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16 July 2009

Shane Kinley
Senior Analyst, Telecommunications Branch
Commerce Commission

By e-mail: shane.kinley@comcom.govt.nz

Dear Shane,

INVESTIGATION INTO MOBILE TERMINATION ACCESS SERVICES (MTAS): BENCHMARKING

I refer to the Commission's draft report in relation to MTAS, and in particular to the sections pertaining to benchmarking.¹ The Commission concludes that its preliminary view is that it is reasonable to regard the countries within the Commission's benchmark sample as being comparable to New Zealand, and has therefore not excluded any of the countries or made adjustments to its benchmarks on comparability grounds.²

In considering the draft report, Vodafone seeks clarity in relation to the way in which the Commission has assessed and treated the countries which it has included in its benchmarking analysis.

In particular, Vodafone is unclear as to the particular cost modelling criteria the Commission has applied when determining whether the cost model from a particular country becomes suitable for inclusion in the Commission's benchmarking analysis. This becomes an issue of relevance given there are a number of different model types that have been developed to estimate the cost of providing mobile termination around the world, and the Commission has previously excluded some models on the basis of various modelling criteria.

To assist us to better prepare submissions in response to the Commission's draft report, Vodafone requests that the Commission please clarify which of the following criteria must apply for a country's cost model to be included within the benchmarking sample:

- a. Whether the model is a bottom-up long-run or a top-down cost model. In this regard, we note that the Commission has previously chosen to exclude cost estimates from some countries on account of the model being a top-down cost model.³ Accordingly, can the Commission please confirm this continues to be a criteria for inclusion or exclusion of a country in its benchmarking analysis;

¹ Commerce Commission, *Draft report on whether the mobile termination access services should become designated or specified services*, 30 June 2009, para 457 onwards

² *ibid*, para 577

³ See, for instance, the Commission's comments on cost models from Belgium and Germany in its *Comments on undertakings received in relation to the MTAS Investigation* at p. 13.

- b. Whether the cost inputs contained in the model are based on forward-looking cost estimates; historic cost estimates; or a combination of both; and
- c. Whether the cost model has been constructed using a scorched earth or scorched node approach – noting that the Commission has traditionally favoured a scorched node model for estimating the cost of the telecommunications service obligation in New Zealand.

As submissions from interested parties are due by 28 July 2009, we would appreciate it if the Commission could please respond to the above clarification questions by **5pm Tuesday 21 July 2009**. In the event that this is not possible, please let me know as soon as possible an estimated response time.

Should you have any further queries in relation to this matter, please feel free to contact me on 021 882 429.

Yours sincerely

PP 

Richard York
Regulatory Manager