



**SCHEDULE 3 INVESTIGATION INTO
REGULATION OF MOBILE TERMINATION
ACCESS SERVICES**

**SUBMISSION ON THE SCHEDULE 3A
UNDERTAKINGS RECEIVED BY THE
COMMISSION
PUBLIC VERSION**

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EXECUTIVE SUMMARY

- 1 On 12 January 2009 Telecom, Vodafone and New Zealand Communications (**NZ Communications**) submitted undertakings under Schedule 3A of the Telecommunications Act 2001 (**Act**) as an alternative to potential regulation under the Commission's mobile termination access services investigation (**MTAS Investigation**).
- 2 This submission sets out Telecom's comments on the Schedule 3A undertakings received by the Commission (**Undertakings**).

Process going forward

- 3 According to the Commission's indicative timeframe for the MTAS Investigation, the next step in the process is for revised Undertakings to be submitted in early April. However, it is unclear to us at this point how the undertakings process will work in this particular context where there are three Access Seekers and five significantly different Undertakings. As it is the Commission that decides whether to accept an Undertaking, we consider additional guidance is required. Therefore we request that the Commission provides further guidance on:
 - (a) What changes are likely to be required for an Undertaking to be accepted, prior to the parties' submission of amended Undertakings; and
 - (b) How the Commission envisages that the undertakings regime will work given the complexities involved.

Why Telecom's Undertaking compares favourably to other Undertakings

- 4 Overall, we consider that Telecom's Undertaking is best placed to be accepted by the Commission. While we support Vodafone's general approach to setting the mobile termination rates in its Undertakings, our Undertaking sets rates that best balance the competing objectives of reducing termination rates and minimising the harmful flow-on effects of the removal of termination revenue streams on marginal mobile customers.
- 5 Telecom's Undertaking covers all three relevant termination services subject to the Commission's MTAS Investigation, takes into account impacts on end users, and includes a steeper decline in termination rates relative to Vodafone. In particular, our SMS termination rate is more aggressive than the glide-path proposed by Vodafone.
- 6 Our proposed rates compare well against the cost-based benchmarks within the range of forward looking cost based rates reported by the European Regulators Group (**ERG**) and, on the basis of the recent result from the UK Competition

Commission¹, are within a reasonable range, contrary to the Commission's assertion that current prices in New Zealand "are significantly in excess of cost-based benchmarks".²

- 7 In addition, all relevant non-price terms are included in our Undertaking so that they are complete, transparent, workable, and open to all Access Seekers (subject to reasonable eligibility criteria).
- 8 Offering an undertaking does not, however, alter Telecom's fundamental position that the best outcome for end users is to continue with the current MTR Deed entered into with the Government (**MTR Deed**) with its retail pass through guarantee and the commercial terms available under our Sample Interconnection Agreement. Regulatory intervention undermines the certainty that the MTR Deed provides to the industry and end users.
- 9 The Australian Competition and Consumer Commission's view on the ineffectiveness of wholesale regulation, the UK Competition Commission result and the ERG evidence of the range of forward looking cost based rates support staying with the MTR Deed.
- 10 On the other hand, we have identified a number of key concerns with the Undertakings proposed by other parties, which we consider make them less likely to meet the long term interests of end users.

Price terms

Why Telecom does not support Bill and Keep pricing for mobile termination rates

- 11 NZ Communications adopts a very different approach to pricing from Telecom and Vodafone by advocating "Bill and Keep" pricing (**BAK**) for MTM traffic.
- 12 While BAK has some attraction because it is simple, would incur low interconnection costs, and could potentially assist entry and lower off-net calling prices, there are also a number of counter-arguments against its introduction in this context and at this time. The key counter-arguments against its introduction include:
 - (a) The fact BAK would set the marginal price below marginal cost, which risks resulting inefficiencies;

¹ UK Competition Commission *Mobile phone wholesale voice termination charges* paragraph 16.45 at http://www.competition-commission.org.uk/appeals/communications_act/mobile_phones_determination.pdf.

² We also refer to our submissions of 12 January 2009, in particular paragraphs 39 to 52.

- (b) BAK would change the nature of mobile competition in unpredictable ways with significant implications for end users;
 - (c) It is difficult to definitively state that the welfare implications of BAK would be better than charging mobile termination rates – no regulator has yet mandated a shift from positive mobile termination rates to BAK;
 - (d) The model NZ Communications advocates would have material implementation issues; and
 - (e) The removal of payments from fixed networks to mobile networks removes a mobile revenue stream. This could potentially make mobile market entry more difficult.
- 13 In our view the arguments put forward by NZ Communications for BAK do not stand up to analysis and fail adequately to address the relevant transitional issues we have identified. NERA Economic Consulting has provided an independent analysis of the arguments Concept Economics, on behalf of NZ Communications, put forward in support of BAK and discusses these points in more detail.³
- 14 In addition, NZ Communications appears to propose BAK for MTM termination rates only. We are unsure of the underlying rationale for this approach, however, it creates a risk of arbitrage if there is a material difference between MTM and FTM termination rates and is out of step with jurisdictions where BAK has been adopted.

On-net/ off-net pricing and pass-through

- 15 NZ Communications includes in its Undertaking terms to prevent on-net and off-net price discrimination by Telecom and Vodafone. Whereas, Vodafone includes in its FTM Undertaking a pass-through obligation.
- 16 Telecom considers that adoption of either of these terms would effectively regulate retail prices, which is beyond the scope of the Act and therefore the Commission's powers. Accordingly, we consider it is inappropriate to include any limitation on an Access Seeker's/Access Provider's retail pricing in an undertaking under Schedule 3A.
- 17 The Act, quite appropriately, assumes that once the appropriate relationships between service providers are in place, competition at the retail level will be the best way to set retail prices. Having a second layer of regulation would inevitably

³ NERA Economic Consulting, "MTAS – Applicability of Bill and Keep – Telecom New Zealand Limited", dated 13 February 2009.

create distortions as the Commission cannot simultaneously solve for the correct outcomes at two layers of the value chain.

