

## Review of Designated & Specified Services under Schedule 1 of the Telecommunications Act 2001: 2degrees' Response to the Commerce Commission, May 2016

Thank you for the opportunity to comment on the *Review of Designated and Specified Services under Schedule 1 of the Telecommunications Act 2001* (the Discussion Document).

2degrees support the Commerce Commission's preliminary views that there are no reasonable grounds to review whether the following services should be deregulated:

- Interconnection with a fixed Public Switched Telephone Network (PSTN)
- Chorus' unbundled bitstream access (UBA)
- Chorus' unbundled bitstream access backhaul
- Chorus' unbundled copper local loop (UCLL)
- Chorus' unbundled copper local loop network co-location
- Chorus' unbundled copper local loop network backhaul (distribution cabinet to telephone exchange)
- Chorus' unbundled copper local loop network backhaul (telephone exchange to interconnect point)
- Chorus' unbundled copper low frequency service (UCLF)
- Local telephone number portability service
- Co-location on cellular mobile transmission sites

We do not support the Commission's preliminary view that there are reasonable grounds to investigate the removal of the following services:

- Retail services offered by means of a fixed telecommunications network
- Local access and calling service offered by means of fixed telecommunications network
- Retail services offered by means of a fixed telecommunications network as part of bundle of retail services

While 2degrees support the removal of unnecessary regulation we consider that it is too early to deregulate these services.

We agree that as technology changes there are increasing substitutes to these products, for example Chorus baseband and VOIP, however in the short term we do not consider that there are sufficient competitive substitutes available to justify an investigation to deregulate.

We note that often, 'substitute' products are not available, for example due to limited coverage. In some cases take-up of substitute products also requires investment by customers in new customer equipment. A significant proportion of our fixed line customers are likely to continue to rely on these products in the short term.

We consider that regulation incentivises commercial solutions and that removal is likely to result in further price rises as well as challenges migrating to Chorus. This will favour Spark. Given there are no direct substitutes for many customers we consider market power exists in these markets and that regulation should continue, consistent with the section 18 purpose statement.

That said, we note that while these services should remain regulated in the short term, we expect these services to justify a full review by the Commerce Commission next time it considers this issue, when technology and substitutes have developed further.

At this later stage, the Commission will have access to longer term trends regarding these services (and substitutes). The outcome of the Telecommunications Act Review will also be known, and the UFB for the most part complete.

We note that we do not consider that maintaining the regulation harms competition or detracts from the purpose statement of the Act in the short term. We consider that it incentivises commercial solutions - Spark can avoid the need for the implementation of regulation if it offers competitive services nationwide. In contrast, the costs of removal of regulation at this time are likely to outweigh the benefits – the downside of cost and time to intervene if removed and required is much greater.