

Commerce Commission
Attention: Neville Lord
Chief Advisor
Network Branch
Commerce Commission
Wellington
March 2006

Dear Neville

Orcon Internet's submission on draft reconsideration report

We fully support the views that Vodafone and ihug have presented in their draft report. Like Vodafone and ihug we generally support the Commissions new method for calculating wholesale prices from Telecom retail prices, although we have specific concerns regarding the backhaul costs and data costs.

Backhaul Costs

As stated in Vodafone's submission backhaul costs should be minused from the retail price.

For any ISP there are additional costs through using UBS that are not incurred by Telecom as well as backhaul costs that are avoided by Telecom because of ISP's using UBS. While we agree that Telecom does incur some cost in getting traffic from the ATM switch all the way through to the Internet, costs that are avoided by Telecom because of ISP's using UBS should be minused from the retail price.

Data Costs

As stipulated in Vodafone's and ihug's submission we agree with their costs of data transmission.

As determined by Vodafone a good option for setting data costs would be to base data charges on the prices that Telecom charges access seekers for International traffic plus a margin to cover local traffic, internal network costs and, costs for getting traffic across our network to and from the handover point to the international peering port.

By using this option it would encourage Telecom to set reasonable prices, as well as limit Telecom's ability to increase margins between retail and wholesale pricing restricting our ability to obtain a reasonable profit for our services.

If you have any additional questions about this submission can you please contact me on:

Email: scott.bartlett@team.orcon.net.nz or

Phone: (09) 021 366 662

Best Regards,

Scott Bartlett
General Manager: Operations and Regulatory Affairs