Non-price terms

- 18 We have also identified a number of non-price terms that need to be addressed in the Vodafone and NZ Communications Undertakings. Both parties' Undertakings:
- (a) Include services/calling types that are beyond the scope of the Commission's MTAS Investigation – Telecom does not support this approach without evidence to establish there is a market failure justifying its inclusion; and
 - (b) Require amendments to ensure that the terms are sufficiently certain, workable and transparent.
- 19 In addition Telecom considers that the NZ Communications Undertaking does not meet the requirements of the Act for the following reasons:
- (a) It is limited in scope in terms of the termination services it offers (i.e. only MTM termination rates);
 - (b) It is currently only available to Telecom and Vodafone, rather than all Access Seekers (subject to eligibility criteria) as required under the Act;⁴ and
 - (c) It prescribes different terms and conditions to apply to Telecom and to Vodafone, which is arguably contrary to the Act.⁵

PRICE TERMS

Telecom's proposed pricing

- 20 Our Undertaking is based on our MTR Deed with the Minister for FTM termination services and our MTM Sample Interconnection Agreement, but includes an extended glide path for a further two years and a reduction in the SMS termination rate to 3.5c.

⁴ Clause 3(1) of Schedule 3A provides: "While the Commission is considering a proposed regulatory change, the Commission may accept an offer from an access provider to supply a service to *all access seekers* on the terms and conditions of a written undertaking (an "undertaking")" (emphasis added). The term "access seeker" is defined as follows: "means, in relation to a service that is supplied under a registered undertaking, a service provider who seeks access to the service and who complies with any conditions set out in the registered undertaking for eligibility as an access seeker".

⁵ See footnote 5 above.

- 21 Telecom sets out here additional background on its proposed Undertaking to assist the Commission in determining which of the Undertakings provided represents the best option for end users.
- 22 Telecom continues to maintain that the best possible outcome for end users would be for the existing MTR Deeds to remain in place. However, should the Commission decide to set aside these deeds, then Telecom's Undertaking provides the most benefits to end users of the remaining options. The key elements of it are discussed below.

Termination rate glide path

- 23 Telecom and Vodafone have used their respective existing MTR Deeds with the Minister as the starting point for the glide paths in their respective Undertakings. We support Vodafone's general approach to setting its termination rates. Given the Telecom and Vodafone MTR Deeds have differing rates this then flows through to the Undertakings. A comparison is set out below:

	Telecom FTM and MTM rates	Vodafone FTM and MTM rates
Up to 31 March 2009	16cpm	16cpm
1 April 2009 – 31 March 2010	15cpm	15cpm
1 April 2010 – 31 March 2011	14cpm	14.4cpm
1 April 2011 – 31 March 2012	12cpm	14cpm
1 April 2012 – 31 March 2013	11cpm	13cpm
1 April 2013 – 31 March 2014	10cpm	12cpm
1 April 2014	NA	11cpm

- 24 Telecom's glide path is at lower rates from 1 April 2010 onwards. In the later years of the Undertakings Vodafone's rates are 2 cents per minute higher than those proposed by Telecom. Telecom considers its rates to be more reflective of the way international mobile termination rates will trend over time.

25 In our 12 January 2009 submission (amended) we referred to the termination rates of the 31 countries on which the ERG reports. Of these, ten regulate mobile termination rates based on forward looking costs. These countries are listed below and prices are converted into New Zealand dollars.

	\$NZ
Sweden	0.0892
Commission	0.1000
Austria	0.1177
UK	0.1509
Telecom NZ	0.1600
Germany	0.1602
Norway	0.1645
Denmark	0.1671
Belgium	0.1702
Netherlands	0.1841
Greece	0.1966
Italy	0.2107

26 The current MTR Deed rate of 16 cpm is within the bounds of this range as there are seven jurisdictions with a rate that is greater than this figure. Telecom is below both the average and the median price for these ten countries. This does not support the Commission’s proposition that the MTR Deed rates are “significantly in excess of cost based benchmark”.⁶ Furthermore, the Commission’s suggested benchmark price of just over 10 cpm is at the low end of this range with only one jurisdiction regulating rates on average less than this figure.

27 The most recent available result for mobile termination rates internationally is from the UK Competition Commission. It determined in January 2009 that mobile termination rates for 2010/11 should be set to 4.0 pence per minute and 4.4 pence per minute for 3G networks such as Telecom’s.⁷ Telecom’s proposed rate for the corresponding period is somewhat higher than this, but it is certainly within a reasonable range. When comparing the rates it is important to have regard to New Zealand’s lower population density, lower GDP per capita (meaning lower calling rates), and more difficult terrain.

No pass-through to retail

28 Vodafone has proposed that there be no pass-through of MTM termination rate reductions into mobile retail prices. Telecom agrees with this approach. NZ

⁶ Reasons for Commerce Commission decision to investigate mobile termination access services, 6 November 2008, p3.

⁷ UK Competition Commission *Mobile phone wholesale voice termination charges* paragraph 16.45 at http://www.competition-commission.org.uk/appeals/communications_act/mobile_phones_determination.pdf.

Communications has also not recommended that its retail price levels be regulated in this way. This is consistent with the Act, which provides for the regulation of the supply of services between service providers, not for the regulation of retail prices. The Act, quite appropriately, assumes that once the appropriate relationships between service providers are in place, competition at the retail level will be the best way to set retail prices. Having a second layer of regulation would inevitably create distortions as the Commission cannot simultaneously solve for the correct outcomes at two layers of the value chain.

- 29 Telecom has taken a consistent approach in relation to pass-through to fixed line retail. Should the Commission consider that a pass-through obligation would be of sufficient benefit to end users, it can achieve this by accepting the continuation of the MTR Deeds. These represent an alternative to regulation under the Act and therefore are able to contain provisions which would not be appropriate in a regulated outcome such as an undertaking to the Commission or by adding a designated service to the Act.

SMS termination rates

- 30 A clear difference between the Vodafone and Telecom proposed Undertakings is that Telecom is proposing a significantly lower SMS rate. Telecom has proposed that the SMS termination rate be set at 3.5 cents per text from the commencement of its Undertaking. This offer is made in the context of the overall package deal which the proposed undertaking represents. It is unlikely that Telecom would have offered it as a rate in a single, separate undertaking.
- 31 In the context of an Undertaking there is nothing to prevent a party from making an offer of a proposed interconnection price either above or below the cost of providing a particular interconnection service. The evaluation the Commission must make is whether the overall package represented by an Undertaking is superior to the two alternatives of maintaining the status quo (the MTR Deeds and commercial agreements) or regulation.
- 32 Telecom considers that its Undertaking proposal offer of 3.5 cents per text for SMS is overall net positive for end users relative to the status quo rate of 9.5 cents per text. The reasons for this are:
- (a) Texting volumes are likely to be overall in approximate balance as each text sent tends to elicit a reply. Therefore there is little *net* revenue for an operator to having a high SMS termination rate as higher revenues would just be offset by higher costs.
 - (b) The waterbed effect of reducing the rate will be far smaller than with voice minutes because there is no FTM equivalent for texts. With SMS, the mobile network does recover a contribution to its costs from the fixed network as it does with voice.

