standard mobile to mobile termination rate offer already provides for cost orientation.

As for any potential concerns about SMS termination rates, Telecom notes that text usage in New Zealand is extremely high by international standards, and offers such as our \$10 text offer world leading. Neither of these indicates underlying issues with the wholesale termination rates. Telecom's mobile interconnection reference offer also extends to SMS interconnection.

Telecom considers these commercial outcomes already deliver valuable certainty to industry participants and end-users.

Yours sincerely

A handwritten signature in blue ink, appearing to read "JWS", is written over a light blue rectangular background.

John Wesley-Smith
Head of Regulatory Affairs