



12 January 2007

Osmond Borthwick  
Commerce Commission  
PO Box 2351  
**WELLINGTON**

Dear Mr Borthwick

**APPLICATION UNDER SECTION 59(1) OF THE TELECOMMUNICATIONS ACT 2001 FOR RECONSIDERATION OF DETERMINATION 582**

ihug Limited seeks that the Commission reconsiders determination 582 ("D582") so that it achieves long term benefits for the end-users of telecommunications services within New Zealand. On the grounds that:

1. Under section 59(1)(a), there have been material changes in circumstances since D582 was made on 22 June 2006. In particular:
  - (a) There have been material changes in the products and services in the relevant market.
  - (b) Those changes include changes to non-price and other commercial terms of products and services.
  - (c) As a consequence of the changes in (a) and (b) above, there have been changes to the market.
  - (d) The market changes have led to changes in the patterns of demand and the number of customers using particular products and services.
  - (e) These changes impact on the avoided costs saved by Telecom.
  - (f) The changes result in no equally efficient operator being able to compete with Telecom in the provision of retail broadband services.
  - (g) The changes result in the discount not reflecting the cost of the retailing function.
  
2. Under section 59(1)(b), clarification of the interpretation and application of the initial pricing principle in respect of access to, and interconnection with, Telecom's PDN is necessary to accommodate the changes identified in paragraphs 1(a), (b) and (c) above and to reflect the consequences set out in paragraphs 1(d), (e), (f) and (g) above. In addition, clarification of the WARP methodology is necessary so that it takes account of changes in the non-price and other key commercial terms of Telecom's resale plans and so that it is appropriately based on weighted customer data.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Diprose', written over a white rectangular area.

David Diprose  
GM Regulatory