(c) Conversely, setting the price too low would mean that the sending operator would not have the appropriate incentives to prevent inefficient over-consumption given that it could pass the termination costs on to another party. This issue was discussed by the UK Competition Commission⁸ in the context of voice at paragraph 14.21 (Ofcom's position) and 14.78 (the UK Competition Commission's conclusion).⁹

33 Telecom considers that its proposed rate of 3.5 cents per text represents a reasonable balance between these competing factors when compared with Vodafone's SMS glide path down to 7 cents.

BAK

34 The NZ Communications Undertaking for MTM services contrasts significantly with those from Telecom and Vodafone in that it advocates a BAK approach to MTM terminations.

35 While BAK has some attraction because it is simple, would incur low interconnection costs, and could potentially assist entry and lower off-net calling prices, there are also a number of arguments that can be made against it:

- (a) The fact BAK would set the marginal price below marginal cost, which risks resulting inefficiencies;
- (b) BAK would change the nature of mobile competition in unpredictable ways with significant implications for end users;
- (c) It is difficult to definitively state that the welfare implications of BAK would be better than charging mobile termination rates – no regulator has yet mandated a shift from positive mobile termination rates to BAK; and
- (d) The removal of payments from fixed networks to mobile networks removes a mobile revenue stream. This could potentially make mobile market entry more difficult.

36 NERA's report, accompanying this submission, expands on the points above. However, there are also implementation issues, which Telecom provides more detail on in the following section.

⁸ UK Competition Commission *Mobile phone wholesale voice termination charges*
http://www.competition-commission.org.uk/appeals/communications_act/mobile_phones_determination.pdf.

⁹ UK Competition Commission *ibid*.

Implementation issues

- 37 The BAK pricing model NZ Communications advocates would have material implementation issues. The potential for adverse customer impacts has been one primary area of concern in Europe in relation to the consequences of implementing BAK. There are material structural differences between markets with BAK as compared to Calling Party Pays (**CPP**) systems. BAK markets have relatively:
- (a) Higher monthly minutes of use (even after allowing for measurement of calls in both directions);
 - (b) Higher monthly ARPUs (revenues per customer);
 - (c) Lower average price per minute (**ARPM**);
 - (d) Lower mobile penetration; and
 - (e) A lower proportion of pre-paid customers.
- 38 Essentially what seems to happen is that mobile operators have very little incentive to provide services to the bottom end of the market. Pre-paid plans which charge by the minute for incoming calls are unpopular with customers. Those customers either take up post-paid plans or, if they can't afford them, have to do without a mobile. On post-paid plans there is usually a fixed monthly charge for a "bucket" of minutes which will normally include the incoming minutes as well as the outgoing minutes. Thus there is no direct per-minute charge for receiving calls, although indirectly a larger bucket may need to be purchased. The entry level post-paid plans for AT&T and Verizon start at around \$US 40 per month, which would be considered expensive by many New Zealand mobile customers. Examples of these plans are provided in Appendix 5.
- 39 One of the harmful flow-on effects of the removal of termination revenue streams is that marginal mobile customers may no longer be able to afford a mobile service. It also implies very significant structural shifts if New Zealand were to go from its current model to one more like that in BAK countries. Therefore Telecom does not consider it wise to implement BAK regulation (or for the industry to accept Undertakings including such a mechanism) without a significant period of time to allow both operators and the public to adjust to this completely different pricing approach.
- 40 Telecom's view is that, in a world of converged networks, mobile will be just one of many forms of access device. While we consider that BAK could be one component of an overall model that may be suitable in future for IP interconnection, there are much more significant transitional issues in relation to mobile than there are with any other form of interconnection.

41 While the long term future of interconnection *may* be much closer to BAK-type arrangements than currently, the transition path needs considerable detailed analysis of its potential impacts on all affected parties before adopting such an approach. The impact on end users is by far the most significant of these. NZ Communications makes no attempt to set out the potential implications on end users, nor to analyse whether end users will receive any net benefits from such a change. Telecom is not aware of any widespread desire on the part of mobile end users to be charged for the receipt of calls even though this is the “operators recovering costs from their own customers” for which NZ Communications advocates.

42 If the Commission is considering BAK as a potential option, it should consider undertaking a further evaluation of the implications of BAK during the remaining term of the MTR Deed such that BAK could be considered as a replacement model to be implemented at or beyond the MTR Deed’s expiry. The MTR Deed should not be set aside lightly, particularly when such a significant change is proposed. Also the remaining term gives a reasonable period during which the Commission can monitor international developments so that New Zealand takes the best features of any overseas decisions. In particular, the impacts on, and reactions of, end users to being charged to receive calls can be monitored. There is no reason for New Zealand to lead the world in this regard.

NZ Communications’ rationale for supporting BAK

43 NZ Communications presents a number of arguments for BAK. If all of these were true there might well be a case for early implementation of BAK for mobile. Unfortunately these arguments are either untrue or irrelevant. We comment on each of these points in more detail in Appendix 1.

44 Furthermore, we also note that none of the arguments presented by NZ Communications for BAK explains why it should be implemented only in relation to MTM traffic.

Commission’s jurisdiction does not extend to retail price regulation

45 Under the Act, the regulation of retail pricing is beyond the scope of the Commission’s jurisdiction and the policy of the Act, which is to regulate wholesale services. The Commission does not have an unfettered discretion to impose conditions or restrictions on Access Providers. Instead the Commission’s powers in the Act need to be interpreted in light of the section 18 purpose statement, which is clear that the statutory framework provides for the regulation of wholesale services¹⁰ and does not extend to regulating the terms on which an Access Provider supplies services to its own retail customers. For these reasons

¹⁰ Section 18 is clear that the purpose of the Act is to promote competition by regulating the supply of certain telecommunications services “between service providers.”

we consider that retail pass-through and on-net/off-net price regulation should be excluded from any Undertaking accepted under the Act.

