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28 May 2010

Rebekah Henderson  
Commerce Commission  
WELLINGTON  
By email: Rebekah.Henderson@comcom.govt.nz

Dear Rebekah,

**Re: Submission- Resale services Schedule 3 Investigation.**

This letter is Vodafone's response to the Commerce Commission's investigation on Resale services, and also our response to Telecom's proposal.

Vodafone agrees in principle with Telecom's view that 'the preferred outcome from the Commission's investigation is a narrowing of the scope of the regulatory backstop for resale services'. Vodafone agrees that regulation should be removed for those legacy services that are no longer relevant in the retail market. However, this should not happen to the detriment of the end users choices for their fixed line services or of the Service Providers' ability to compete.

Where Vodafone's view differs from Telecom's view is regarding the list of services which should remain within scope of regulation. Telecom has stated very clearly its position and proposal during the Dialogue Session on 22 April 2010, and in its letter to the Commerce Commission on 14 May 2010.

Telecom is proposing that the current regulations remain in effect for six services (residential line rental, business line rental, Call Minder, Permanent Toll Bar, DDI, and Caller Display) and that other services' provision will be based on commercial agreements or alternative technical solutions supported by the Access seekers. Although Vodafone agrees that there are some benefits to review the three resale service determinations, we do not believe that Telecom's proposed list of services to remain regulated is sufficiently extensive.

We have reviewed in detail the list of the services currently covered by the three determinations. We have attached to our submission the proposed list of services that should have a regulatory backstop. The list has been established based on the services our customers are currently using as well as the services Vodafone sales team want to retain in the portfolio of services they can offer to potential new customers (both residential and business).

Vodafone will continue to be reliant upon Telecom's resale services in some of those areas where we have not unbundled the local loop. Retaining access to these products on regulated terms is required because if a commercial agreement was not to be reached with Telecom for those services without regulatory backstop, it will be impossible for Vodafone to meet some customer's demands for those services. Eventually, when a customer requires one or many services which fall outside of the regulatory backstop, the customer will have no other option than to move all its services to Telecom to be able to get the "package of services" that they need. The customer will have limited options when it comes to choose their service providers for their fixed line services and Vodafone will not be able to compete, even worse will sometime lose those customers who want to keep the same features on their home phone. Also, where Telecom resale phone lines are the only option for Vodafone to provide the service to its end users, resale equivalence must be provided to ensure that Vodafone is able to offer the full set of features customers ask for and that Telecom retail offers to their customers.

Finally, we would like to reiterate that where Telecom is the sole provider of a range of services, losing a regulated service is not a desirable outcome from both an end user perspective as well as a competing service provider's perspective.

Vodafone strongly recommends that the Commission should continue resale regulation for the services we have listed, unless Telecom has committed to continue to offer those services on commercial terms that are acceptable. As outlined previously, it will be in the end users best interest to ensure that all fixed line services can be provided on a nation wide basis by as many service providers as possible.

We trust the Commission will take into consideration all relevant elements for this investigation. We suggest that the latest variation of Telecom's undertakings and its potential consequence to abandon the move away from the PSTN has become all the more important for any service PSTN related and constitutes a relevant element in assessing the need for continuing regulation.

Please feel free to contact me or David Diprose in relation to this submission if any clarification would be helpful.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Celine Hugues', written over a horizontal line.

Celine Hugues  
Industry Affairs Manager  
Vodafone New Zealand Limited