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New Zealand Productivity Commission  
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**Joint Productivity Commission Draft Report  
Strengthening Trans-Tasman Economic Relations**

1. Vodafone welcomes the comprehensive analysis undertaken in the joint discussion draft, "Strengthening trans-Tasman economic relations" by the Australian and New Zealand Productivity Commissions. The paper provides a comprehensive analysis of the successes, challenges and opportunities for further alignment between the two countries.
2. The scoping study identifies a number of policy initiatives that could further strengthen the trans-Tasman economic relationship. The study identifies a number of transaction costs occurring between borders, with the extent of transaction costs to facilitate trade across borders referred to as the 'thickness' of a border. As the document notes, thinner borders enable closer economic integration.
3. The study identifies that communications costs, and in particular the costs of trans-Tasman mobile roaming, may be an issue that requires further intervention. The study references the joint Australia-New Zealand departmental investigation into trans-Tasman roaming prices currently being undertaken by the Department of Broadband, Communications and the Digital Economy (DBCDE) and the Ministry of Business, Innovation and Employment (MBIE).<sup>1</sup>
4. Vodafone agrees that the ability for citizens of both countries to operate seamlessly between Australia and New Zealand is important if we are to achieve an even closer economic relationship. Roaming offers businesses and consumers the ability to use their mobile phones and mobile data just as they do in their home country.
5. Vodafone considers there are three conditions to ensure that roaming services between New Zealand and Australia meet the objectives set out in the draft report. Competitive retail offers for trans-Tasman roaming services must be available. Protections must be in place to prevent 'bill

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<sup>1</sup> Department of Broadband, Communications and the Digital Economy (DBCDE) and the Ministry of Business, Innovation and Employment (MBIE), *Trans-Tasman Roaming Draft Report*, August 2012

shock'. Roaming terms must be clear and transparent. Our analysis of the trans-Tasman market strongly suggests that these conditions are in place today.

6. The draft report concludes that:
  - Australian and New Zealand consumers pay higher prices for trans-Tasman roaming compared with international price benchmarks; and
  - Australians roaming in New Zealand pay considerably more than New Zealanders roaming in Australia (DBCDE 2012).
7. The draft paper then summarises the draft conclusions from the departmental investigation that:
  - there is limited competition in trans-Tasman retail and wholesale markets; and
  - while wholesale and retail prices and margins have been trending down since 2009 (particularly for data roaming), margins are still high. (The decline in prices is attributed primarily to the ongoing investigation by the two governments.)<sup>2</sup>
8. Vodafone's full submission on the joint MBIE/DBCDE review is available on MBIE's website.<sup>3</sup> In our submission, we identify effective wholesale and retail competition from three competing carriers on each side of the Tasman. Vodafone's pricing compares strongly against international benchmarking, prevailing price caps in the European Union, and underlying costs identified by the departmental consultants, WIK-Consult.
9. The Productivity Commission appears to have drawn a conclusion that Australian and New Zealand consumers pay higher prices for trans-Tasman roaming compared with international price benchmarks. Our analysis suggests that, for New Zealand consumers, this conclusion is out of date and not correct in today's market.
10. There are now three mobile network operators on both sides of the Tasman offering both wholesale roaming and retail roaming services for carriers and customers travelling across the Tasman. These competitive conditions are producing better roaming rates for end users and carriers – a fact identified in the MBIE / DBCDE draft report.
11. Vodafone has analysed GSMA retail roaming data for countries with strong economic ties and contrasted retail prices offered by telecommunications carriers for roaming services with those offered by telecommunications carriers in Australia and New Zealand.<sup>4</sup>
12. Mobile data is a key productivity tool. Vodafone's casual data roaming rate for customers is 50 cents per MB to roam to Australia – one of the lowest international benchmarked rates for data roaming. This rate is just 45% of the current regulated data price cap in place in the EU.