- 46 NZ Communications, on the other hand, relies on the Vodafone "Final Determination on the application for determination for 'Interconnection with Telecom's fixed PSTN'", dated 28 September 2006, (**Local Service Determination**) as a precedent to prevent on-net/off-net price discrimination by Telecom and Vodafone in its Undertaking.
- 47 In the Local Service Determination the Commission relied on section 30(1)(d) to include a condition that Telecom could not impose any charge on its retail customers that would discriminate between local voice calls made by its customers to Vodafone local numbers and local voice calls made to Telecom's and any other carrier's local numbers.
- 48 Telecom strongly maintains its view, as set out in the Local Service Determination and our earlier submissions, that the Commission does not have jurisdiction to impose a condition which effectively regulates retail pricing.
- 49 In addition, the Local Service Determination was primarily about whether calls to the new Vodafone local service should be considered a form of FTM call (but with a local number) or a kind of local call (but to a mobile). The Commission determined the latter and therefore the free local calling provisions of the TSO were applicable. There could have been a substantial price differential if the calls had been treated as FTM calls as compared to local calls, even in relation to business customers. The Commission was concerned that this differential could have made it difficult for Vodafone to enter the local access market. In the current situation, on-net pricing is something commonly employed by new mobile entrants and is found in 27 out of the 30 mobile markets in the OECD. Therefore these same concerns should not exist.

NON-PRICE TERMS

- 50 Telecom notes that the Act provides that the Commission cannot make a recommendation to the Minister to accept an undertaking unless it is satisfied that the undertaking complies with the Act and standard access principles set out in Schedule 1.¹¹ The Commission will obviously need to consider whether all the Undertakings submitted meet these requirements. Telecom has identified a number of concerns that we consider would need to be addressed before Vodafone's or NZ Communications' Undertakings would be suitable for such a recommendation.

¹¹ Clause 4 of Schedule 3A of the Act.

51 We set out in this submission the key issues that we have identified with the non-price terms submitted by the other parties. In the time available it is not possible to carry out, and submit on, all the relevant non-price terms.

52 We expand upon, and add to, the issues we have identified with the non-price terms in the Vodafone and NZ Communications Undertakings in Appendix 2 and Appendix 3, respectively. However again these only deal with the high level issues. We have identified other specific issues and list examples of these at Appendix 4. A more comprehensive list can be submitted at a later date.

Services included in the NZ Communications and Vodafone Undertakings

Exclusion of FTM termination service in NZ Communications' Undertaking

53 Telecom's Undertaking covers all three services included in the Commission's MTAS Investigation. NZ Communications' Undertaking, on the other hand, is limited to MTM services. As mentioned above, if there is a material difference between MTM and FTM termination rates this opens up the risk of arbitrage. Accordingly, it is important that MTM and FTM termination rates align.¹²

Additional call types outside the MTAS Investigation should be excluded

54 Additional services/call types have been included in other parties' Undertakings, which are outside the current MTAS investigation, without any evidence as to whether there is a market failure requiring regulatory intervention (including undertakings under Schedule 3A). For example, NZ Communications has included MMS in its Undertaking. Also, Vodafone's Undertakings purport to include calls originating in or transiting third party networks.

55 We do not agree that it is appropriate to include additional services/call types in an undertaking under the Act without actual evidence of market failure. There should be a presumption against intervention and regulation should only be used where there is a demonstrable need, and even then only to the extent strictly necessary. Parties should be left to commercially negotiate a flexible, and mutually acceptable, outcome.

Undertakings not sufficiently certain

56 One of the key concerns we have with both the Vodafone Undertakings and the NZ Communications Undertaking is that they are not sufficiently certain to be workable.

57 The Vodafone Undertakings are not sufficiently certain because the precise terms on which the Access Seeker's reciprocal service must be provided are not set out.

¹² We explain this in more detail in Appendix 1 – see the section "Arbitrage risk".

Nor is there any express provision requiring Vodafone to be bound by the reciprocal terms.¹³

- 58 The Vodafone Undertakings contain overly restrictive handover provisions, which apply unless Vodafone and the Access Seeker otherwise agree mutually acceptable handover point arrangements. But an Access Seeker with existing interconnection with Vodafone may have to start from scratch in negotiating handover arrangements under the Undertakings regime. There can be no guarantee that existing arrangements would be able to be retained for continued use under the Undertakings.
- 59 Under the NZ Communications Undertaking it is not clear how the broad language of the amendment to Telecom's Interconnection Agreement interacts with and amends the bespoke provisions of that Interconnection Agreement. This gives rise to considerable uncertainty.¹⁴

Limited application of NZ Communications Undertaking

- 60 The NZ Communications Undertaking is only available to Vodafone and Telecom (not future mobile network operators). Nor do the terms extend to third party resellers. The Undertaking does not therefore promote competition in accordance with section 18, nor meet the purpose set out in clause 2 of Schedule 3A of allowing all Access Seekers to receive services pursuant to the Undertaking.
- 61 For example, the Commission has previously indicated that the MVNO model is widely regarded as an economically effective model for late market entry. In an increasingly converged environment the Commission considered that the ability for service providers to obtain a mobile product may become increasingly important to allow them to compete with the bundled offerings of the major players. Resale may be of limited value on a stand-alone basis but might enhance competition across a wider range of telecommunications services. MVNO arrangements were one way in which competition could be introduced into the mobile services market.¹⁵
- 62 If the NZ Communications Undertaking does not extend to MVNOs or future network operators, it is unlikely to promote competition for the long-term benefit of end-users.

¹³ We refer to Appendix 2 – see the sections “Uncertainty concerning reciprocal service on request from Vodafone” and “Some specific provisions of Vodafone’s Undertakings are uncertain”.

¹⁴ We refer to Appendix 3 – see the section “The broad language of the amendments to the Telecom Interconnection Agreement is unworkable”.

¹⁵ See the Commission’s “Schedule 3 investigation into amending the roaming services, final report”, dated 10 March 2008, paragraphs 318 to 323.

One Access Seeker can “veto” the NZ Communications Undertaking in respect of another Access Seeker

- 63 The NZ Communications Undertaking in favour of Telecom is conditional on Vodafone entering into a Deed of Acceptance. Likewise, the Undertaking in favour of Vodafone is conditional on Telecom entering into a Deed of Acceptance.
- 64 In other words, the NZ Communications Undertaking in favour of one Access Seeker is ineffective unless another Access Seeker agrees to enter into a Deed of Acceptance.
- 65 Telecom submits that an undertaking cannot be a supply of service to “all access seekers” in terms of clause 3(1) of Schedule 3A, where the supply can be so easily vetoed by one such Access Seeker.

