

## Submission to the Commerce Commission on cost allocation principles for local and mobile number portability

18 August 2004

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### 1. Introduction

Vodafone New Zealand Limited (**Vodafone**) provides this submission as a response to the Commerce Commission's (**Commission**) letter dated 23 June 2004.

Vodafone supports the implementation of local and mobile number portability and we endorse the timeframes currently set by the Telecommunications Carriers' Forum (**TCF**).

We provide these comments in the context that the TCF has agreed via the Portability Specification Working Party (**PSWP**) that local and mobile number portability (**LMNP**) will be provided via a centralised system – the Industry Portability Management System (**IPMS**).

In this submission we use the terms “carrier” and “participant” to refer to both carriers and service providers that participate in LMNP.

#### Costs to be determined

Vodafone believes there are three separate cost areas that the Commission will need to make a determination of. These are:

- (i) Carriers' and service providers' internal costs
  - a. Network costs
  - b. Process costs
- (ii) Cost of the IPMS
  - a. Build costs for the IPMS
  - b. Operational costs for the IPMS
  - c. New carriers/service providers seeking access to IPMS
- (iii) Porting fees

This submission outlines Vodafone's initial position in relation to these three categories of costs.

#### Timing of cost allocation determination

We note that Vodafone has previously submitted that it is sensible to identify the best technical and process solutions to deliver portability before attempting to address the issue of cost allocation between various carriers. In this regard, Vodafone acknowledges the work that has now been progressed via the PSWP on both the LMNP Code and the Network Code.

In light of the progress made by the PSWP, Vodafone supports the fact that the Commission is now progressing work on the cost allocation determination. We believe that the cost allocation work will need to be completed in order to progress number portability to the stage of technical implementation, both for the

build of the IPMS and in order for carriers to progress with their own internal system upgrades. In terms of payment for the IPMS, the third party vendor selected to build the IPMS will need to be assured that payment will be made by industry for the build of the IPMS and by whom these payments will be made. In terms of internal network costs, it would not be commercially responsible for businesses to begin investing in systems and network changes without understanding the Commission's cost allocation rationale.

### Process

We request that, following receipt of these submissions, the Commission advise the parties to the determination of the process the Commission intends to follow in relation to the determination on cost allocation for LMNP.

## **2. Carriers' and service providers' internal costs**

As a general principle, Vodafone believes that carriers and service providers should fund their own internal costs. These costs include:

- System costs
  - internal system development (billing, provisioning, customer care etc);
  - development of internal systems to support portability as per the Network Code;
  - developing the interface with the IPMS; and,
  - per call costs – the costs incurred within the network to identify, process and route calls to a ported number to the network to which the number has been ported.
- Process costs
  - process re-engineering costs for any changes required to internal processes; and,
  - internal process development to manage implementation of LMNP.

Vodafone believes that this will lead to the most efficient outcome in terms of minimising the costs to industry of LMNP. Our view is that an allocation mechanism that requires carrier A to contribute to the costs of carrier B will allow carrier B to game such a process. This would not lead to an outcome that is economically efficient or in the long-term benefit of end users.

## **3. Costs of the IPMS**

There are three distinct areas with respect to the costs of the IPMS that Vodafone believes the Commission needs to determine. These are the build costs for the IPMS; the operational costs for the IPMS; how new carriers seeking access to the IPMS should contribute to the initial capital cost required to build the IPMS. We address each of these in turn and outline Vodafone's initial position in relation to these costs.

### (i) Build costs for the IPMS

Vodafone believes that the build costs for the IPMS should be split equally amongst all participants in LMNP.

(ii) Operational costs for the IPMS

There should be a set fee that is intended to cover a portion of the budgeted operational costs for the IPMS. This cost should be shared equally between the participants in LMNP.

Any costs over and above this set fee should be apportioned to the various participants in accordance with the number of ports that each participant has initiated in a period. This allows there to be some portion of the operational costs that are directly borne by those who gain the most use from the IPMS.

(iii) Contribution to capital costs by new party

Parties that wish to participate in LMNP subsequent to the initial build of the IPMS should be required to contribute to the initial costs to build the IPMS. If the initial costs are split evenly between participants, then any additional member should be required to contribute an equivalent share of the costs. For example, if 3 parties paid for the initial build, each contributing 33% of the costs, then the 4<sup>th</sup> party who joins subsequent to the build would be required to contribute 25% of the cost. This 25% contribution would be split three ways between the initial 3 participants.

#### **4. Porting costs**

We agree that a one-off port fee should be charged by the donor network to the recipient network. This fee should reflect the marginal cost to the donor network for the porting activity.

#### **5. Other issues**

Vodafone believes that local and mobile number portability should be treated as one service and should be implemented concurrently.

Certainty around both the cost and timing of implementation will be required to proceed in investing substantial sums in systems and network changes that may not otherwise have been made on a purely commercial basis.

The focus for LMNP is to deliver benefits for customers. It is imperative that industry ensures seamless implementation to avoid problems such as those experienced by the electricity industry. This means that proper and comprehensive testing will need to be completed prior to any go-live date for LMNP.