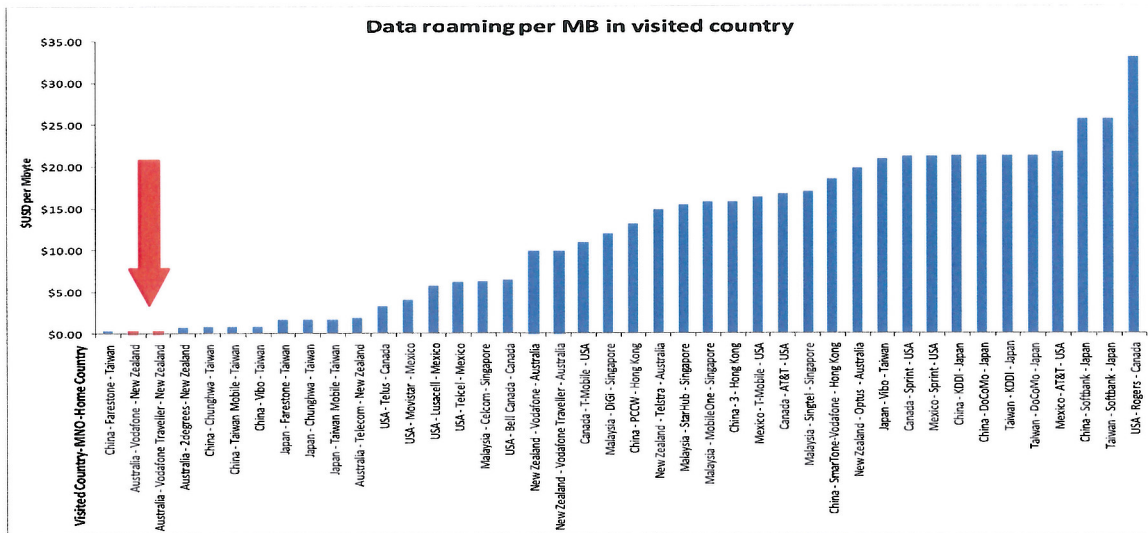
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<sup>2</sup> Productivity Commissions Joint Report, p. 117

<sup>3</sup> Vodafone's submission on the *Trans-Tasman Roaming Draft Report* can be found at: <http://www.med.govt.nz/sectors-industries/technology-communication/pdf-docs-library/communications/mobile-phones/trans-tasman-roaming/Vodafone-submission-TTR-draft-report-sep-2012.pdf>

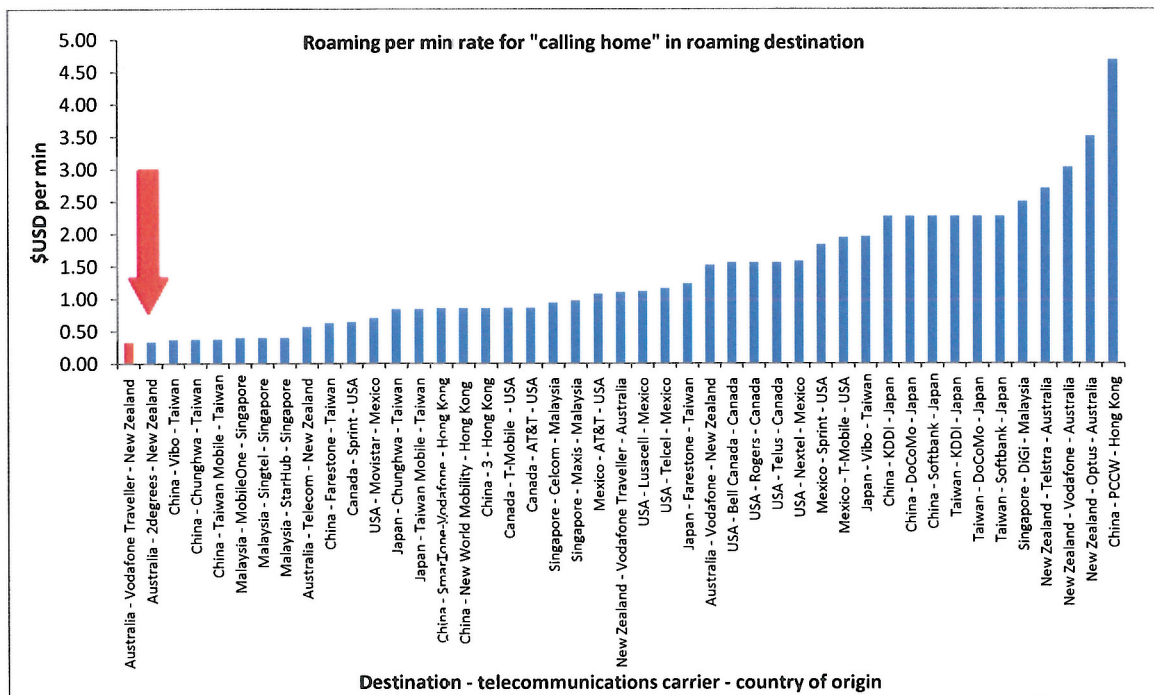
<sup>4</sup> GSMA Non-EU roaming tariff index November 2011 and NZ mobile network operator websites.