Different terms and conditions for each Access Seeker

- 66 The NZ Communications Undertaking purports to amend the Vodafone Interconnection Agreement and the Telecom Interconnection Agreement, the terms of which are confidential as between the respective parties. However, it is most unlikely that the terms and conditions of those agreements will be identical.
- 67 On this basis the non-price terms applying to Vodafone and to Telecom will be different and those differences will not be transparent to Vodafone or Telecom.
- 68 In Telecom’s view clause 3(1) of Schedule 3A of the Act requires that the same terms and conditions apply to “all access seekers” (recognising however that some bespoke provisions related to the interconnection may be required to take into account particular features of an Access Seeker’s Network).

PROCESS GOING FORWARD

Preliminary views from the Commission on the Undertakings received

- 69 In the Schedule 3 investigation into the national roaming and co-location services, the Commission undertook a preliminary review of Vodafone’s undertaking and considered the submissions made by interested parties. In order to assist Vodafone in amending its undertaking, the Commission then provided its preliminary view on that undertaking. Currently the Commission’s indicative timeframe does not include this preliminary step, although we note that the Commission indicates that timeframes will be reviewed following the deadline for submissions on the Undertakings.
- 70 A preliminary view from the Commission on the Undertakings it has received would be valuable in the context of the MTAS investigation. It would better inform the parties on the Commission’s initial thinking as to what changes it may require so that they are able to amend their undertakings in a meaningful way, which would also be more likely to be considered favourably by the Commission. While the other parties’ submissions will certainly assist Telecom in finalising its

Undertaking, it is the Commission that makes the recommendation to the Minister on whether an Undertaking should be accepted.

Guidance from the Commission on how the undertakings regime might work in the context of multiple Access Providers

- 71 This is the second occasion where Schedule 3A has been used as an alternative to regulatory change. It is unclear at this point how this process will work where there are five undertakings, three Access Providers with essentially reciprocal obligations, and substantive differences on certain key terms. For example, the Commission might consider that it might accept only one Undertaking and regulate other Access Providers or, alternatively, accept one Undertaking on the basis that if other Access Providers do not adopt the registered undertaking that it will look at mobile termination rates again in the near future.
- 72 In order to ensure the Schedule 3A process is workable we request that the Commission provides additional guidance on how it envisages the undertakings regime might work in this context.

APPENDIX 1 – RESPONSE TO NZ COMMUNICATIONS BAK PROPOSAL

- 73 NZ Communications presents a number of arguments for BAK, as follows:
- (a) New Zealand's mobile prices are high by OECD standards and BAK prevents market entry distortions - market entry would put downward pressure on prices;
 - (b) Regulated mobile termination rates are too high internationally;
 - (c) It is costly to determine and monitor regulated prices, which delays consumers receiving the benefits of regulation, and BAK has the lowest costs;
 - (d) BAK results in more efficient wholesale and retail price structures;
 - (e) BAK matches current international mobile termination trends - countries with BAK have some of the lowest prices; and
 - (f) There is no downside in adopting BAK.

This Appendix responds to each of these propositions.

New Zealand's mobile prices

- 74 NZ Communications quotes with approval the 2008 Briefing to the Incoming Minister which states that New Zealand mobile low and medium user plans are 25th or worse out of 30 OECD countries. However, what NZ Communications fails to mention is that the BAK countries in the OECD, Canada and the US, are ranked:
- (a) 18th and 29th respectively for the low user basket; and
 - (b) 22nd and 29th respectively for the medium user basket¹⁶.

On this basis it would appear that adopting BAK for mobile terminations would make New Zealand no better off, and quite possibly worse off.

- 75 The reality is that the rankings of both New Zealand and BAK countries are due to the methodology Teligen applies in the benchmarking model. Teligen uses a basket of mobile consumption, which is completely unrepresentative of

¹⁶ These ranks assume the Commission's exclusion of Vodafone's Base plans is still applied. Without that exclusion Canada drops to 19th and 23rd respectively while the US stays the same.

consumption patterns outside Europe. When usage profiles more typical of individual countries are applied, the relative position changes significantly. For a consumption pattern of 500 texts per month and no voice calls, as might be typical of a teenage mobile user, Telecom's \$10 text package on pre-paid shows as the cheapest in the entire OECD. Similarly, for users making large numbers of calls, with a high proportion on-net, the plans in the US are amongst the cheapest in the OECD.

76 Further, the kinds of market entry distortions which NZ Communications refers to are not eliminated by BAK. This is generally because they are not distortions at all, but simply the functioning of a competitive market. One particular example NZ Communications refers to often, and which it has proposed an explicit prohibition on, is on-net pricing. Telecom's position on this is set out in more detail in the body of this submission, but it is worth noting that in the US on-net/off-net pricing differentials are greater than they are in New Zealand. For example, most post-paid plans such as Verizon's Basic, Select, and Connect plans and AT&T's Nation and Unity plans include unlimited free on-net calling with those plans. This is despite the fact that it costs these companies more to terminate on-net calls than off-net calls because of BAK.

77 On-net pricing is a pricing structure employed in mobile markets with high levels of competition. Of the 30 countries in the OECD, only Denmark, Finland, and South Korea do not have some form of on-net/off-net differential in mobile prices. This result is based on the plans listed in the Teligen database which the Commission uses to compare international mobile prices. That database only lists the tariffs offered by the top two mobile providers in each country, so it is possible that even in these three countries that some smaller operator uses some form of on-net pricing. Clearly, other regulators in the OECD are not restricting the ability of mobile operators to offer such tariffs.

78 Even if the current termination rate model did create some market entry barriers, it is clear that they are not sufficient to prevent entry. NZ Communications has confirmed that it will enter the New Zealand mobile market in 2009. CEO Mike Reynolds was quoted as saying:

"I think you can say it is going to be in the next few months."¹⁷

This is in spite of the fact that there has been no resolution of the current MTAS Investigation process. Clearly the outcome is of interest to NZ Communications, but it will not affect its entry either way as that is already confirmed.

¹⁷ http://www.businessday.co.nz/industries/telco_it/4842468 at 12 February 2009.

High international regulated mobile termination rates

- 79 It is difficult to see how this is an argument either way about whether BAK should be applied as the mobile termination model in New Zealand. There are no examples anywhere that Telecom has been able to identify of countries moving from termination payments for mobile to a BAK regime. Certainly there has been some discussion of the potential implications of this, particularly in Europe, but no country has actually implemented this.
- 80 While it is possible the regulators overseas may reduce mobile termination rates over time, the Commission is making a decision in relation to what should happen now. Accordingly it can only look at what is happening now with other termination rates internationally.

