

## NZ COMMUNICATIONS LTD

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Mr Osmond Borthwick  
Director, Telecommunications Branch  
Commerce Commission  
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17 September 2008

**Confidential**  
**National roaming**

Dear Osmond,

Thank you for your 12 September letter requesting that NZC provide evidence of:

1. charging structures for mobile termination rates in other jurisdictions; and
2. charging structure for national roaming rates in other jurisdictions.

To be clear, NZC believe that an investigation is necessary solely because the process was flawed. It would be an untenable precedent for the Commission not to run this investigation where it is clear that flawed calculations were used to arrive at the conclusion of the Final Report.

In response to your specific questions, NZC has contacted approximately 40 Operators in 15 Countries. We have received 16 responses and the table below summarises the results.

Country	Wholesale Charging Increment	
	Mobile Termination	National Roaming
Austria	Per second	Per second
Australia	Per second	Per second
Belgium	Per second	N/A
Denmark	Per second	Per second
France	Per second	Per second
Germany	Per second	No info
Ireland	Per second	Per second
Israel	Per second from 1/1/09	N/A
Italy	Per second	Per second
Netherlands	Per second	N/A
Poland	Per second	Per second
Sweden	Per second	Per second
United Kingdom	Per second	Per second

With the single exception of Israel, all operators in all countries have confirmed that per second billing is the norm for both mobile termination rates and for national roaming agreements.

In Israel the current mobile termination charging structure is similar to New Zealand. However, this will change to charging on a per second basis as of 1st January 2009.

We assume that emails from operators active in these markets will provide the Commission with the 'evidence' that you require, the relevant quotes from each operator are included as an appendix to this letter. We will forward any / all emails that the Commission requests and we will let you know about any additional responses we receive. Naturally, we would be unable to provide national roaming agreements as evidence as these will be commercially confidential to the participating operators. However, representatives from

have volunteered to make themselves available for a conference call with yourself and Commissioner Patterson. They all have national roaming agreements and are prepared to discuss the types of roaming deals that have been agreed in these more competitive markets.

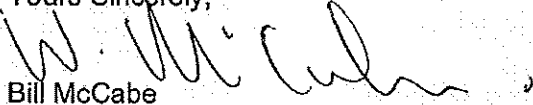
Any investigation of national roaming would need to consider what an appropriate benchmarking regime should be. We would encourage the Commission to ask operators such as whether they would share the prices that they pay for national roaming in their respective territories. We believe that bidders for national roaming in these jurisdictions base their bids on marginal cost prices and that these, rather than MTR should provide a better benchmark for national roaming pricing in New Zealand where there is effectively a monopoly provider. Besides, we know that MTRs in the EU have come down by 20% in the 18 months from January 2007 so even if it were established that MT was the appropriate benchmark, the prices today would be much lower and the prices going forward would be lower still.

The impact of per second billing clearly needs to be addressed. As I have argued before, the New Zealand practice of rounding up wholesale prices to the first minute introduces a number of distortions, opportunities for arbitrage, stifles the ability of service providers to compete on retail prices, relies on network quality of terminating networks and is not the norm in the rest of the world.

When considering the impact of first minute rounding it is important to understand more about caller behaviour. The behaviour of mobile callers will vary by customer type – prepaid, on account and business users will all have a tendency for different length calls. It would be inappropriate for example to use a fixed to mobile toll bypass provider's traffic patterns to establish what the true price per minute of calls to mobile is because users of these services will tend to make longer calls (hence the incentive to use the bypass in the first place). Far better would be to analyse the calling behaviour of cost conscious prepaid customers but even here there are flaws in the calculations as Vodafone's "best mate" offer allows calls of any length to be made for a fixed price and so it will skew the results and there will be fewer short calls. If the Commission wanted a true view of call durations they would need to ask Vodafone for the proportion of calls under 1 minute duration made to non-best mate numbers (importantly to include calls to terminating to voicemail) and the average length of those calls. It would also help inform the Commission if you looked at the proportion of off-net calls that were under 1 minute as this is where wholesale costs are incurred. We can, if it would be helpful to the Commission and under conditions of strict confidentiality introduce the Commission to a small fixed line business in New Zealand whose average costs of calling mobiles is over 25c per minute.