Graph 1: Data roaming per MB in roaming in visited country



13. Graph 2 shows the different voice roaming rates for mobile operators offering roaming services to the visited country for "calling home" to their country of origin.

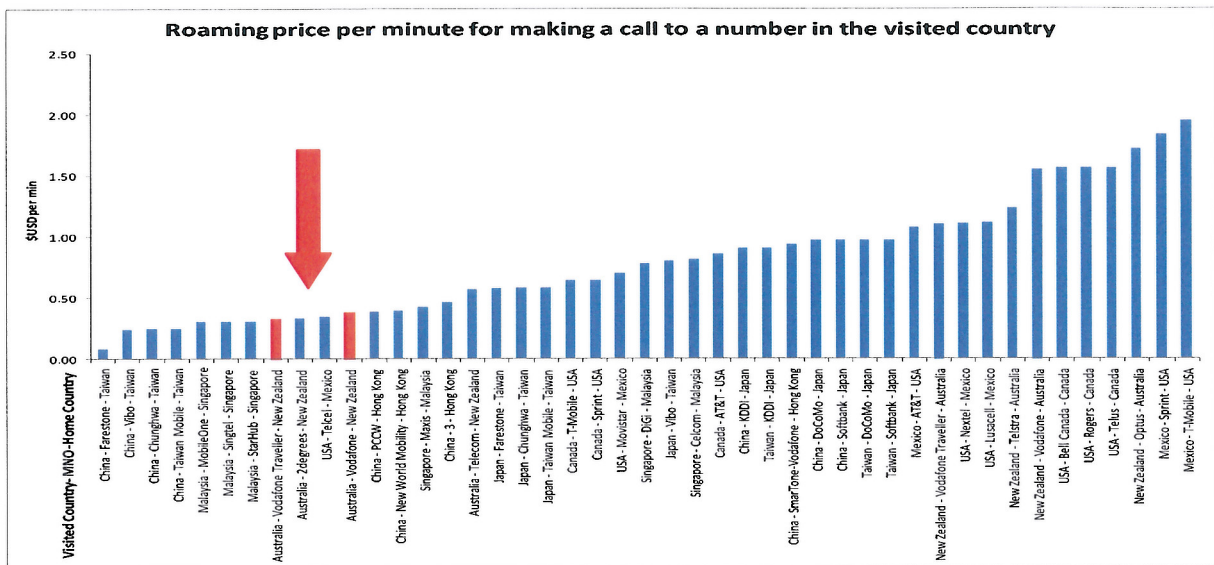
Graph 2: Roaming per minute rate for "calling home" from visited country



14. Graph 3 shows the different voice roaming rates for MNOs offering roaming services to the visited country for "calling a number within the roaming destination".