Cost of monitoring regulated prices

- 81 The potential cost of determining and monitoring regulated mobile termination rates is cited as a reason to implement BAK. It should be noted that the Commission is currently incurring no costs at all in monitoring the implementation of mobile termination rates. These are currently set by contracts between the carriers, consistent with the relevant MTR Deed. Each carrier has a strong incentive to ensure that it is not charged more than it should be for the calls it terminates in other parties' mobile networks.
- 82 If NZ Communications considers that monitoring costs are a significant concern that would be an argument in favour of retaining the status quo.
- 83 BAK can have very low transaction costs at the inter-carrier level, but it may have very material transaction costs for end users, which we explore further in the next section.
- 84 Even between carriers though, there are more complexities than NZ Communications represents. With a BAK interconnection model where nil payment occurs between carriers, it must be borne in mind that value is obtained by both sides of the transaction. Such a nil payment scenario generates complex tax (in particular, GST and tax valuation) issues. However, these complex tax issues do not exist where there are arm's length charging arrangements between the carriers.

More efficient wholesale and consequential retail prices

- 85 While efficiency is certainly a desirable outcome, it is not the only matter the Commission should be concerned with in relation to wholesale and consequential retail prices. As the NERA response to the Concept Economics paper notes, it is not clear that a termination rate of zero is a more efficient wholesale price than any other that could be determined. The Telecom part of this submission, however, focuses on the efficiency of the retail price (which is competitively set).

86 Economic theory suggests that pricing structures that correspond more closely with the structure of costs will be more efficient than ones that don't (at least in the absence of externalities). In principle Telecom agrees with this. However, this ignores the issue which NZ Communications refers to euphemistically as "operators recovering costs from their own customers". That is, the most efficient price structure requires that receivers of calls pay for that receipt¹⁸, as well as callers paying. NZ Communications also notes that this internalises the call externality – generally leading to a more efficient number of calls being made/received. Any efficiency gains may be more than offset by the loss of consumer surplus as marginal consumers disconnect from the network.

BAK matches international trends

87 The statement that BAK matches international trends does not appear to be correct. Of the 30 OECD countries mentioned, only two have BAK for mobile. France used to have a similar system, but moved away from it in 2004.¹⁹ The only trend that could perhaps be identified in relation to BAK is that the issue is being given more consideration by regulators than it has previously. On this basis if the Commission were to follow these trends it would hold off on making any changes until the considerations of other regulators were concluded.

88 NZ Communications also claims that BAK markets have the highest utility levels, lowest prices, and greatest competition:

- (a) It is not possible to draw a conclusion as to relative utility levels between these types of markets as the BAK markets have higher usage (more utility), but lower penetration (less utility). They also have higher ARPUs so the consumer surplus may be lower even if it could be established that overall utility was higher.
- (b) BAK markets have lower ARPMs, but the measure the Commission uses to measure relative prices between markets is the Teligen/OECD tariff benchmarking database. As noted at paragraph 75, BAK markets perform relatively poorly on this basis. Also to some extent ARPU can be a measure of price and again on this basis the comparison is unfavourable for BAK markets.
- (c) BAK markets do have quite strong competition, although this is the case with many CPP markets also. NZ Communications has not cited any

¹⁸ This might manifest itself in a number of ways such as per-minute charges, higher monthly rentals or reduced handset subsidies.

¹⁹ ARCEP presentation *Bill and Keep in the French Mobile industry: A case study*, Benoit Loutre, ARCEP, WIK Conference April 4-5, 2006 at www.wik.org/content/bill_keep/konf_bill_and_keep_2006/Session%20V/french%20buk%20-%20loutrel%20-%20wik%20conference%20april%204-5.ppt.

reference to establish that competitive levels are systematically higher in BAK countries.

No downside with BAK

- 89 As Telecom has set out here, there are significant potential downsides with BAK. There are also a number of potential upsides. Telecom has tried to set out a more balanced assessment of the pros and cons than the one offered by NZ Communications.

Arbitrage risk

- 90 As noted above, the New Zealand Communications Undertaking only applies to MTM events and is silent on the approach towards FTM voice calls. Telecom interprets this to mean that NZ Communications only favours its proposed BAK approach to apply to MTM events.
- 91 This is not consistent with the approach taken in countries which apply BAK to mobile terminations. In those countries there is no charge for calls originating on fixed networks and terminating on mobile ones. The reason for this consistent treatment across different originating networks is likely to be due to the potential for arbitrage if differential rates were applied.
- 92 Telecom considers that, in practice, it would be difficult to establish definitively the origin of a call handed over to a mobile network and a consistent approach must be taken for both FTM voice calls and MTM voice calls. The NZ Communications' proposed approach is likely to create arbitrage opportunities and differentiated rates that are inconsistent with the technological convergence between fixed and mobile devices.
- 93 This potential for arbitrage can take place at two levels – it can potentially affect carriers or distort behaviour in the retail market. At the carrier level it involves the carrier transforming calls which would otherwise have been FTM calls into MTM calls. At the retail level it involves customers choosing to make MTM calls when they would otherwise have chosen to make FTM calls.

Carrier level arbitrage

- 94 If we take the Vodafone Local Zone offer as an example, the mobile device has both a local fixed line number as well as a mobile number attached to it. If there was a BAK approach for mobile number originating calls to a New Zealand Communications' mobile but termination rates were applied for a fixed line number originating call, the natural incentive would be for Vodafone to ensure that all calls terminating on a NZ Communications' mobile carried a mobile number as the Calling Line Identification (**CLI**), even though the call may have originated from the end user's local zone and the end user charged as if he had made the call from a fixed line.

95 Similarly there would be incentives created for carriers to over-write the fixed network CLI with a mobile network CLI before handing that call over to a mobile network. We have provisions in the majority of our bilateral interconnection agreements that prohibit A-number manipulation in this manner but the combination of constantly evolving technology and significant arbitrage incentive represented by the differentiated rates incentivises carriers to adopt interpretations of those provisions that circumvent their intent. These contractual restrictions are hard to police and any such policing, even if successful, creates significant transaction costs.

