

From: Rod Inglis [mailto:ringlis@woosh.com]
Sent: Tuesday, 4 May 2010 7:16 p.m.
To: Shane Kinley
Subject:

Dear Sirs

Regarding Mobile Termination Rates and the recent plans released by Vodafone, their impact on the market, new investment in the industry, and the decision to review the Commissions earlier recommendation.



Woosh has made a well documented and substantial investment in the Telecommunications industry, and is currently raising funds for further investment. The Company offers wireless and fixed line broadband and voice plans to New Zealanders.

Woosh terminates a substantial number of its calls on the mobile networks and we pay 19 cents to Vodafone to do so. Woosh plans to extend its network and expand its demand for mobile termination as well as its own call origination.

We absolutely believe that retail rates from competitors should never be lower than wholesale rates, particularly when such retail rates are from industry players with dominant market power.

Imagine if two airlines had duopolist market dominance and originated and terminated flights to practically every destination in a market. Imagine the situation when a new entrant airline, like Virgin, Jet Star or Ryan air was to enter the market starting off from certain airports. It happens all the time, but it is hard to imagine a competitive response from the dominant airline whereby they could charge any customer of Virgin, Jet Star or Ryan air requiring onward travel twice or three times the normal retail prices. New airlines wouldn't get off the ground if this sort of competitive response was allowed.

Even the substantial price surcharge was twice or three times the price charged to large segments of the dominant airlines customers (such as early bookers, cost conscious travelers etc) and not a surcharge to their premium, or business customer fairs, it is still hard to imagine a Virgin style airline surviving in the face of such practices or the trade practices regulator allowing them to do so in the first place.

Vodafone 6 cent pricing is addressed at a very large market segment.

This in Woosh's view is a fair analogy to the competitive barriers Vodafone are attempting to impose to restrict the entry of new carriers. The large gap between their every day price plans and their proposed MTR is an effective block to competition and investment.

If they can make money at 6 cents a minute, then their wholesale rates to other carriers should certainly not be higher and normal trade practice would suggest that they should be lower than 6 cents.

Telecom in the fixed line space has been heavily regulated and just recently they were threatened by Vodafone with judicial review as a result of the loyalty offer that they offered to retailers. Woosh benefited from the loyalty offer and passed the benefit on to customers in the form of lower retail prices. Rural customers especially benefited from the lower prices. Vodafone called for absolute 'equivalence' and 'non prejudicial' pricing.

Woosh believes it is time for Vodafone to practice what they preach.

Their retail prices should never be lower than their wholesale prices. \$12 a month buys a Vodafone customer 6 cents a minute. Tens of thousands, and hundreds of thousands of dollars a month, buys an industry investor and competitor like Woosh or Two Degrees, 15 cents to 19 cents a minute. More importantly as Vodafone has the dominant market position this practice certainly discourages customers from going to a new network where so much of their onward traffic must be carried at exorbitant rates, and is a far cry from the fair price regimes they seek in the fixed line market where they are not the dominant provider.

This is an obvious example of market failure and abuse of monopolistic power, to create barriers to entry.

We are pleased that the commissioner believes it is good grounds to reconsider the earlier recommendation.

Best regards


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