



10 November 2016

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**TRUSTPOWER SUBMISSION: DRAFT REPORT ON WHETHER SPARK'S RESALE VOICE SERVICES SHOULD BE OMITTED FROM SCHEDULE 1**

**PUBLIC VERSION**

1. Trustpower Limited (Trustpower) welcomes the opportunity to provide comments to the Commerce Commission in relation to its *Draft report on whether Spark's Resale Voice Services should be omitted from Schedule 1 of the Telecommunications Act 2001* (the draft report).
2. This submission is in response to the Commission's email dated 3 November 2016, where it stated that its current view is that information obtained from Spark confirms its findings in its draft report that:
  - a) RSPs have been switching or threatening to switch to alternatives to Spark's resale services;
  - b) Spark has responded by offering resale services at lower margins (taking into account the cost of the wholesale inputs Spark pays to Chorus);
  - c) agreements between RSPs and Spark contain volume-based rebates; and
  - d) therefore, there is increasingly effective competition between resale services and wholesale alternatives.
3. We provide brief comments on the realities of switching from PSTN to Baseband IP. We discuss our relationship with Spark, and outline the concerns that we have in relation to contracting with Spark while we build our Baseband IP capability and work with Chorus and our SIP wholesale provider to incrementally switch customers to Baseband IP.
4. [

**]TPCI**

5. [

] TPCI

6. From our experience, Spark is only going to lower its margins on its wholesale services where RSPs demonstrate that they have an alternative service available and have started switching customers off Spark's services. [

] TPCI

7. We have engaged with Spark and tried to negotiate PSTN services at lower price points. We have not been offered resale services at lower margins. This is because Spark knows that we do not have an alternative service available. We are concerned about how Spark will act in the period it takes to develop the capability required to start the transition to Baseband IP.

8. Spark stated at the conference that Spark and RSPs had negotiated rebates that were acceptable to both parties. We note that these were not acceptable to us, however, we had no choice but to agree. We simply had no alternative service available. Our inability to negotiate mutually acceptable outcomes is demonstrated by:

a) [ ] TPCI

b) [ ] TPCI

9. We believe that these concerns will be shared by the smaller RSPs in New Zealand. We would encourage the Commission to consider the impact that this decision is likely to have on these RSPs and their customers. We have the resource available to invest in the systems required to transition from PSTN to Baseband IP - we just need the time to execute. Smaller RSPs may not have this resource, and will likely be faced with higher input costs from Spark as a result. This will impact their ability to make competitive offers to consumers. The retail competition that does exist will likely diminish, while the market share of the incumbents will grow.

10. Those RSPs that have ready access to alternatives will benefit from this decision, while those that do not will hurt. Spark have noted its intention to migrate customers from PSTN to fixed wireless technology. Trustpower, and other RSPs, do not have open access to such fixed wireless alternatives.

11. We would be disappointed if the Commission was to fast-track the deregulation of PSTN when there are no readily available ubiquitous alternatives with the same or similar coverage to PSTN.

12. We would be happy to meet with Commission staff to discuss in more detail the implications of deregulation on our business, and the steps required to complete the transition to Baseband IP.

13. For any questions relating to the material in this submission, please contact me on 07 572 9888.

Regards,

A handwritten signature in black ink, appearing to read "Peter Gregory". The signature is fluid and cursive, written in a professional style.

**PETER GREGORY**  
**BUSINESS MANAGER - TELECOMMUNICATIONS**

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