96 Thirdly, this approach is likely to create strong incentives for mobile carriers to deploy "mobile gateways". These gateways terminate FTM calls and then originate MTM calls to take advantage of the absence of termination fees for those MTM calls. The gateway operator then makes a margin on the difference in the cost. When there was a differential rate applying in France, ARCEP estimated²⁰ that 80 to 90% of FTM calls never arrived as FTM calls, but were routed through such gateways. The resources consumed in implementing this arbitrage represent a loss to the economy.

Arbitrage at the retail level

97 While the examples of carrier level arbitrage could potentially be regulated or contracted to be made more difficult, there will always be the potential for arbitrage at the retail level. Where there is a material difference for a carrier in the termination rate paid for calls to other network mobiles from a fixed network relative to a mobile network, it could be expected that for at least some calling plans this difference would show up as a difference in retail prices.

98 Where end users have a lower price for making calls to mobiles from their own mobile than from their fixed line they will naturally substitute use of their mobile for their fixed line calls. This lower-priced option delivers a benefit for customers (at least before the complexities of waterbed effects and two-sided platform markets are considered), however, the result is that the volume of calls to which the non-zero FTM rate is applied is much lower than would otherwise have been expected. Therefore the receiving mobile network has a revenue shortfall to make up.

Other arbitrage concerns

99 There is a general trend globally towards technological convergence between fixed and mobile devices. Having an artificial pricing boundary between a fixed device

²⁰ ARCEP presentation *Bill and Keep in the French Mobile industry: A case study*, Benoit Loutre, ARCEP, WIK Conference April 4-5, 2006 at www.wik.org/content/bill_keep/konf_bill_and_keep_2006/Session%20V/french%20buk%20-%20loutrel%20-%20wik%20conference%20april%204-5.ppt.

and a mobile device is contrary to this trend and can only lead to practical enforcement problems as highlighted in the Local Zone example above.

- 100 There is an additional concern in relation to the relative competitive positions if fixed compared to mobile carriers face a higher termination charge than mobile carriers - they may be unable to compete with mobile carriers in relation to providing the service of calls to mobile networks. To some extent they may be able to mitigate this with arbitrage, subject to the other issues we have noted, but there will be an inefficient distortion of competition.
- 101 Telecom submits that the consistent approach to mobile termination rates taken in its Undertaking is the only workable approach for mobile termination access services. Artificial barriers that differentiate calls based on the nature of their originating network create enforcement issues as parties engage in arbitrage activities that minimise their interconnection out-payments and undermine the regime. Similarly, customer calling behaviour would be artificially distorted with the potential for economic inefficiency that this creates.

APPENDIX 2 –NON-PRICE TERMS IN VODAFONE UNDERTAKINGS

102 Telecom has several high level concerns with the non-price terms of the Vodafone Undertakings.

Calls involving third party networks should not be covered by the Vodafone Undertakings

103 The Vodafone Undertakings purport to cover:

- (a) Calls/texts from an end user or subscriber of the Access Seeker who is roaming on a cellular network outside New Zealand;
- (b) Calls from the Access Seeker Network to the Vodafone Network via a third party network (see clause 2.1.2, Subschedule 3D and clause 21.6.2, Schedule 3);
- (c) Calls from a third party network via the Access Seeker Network to the Vodafone Network (see clause 2.2.2, Subschedule 3D); and
- (d) Calls that traverse calling card and other platforms (see clause 2.3.2, Subschedule 3D).

104 These call/text types involve third party networks. A call originating or terminating on or traversing a third party network does not fit within the scope of FTM, MTM and SMS services. The scope of these services should be limited to calls which are:

- (a) Exchanged directly between the networks of Vodafone and the Access Seeker; and
- (b) Between the respective end-users of the Vodafone and Access Seeker networks (i.e. not end-users of third party networks).

105 Third party network operators can obtain services direct by becoming Access Seekers themselves.

106 Alternatively third party network operators can separately purchase transit or transport services. Those services are freely available in competitive markets and should not be covered by the Undertaking. It is inappropriate to include additional services and call types in an undertaking under the Act without actual evidence of market failure.

Uncertainty concerning reciprocal service on request from Vodafone

107 Under the Vodafone Undertakings, the Access Seeker has to provide reciprocal service on request from Vodafone. The precise terms on which the Access

Seeker's reciprocal service must be provided are not set out. Nor is there any express provision requiring Vodafone to be bound by the reciprocal terms.

108 The Vodafone Undertakings only describe the supply by Vodafone of services to the Access Seeker.

109 In the Deed of Acceptance (Schedule 5 of each Undertaking) the Access Seeker must, on request, make available to Vodafone:

"a telecommunications service that is the same or substantially similar to the Vodafone [service] at prices no greater than those specified in Schedule 2 of this Undertaking and otherwise on terms that are the same or substantially similar to the terms on which Vodafone makes available the Vodafone [service] under the Undertaking."

110 Drafting the mirror terms would not be a straightforward exercise. The door seems to be left open to a negotiation of non-price terms which are (in reverse) the "same" or "substantially similar". There is no provision requiring Vodafone to sign up to the reciprocal terms.

111 Telecom submits that the preferable approach is to set out the precise terms that will apply to Vodafone and the Access Seeker for the supply of services by each to the other. This is the approach taken in Telecom's Undertaking submitted to the Commission. The approach has the following advantages:

- (a) Each party is clear as to the terms and conditions which will apply to it from the outset; and
- (b) The Access Seeker has certainty that Vodafone will be bound by the terms and conditions of any supply of the services by the Access Seeker to Vodafone.

Some specific provisions of Vodafone's Undertakings are uncertain

112 Some specific provisions of Vodafone's Undertakings are uncertain. For example, clause 3.1.1 of Subschedule 3D of the Vodafone Undertakings appears to be saying that Vodafone would (under reciprocal terms) be free at whim to allocate either a local or a mobile A-number to a local service customer calling from its Network. If this is the intention, this clause would potentially facilitate the types of arbitrage referred to at paragraph 94 above.

Each of the three Vodafone Undertakings is independent of the others

113 Although the same terms and conditions (Schedule 3) relate to all of the Vodafone Undertakings, they do so independently for each Undertaking. For example, there are no cross-default provisions.

114 This gives rise to the possibility of the supplier of services being exposed to gaming (for example, by an Access Seeker (or Vodafone) limiting consequences

by failing to pay under one Undertaking (or one set of reciprocal terms) while the others continue).

- 115 Also, some outage and other operational procedures appear to be cumbersome when the services are “siloeed” in this way. The implications of this would need to be worked through, which is not a trivial exercise.

