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Dear Toni,

Commerce Commission Mobile Termination Access Services (MTAS) Review

Thank you for the opportunity to comment on the Commerce Commission's Review of Mobile Termination Access Services (MTAS) draft decision, dated 13 November 2024 (**draft MTAS decision**).

2degrees support the Commission's draft MTAS decision, that reasonable grounds now exist to commence an investigation to determine whether MTAS should be omitted from Schedule 1 of the Telecommunications Act 2001 (**the Act**).

While 2degrees consider MTR regulation was critical to competition when it was introduced – in particular, including with the prevalence of on-net pricing foreclosing competition from new entrants - we agree with the Commission that market conditions have changed since then, meaning that the relevance of regulated MTAS should be reviewed.

2degrees note:

- MTR regulation supported the establishment of a third mobile entrant in 2degrees, when on-net/off-net pricing was a particular concern. The retail mobile market is now much less concentrated with 2degrees having entered and now acquired c.21% market share¹ (and continuing to challenge for market share);
- The New Zealand mobile market is competitive, with the prevalence of on-net pricing no longer a feature preventing competition from new mobile entrants (which includes 2degrees' wholesale MVNO customers);
- The alternatives to MTAS are now widespread - in particular, there is anecdotal evidence that the usage of over the top (OTT) services for both SMS and voice services such as Whatsapp, Facebook Messenger and Teams has grown, including since the 2020 MTAS review². (This is consistent with 2degrees' comment in the 2020 MTAS review, where it

¹ Commerce Commission data.

² 2degrees does not have visibility of OTT traffic across its network, however, as identified by the Commission, there is anecdotal evidence of significant increases in the use of apps, and data usage has substantially increased. We note the Commission's comment at paragraph 3.60 that it will consider sourcing OTT usage, potentially in the form of a representative survey, to inform an investigation.

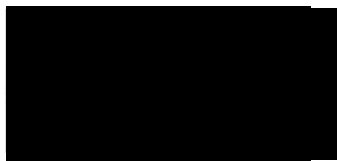
acknowledged that “...over time - as the world continues to move towards OTT applications and data....[we expect]...MTAS regulation overall to be less relevant and increasingly ‘yesterday’s problem’.”;

- Consumer demand is now focussed on data rather than voice and SMS (data usage and data allowances having both substantially increased); and
- We agree with the Commission that there are “low incentives to increase MTAS prices in the current market”.

As is appropriate, the Commission has considered the costs and benefits of a potential review of the regulated MTAS service, and acknowledged that this includes the costs of conducting the review. We agree it is important the anticipated costs of conducting the review are not disproportionate to the benefits that may accrue from it. While we do not consider mobile termination services to be a priority issue for the Commission at this time (given the lack of associated issues), with the clear changes to market conditions (which differ from when the regulation was put in place) we do not anticipate a large, costly or resource-intensive review would be required.

Please don’t hesitate to get in touch if you have any queries in relation to this response.

Yours sincerely,

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Sara Lipanovic
Head of Regulatory Policy