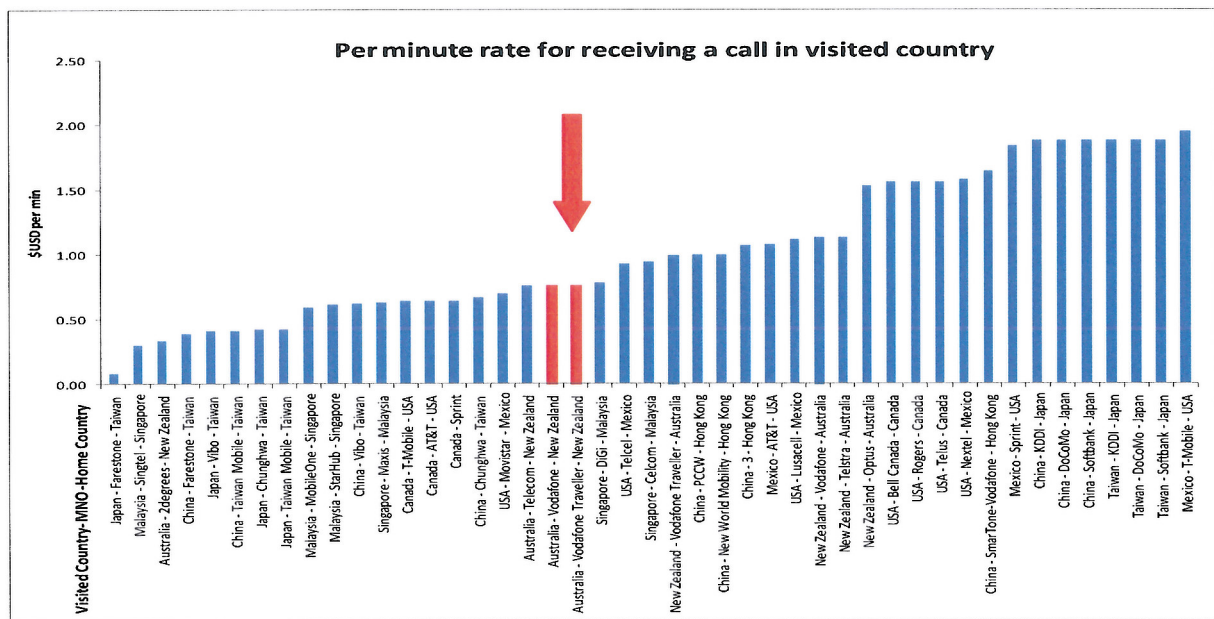


Graph 3: Roaming price per minute for making a call to a number in a visited country



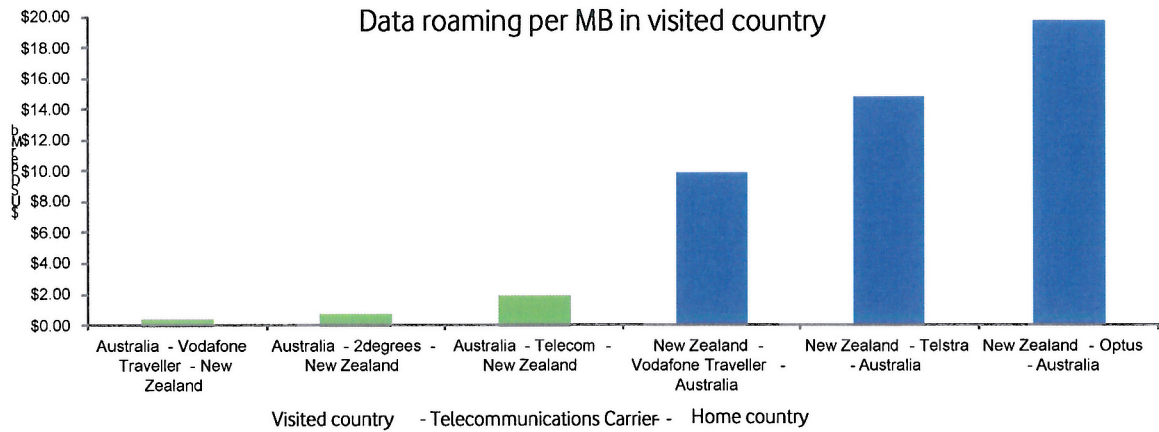
15. Graph 4 shows the different voice roaming rates for MNOs offering roaming services to the visited country in Table 2 for “receiving a call” while roaming.

Graph 4: Roaming price per minute for receiving a call in a visited country



16. Vodafone recommends against the Productivity Commission reaching a conclusion around the international competitiveness of trans-Tasman roaming pricing, in light of the international benchmarking evidence, and in the absence of a finalised joint report from MBIE and DBCDE.
17. The draft report is correct to conclude that Australians roaming in New Zealand pay more than New Zealanders roaming in Australia. This is particularly evident for data roaming, as shown in Graph 6.

Graph 6: Data Roaming per MB to visited country



18. Vodafone fully supports the objectives of the joint Productivity Commissions' report. However, we also consider that the further analysis must be concluded by MBIE and DBCDE before any conclusions can reasonably be drawn by the Productivity Commissions, as to whether trans-Tasman roaming represents either a structural or policy related impediment to the goals of a closer economic market.

Yours sincerely

Chris Abbott  
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**Vodafone New Zealand**