Handover points for FTM and MTM should not be limited to Auckland, Wellington and Christchurch

- 116 The handover regime in Vodafone’s Undertakings (together with the provisions with respect to the construction of Interconnect Links) gives rise to concern. Under this regime, an Access Seeker which has many handover points will be saddled with hauling calls (without compensation) long distance to handover points at only Auckland, Wellington and Christchurch.
- 117 There is provision in the Vodafone Undertakings for the parties to agree mutually acceptable handover point arrangements. Telecom has traditionally offered and has typically installed handover points at numerous locations throughout New Zealand. But an Access Seeker with existing interconnection with Vodafone may have to start from scratch in negotiating handover arrangements under the Undertakings regime. There can be no guarantee that existing arrangements and handover infrastructure would be able to be retained for continued use in connection with the Vodafone Undertakings
- 118 Also, it is unclear how any agreed arrangements would fit with the FTM Call Handover Obligation (in Schedule 4 of the FTM Undertaking) which appears mandatory.

APPENDIX 3 – NON-PRICE TERMS IN NZ COMMUNICATIONS UNDERTAKING

119 Key concerns Telecom has with the non-price terms of the NZ Communications Undertaking are as follows.

The broad language of the amendments to the Telecom Interconnection Agreement is unworkable

120 For example, the key definition of “Telecom-NZ Comms Mobile-to-Mobile Event” in clause 5.2 of the NZ Communications Undertaking refers to mobile voice calls and text messages “originating on the Telecom mobile telecommunications network (and made from a Telecom customer’s mobile number)...”. [

]**TNZRI**.

121 It is not clear whether the broad language of the purported amendment relates to the precise defined matters or to other matters.

122 By way of illustration, the definition of “Telecom-NZ Comms Mobile-to-Mobile Event” is so broad that it could cover any voice call that terminates on a NZ Communications mobile number in the NZ Communications Network (including for example an 0800/0508 call which has a mobile number as its ultimate destination).

123 In short, the interaction between the broad language of the amendment and the bespoke provisions of the Telecom Interconnection Agreement give rise to considerable uncertainty. The “Conflicts” provision in clause 6 of the NZ Communications Undertaking will not always assist to resolve this issue.

The amendments to the Telecom Interconnection Agreement purport to apply to video telephony calls

124 The amendments to the Telecom Interconnection Agreement purport to apply to video telephony calls. [

]**TNZRI**

Undertaking relates to “Telecom Corporation of New Zealand Limited”

125 The Undertaking is drafted on the basis that it relates to “Telecom Corporation of New Zealand Limited”. [

]

TNZRI. Nor is Telecom Corporation of New Zealand Limited allocated numbers (including mobile numbers). [

]**TNZRI**

Undertaking does not comply with clause 4(b) of Schedule 3A

126 The NZ Communications Undertaking does not comply with the standard access principles and the limits on the standard access principles under the Act. This is because the standard access principles and their limits are not:

(a) Expressly referred to in the Undertaking; and

(b) [**] TNZRI**

APPENDIX 4 – EXAMPLES OF FURTHER SPECIFIC CONCERNS REGARDING NON-PRICE TERMS IN VODAFONE UNDERTAKINGS AND NZ COMMUNICATIONS UNDERTAKING

Vodafone Undertakings

- A prerequisite to service is the Access Seeker's agreement to number portability specifications (see clause 2.3.1(c) and (d), Schedule 3). There is an issue whether each Access Seeker needs to start from scratch in negotiating these specifications, even where there are agreed specifications already in place between Vodafone and that Access Seeker.
- It is not clear what the charging basis will be where the number portability database fails.
- The Undertaking does not cover permitted call barring and text message barring (e.g. where the Access Seeker reasonably considers the customer to be a credit risk, or has other good commercial or technical reasons for such barring).
- Vodafone only has an obligation to act "reasonably" to obtain necessary consents regarding the Access Seeker's access to Vodafone's premises to accommodate handover points (see clause 11.1.3, Schedule 3). This begs the question as to what will happen where Vodafone is unsuccessful in obtaining such consents.
- Vodafone is entitled to invoice for charges inadvertently omitted from invoices over a period of 12 months from the date of provision of the relevant service (clause 18.16, Schedule 3). This is a lengthier period than the industry standard and detracts from certainty as to the invoices rendered from Vodafone.

NZ Communications Undertaking

- The deeming provision at clause 5.4(a) is extremely broad and uncertain in its application.
- As a related point, assuming that the "Term" of the Undertaking comes to an end after the Interconnection Agreement would otherwise terminate, which precise clauses of the Interconnection Agreement would "fall away" on the termination of the part of the Interconnection Agreement that does not comprise the Undertaking?
- The termination provisions with respect to the Undertaking are unclear. For example, could termination occur after a force majeure? Further, there appears to be an inconsistency between clause 5.3(d) and (e) regarding termination.

APPENDIX 5 – EXAMPLES OF POST-PAID PLANS AVAILABLE FROM AT&T WIRELESS AND VERIZON WIRELESS

These pictures are snapshots of the two companies' websites as at 12 February 2009.

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Minutes	Monthly Cost	Rollover®	Unlimited Nights/Weekends*	Unlimited Mobile to Mobile	Additional Details	
450	\$39.99	✓	Includes 5000	✓	View Details	Add to Cart
900	\$59.99	✓	✓	✓	View Details	Add to Cart
1350	\$79.99	✓	✓	✓	View Details	Add to Cart
Unlimited	\$99.99		✓	✓	View Details	Add to Cart

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Minutes	Monthly Cost	Rollover®	Unlimited Nights/Weekends*	Unlimited Mobile to Mobile	Unlimited AT&T Unity Minutes	Additional Details	
900	\$59.99	✓	✓	✓	✓	View Details	Check Eligibility
1350	\$79.99	✓	✓	✓	✓	View Details	

Senior Plan - Available to customers 65 and older.

Minutes	Monthly Cost	Rollover®	Unlimited Nights/Weekends*	Unlimited Mobile to Mobile	Additional Details	
200	\$29.99		Includes 500	✓	View Details	Add to Cart Must be 65 or older Verified at checkout

*Night and weekend minutes will be used before Mobile to Mobile minutes.



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<input type="radio"/> 900 Minutes	\$59.99	\$0.40
<input type="radio"/> 1350 Minutes	\$79.99	\$0.35
<input type="radio"/> Unlimited Minutes	\$99.99	\$0.00