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Dr Ross Patterson
Telecommunications Commissioner
Commerce Commission
PO Box 2351
WELLINGTON

Dear Ross

MTAS - Final Revised Undertaking

I am pleased to enclose Telecom's final revised Undertaking.

Voice MTRs

Our proposed glide path for voice termination reflects the glide path signalled in our letter dated 28 October 2009 i.e. we have taken the lowest figure for each year from the Undertakings that have been put forward so far by Telecom and Vodafone. The new MTR rates would be as set out below:

Period during which the Call is made	charge payable per minute¹
for the period to midnight on 31 March 2010	12 cents (m+s)
from midnight on 31 March 2010 to midnight on 31 December 2010	12 cents (s+s)
from midnight on 31 December 2010 to midnight on 31 December 2011	10 cents (s+s)
from midnight on 31 December 2011 to midnight on 31 December 2012	9 cents (s+s)
from midnight on 31 December 2012 to midnight on 31 December 2013	8 cents (s+s)
from midnight on 31 December 2013	6 cents (s+s)

We believe that this glide path strikes the right balance between achieving significant upfront reductions in MTR rates (faster than is possible under regulation), while at the same time allowing the overall reduction in rates to be sufficiently measured to avoid market shocks.

¹ We have agreed to move from a minute plus second methodology to a second plus second methodology at the earliest opportunity. The change in methodology is equivalent to a significant reduction in rates in itself.

SMS

As far as SMS is concerned, we have decided to continue to put forward the hybrid bill and keep model set out in the 28 October 2009 letter. (This will commence on 1 April 2010. For the period leading up to that point the rate would be 9.5 c per text.)

However, we wish to flag to the Commission that it may well be operationally challenging to implement this method of billing. While we are reasonably confident of being able to do so, if implementing this method appears as though it will become overly complex, we may advocate for a low flat rate for SMS termination at the stage where the Minister consults on whether to accept our Undertaking.

Non Price Terms

As far as material non-price terms are concerned, Telecom has incorporated all the changes it agreed to implement during the alignment discussions. This includes the measures Telecom agreed to implement in order to address concerns raised by Access Seekers.

Telecom and Vodafone also exchanged draft Undertakings documents in advance of putting forward these revised Undertakings. As a result of this exchange we can confirm that from our perspective, there are no differences in the non-price terms in Vodafone's and Telecom's documents that should cause difficulties.

Discussions with Vodafone

We have engaged in discussions with Vodafone over the last week. We understand that they are not prepared to commit to the price path set out in the 28 October letter, unless the start of the glide path can be postponed until 31 October 2010. Our understanding from the Commission's public statements on this matter is that an early start to an undertakings-based outcome in 2010 is one of the key advantages of such an outcome over regulation. That said, six months in the context of a five year undertaking may not be material, so if a 1 October 2010 start is acceptable to the Commission it would also be acceptable to us.

Right to Withdraw Undertaking

The Commission will note that we have expressly reserved our right to withdraw our Undertaking up until the point at which it is accepted by the Commission. This reflects the fact that we are uncertain as to how things will be taken forward from here. However, we would not likely withdraw our Undertaking without signalling our intent to the Commission in advance.

Finally, we would like to thank the Commission for providing the further opportunity to submit Undertakings together with some clear guidance as to what would be an acceptable outcome. We genuinely believe that a practical Undertakings driven outcome would be the best solution to the MTAS investigation for New Zealand.

Yours sincerely



John Wesley-Smith
General Manager
Industry & Regulatory Affairs