



Review of National Roaming
Preliminary view on consideration of deregulation

Submission to Commerce Commission

28th July 2018

ABOUT VOCUS

1. Vocus New Zealand is the third largest fixed line operator employing over 800 staff in New Zealand. Our retail operation includes a number of challenger brands - Slingshot, Orcon, Flip, Vocus and 2Talk. We are also an active wholesaler of services including access, voice and broadband over both fibre and copper to a diverse wholesale customer base in both business and consumer markets.
2. Vocus is committed to New Zealand and is one of the few large NZ telecommunications companies to base all its customer service call centres here in New Zealand rather than outsourcing its customer service operations overseas.

SUBMISSION

3. Vocus welcomes the opportunity to make this brief submission on the Commission's letter of the 9th of July on the preliminary view on consideration of deregulation of National roaming.
4. Vocus agrees with the Commission's preliminary view that there are not reasonable grounds to commence a Schedule 3 investigation on whether to omit national roaming from Schedule 1 of the Act.

NEW ENTRANTS INNOVATE AND ENCOURAGE INVESTMENT FROM INCUMBENTS

5. The Commerce Commission is correct in recognising the potential of 5G and CPE developments to encourage new entrants into the market, with different innovative approaches and services. Far from discouraging investment the creation of **competition will encourage investment from incumbents.**
6. The rapid changes in technology means that: -
 - (i) The distinction between networks (fixed, mobile, wifi etc) are blurring as CPE seamlessly takes advantage of multiple network types and new services rely on components of both.
 - (ii) The type of network build is evolving – small cell high density urban networks will be required to meet demand, advanced mobile network multi-tenancy approaches such as network slicing are evolving and network sharing is a fundamental feature of evolving 5G systems.
7. One such new entrant Blue Reach in their submission to MBIE on the 'Telecommunications Act Options Paper' (Sept 2016 – 1.12-13 emphasis added) stated simply that "**Blue Reach needs national roaming. Our focus is to seek a regulatory framework that in practice enables roaming to be available on reasonable terms and more expeditiously**".
8. Blue Reach also highlighted (s3.2), and Vocus agrees, that even now "*2 Degrees relies on a commercially negotiated roaming agreement with Vodafone, which is understood to contain relatively poor price and non-price terms, such as providing only 3G coverage even though 4G is available from Vodafone over the same footprint.*"

TECHNOLOGY DEVELOPMENTS FACILITATE NETWORK SHARING & EFFICIENT INVESTMENT

9. The opportunity to expand into mobile may be critical for LFC's business models as fixed-mobile substitution continues. By way of an international example Mike McTighe, Chair of Openreach in the UK, said:-

"We already provide backhaul to pretty much every tower in the UK... the issue for 5G is [providing fibre for] microcell architecture, I want to change the scope so that when we build down a street, we not only provision for the homes and businesses that we pass but we provision architecturally for whatever radioheads need to be built to support the microcell architecture. That will help our business case."

*But McTighe also cast the move as **critical to secure Openreach's future in the face of increasing fixed-mobile substitution**. [COMMUNICATIONS DAY 14 November 2017 – emphasis added].*

10. For almost two decades little or no network sharing occurred in New Zealand (other than government funded RBI), forcing inefficient 'silo' network builds which are ultimately paid for by the consumer. The reality is the **dominant MNO's have little or no incentive to share networks and have actively avoided it**, as 2 degrees frequently highlighted in the past.
11. However things have evolved, most notably the advent of UFB and LFC's with open access deeds. LFC's with significant fibre assets are well placed to efficiently build high density, small cell networks. They have open access deeds within which they operate and could help address the failure of the current mobile wholesale market whereby MVNO's have less than 1% share. It is in the best interest of New Zealanders that they have the opportunity to cost effectively build networks in the areas where they have assets however for this to occur **new entrants will need access to national roaming at a fair price**.

MINISTER REQUESTED A MOBILE REVIEW FOR A REASON

12. In June 2017 the Minister for Communications was concerned enough about the development of the mobile market to write to the Commission requesting they use their monitoring powers under section 9A to undertake a review of the state of competition in the mobile market. As a result the Commerce Commission are undertaking a s9A study into the Mobile Markets including "*barriers to entry for new mobile network operators or mobile virtual network operators*"
13. To commence a schedule 3 which could remove a key mobile component from the regulatory framework whilst the Commission is still undertaking a study makes no sense.
14. Thank you for the opportunity to make this brief submission. If you would like any further information about the topics in this submission or have any queries about the submission, please contact:

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