Thank you once again for the Commissions efforts. It is appreciated and we look forward to concluding all market entry related issues in due course.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'W. McCabe', written over the typed name.

Bill McCabe  
Chief Commercial Officer  
**NZ Communications Limited**

Quotes received:

Birgit Ehrnleitner, International Roaming Manager, Hutchison, Austria:

*"wholesale charging increment for mobile termination in Austria is per second"*

Autumn Morefield, Commercial Business Manager, International Roaming, TeliaSonera, Sweden:

*"when it comes to national roaming, wholesale charging in Sweden is done per second"*

Karin Falck Christensen, International Billing Analyst & Interconnect Carrier Services, Hutchison, Denmark:

*"For National Roaming we have per second charging."*

Bernhard Sommer, Carrier Relations Manager, Hutchison, Austria:

*"I can tell you that in our national roaming contract the increment is also 1 second without any set up fee or minimum duration. But it is not regulated and therefore we don't know the national roaming agreements of other Austrian operators."*

Marko Rademaker, Manager VDR International Roaming, E-Plus, Germany:

*"In Germany the wholesale charging increment for mobile termination is regulated per second."*

Adi Shelach, Telephone, Israel :

*"As of January 1, 2009 all calls in Israel will be charged per 1 second increments. There is no national roaming in Israel."*

Tim Lord, Regulatory Director, Hutchison UK & Ireland:

*"All national roaming minutes bought by 3 UK are charged on a per second basis rounded up or down to the nearest second. All data is charged on the basis of total Mb of data used in the charging period (month)*

*All national roaming minutes bought by 3 Ireland are charged on a per second basis rounded up or down to the nearest second. All data is charged on the basis of total Mb of data used in the charging period (month)"*

Marc Van Asbroeck, Legal Counsel, Base, Belgium:

*"For Belgium the mobile interconnection is charged per second."*

Antongiulio Lombardi, Regulatory Affairs Director, Hutchison, Italy:

*"they are both calculated per minute for the total sum. The rounding is applied only at the last portion of the sum of all the minutes of the billing period not for every call..."*

Jacek Nieweglowski, Chief Strategy Officer, Play, Poland:

***"We are absolutely certain that if any incumbent tried to enforce the per minute charge, NRA would intervene"***

Robin Saphra, Commercial, Legal and Regulatory Director, City of London Telecom (Colt), Europe:

***"You are right that the norm is per second charging at the wholesale level (although not always at the retail level) around Europe. I can't think of a single agreement where this is not the case."***

Matthew Press, Regulatory Affairs Manager, Optus, Australia:

*"At the wholesale level, the charging increment for all mobile services is calculated per second."*

Marc Van Asbroeck, Chief Legal & regulatory Officer, KPN, Belgium, Germany, Netherlands:

*"Following your request for information on the billing increments used in interconnection billing in the Netherlands, Germany and Belgium, I can confirm that in each of these countries interconnection is billed on a per second basis"*

Jenny Gavel, Carrier Relations Manager, Three, Sweden:

*"In Sweden, 3 is applying the way of either rounding up or down per second according to the length of the call and on each call. The fixed net operator in Sweden, Telia, is not doing any rounding per call, rather just "cutting" each call off and the adding all calls together and the rounding up or down to nearest minute. However, the mobile net operator Telia, is rounding each call down at current. They will in close future change this to the way 3 is doing it."*

Jie Xia , International Roaming Manager, Bouygues, France:

*"Yes, the charging increment in France charged by Orange is per second. For national roaming (fixe-mobile), it's charged per second as well."*

