



Comment

To: New Zealand Productivity Commission
From: Telecom NZ
Date: 17 October 2012
Subject: **Joint study: Strengthening trans-Tasman economic relations**

The Australian and New Zealand Productivity Commissions (**Commission**) have asked for feedback on the September 2012 discussion draft relating to opportunities to strengthen economic integration of the Australian and New Zealand economies.

We support strengthening the trans-Tasman economic relationship and initiatives that further strengthen economic relations between the economies. As the Commission notes, CER has undoubtedly delivered real benefits to citizens of both countries.

The Commission has tentatively identified four potential barriers to further integration of telecommunication's markets in the draft report, including differences in regulatory settings and perceived high mobile roaming prices. The Commission has asked for comments on whether deficiencies in telecommunications regulation or differences between New Zealand and Australia impede trans-Tasman integration.

It's unclear whether there are material differences and whether those differences are material for the purposes of trans-Tasman markets. Telstra's supplementary submission indicates that the Australia and New Zealand regulatory approaches are broadly aligned already. Further, although the specific regulatory terms may differ, there is significant alignment of regulatory settings. For example, structurally separated fixed network providers have been established in both economies and key access services regulated. While regulatory differences remain, this is to be expected and likely reflects the circumstances of the different markets.

We agree that there are administrative costs associated with managing different regulatory processes and we should always look for opportunities to reduce regulatory burden. However, the key service provider costs relate to the price of regulated access services, access to standard compliant technologies and the degree of complexity that needs to be built in to supporting systems, i.e. differentiated customer reporting requirements will add complexity and cost to customer management systems. Accordingly, initiatives that minimise these costs are most likely to support economic integration.

Accordingly, there shouldn't be a focus on regulatory alignment for alignments sake. The regulatory setting should be determined by the perceived market failings in the respective markets and rigorous analysis. Where there are perceived weaknesses in either country, policy makers should look to draw from the experience in the other country. However, the fact that regulation exists in the other country is not reason in itself to replicate that regulation domestically.

Ultimately, applying quality regulatory frameworks in each country is the best way to promote trans-Tasman economic integration. These frameworks, for example, require a principled approach and consideration of the full costs and benefits of any proposal (including the benefits of supporting standards compliant technologies). There are already initiatives underway, domestically, to achieve this.

Taking a broader perspective, Telstra suggests there are opportunities for further trans-Tasman collaboration. While we do not have a view on the specific proposals, we generally support such initiatives as there are real benefits to trans-Tasman collaboration. As noted in submissions, officials and industry from both countries already work together on common issues such as aligned spectrum policy and industry Codes (through the TCF).

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