

December 7, 2007

Richard Wood
Internet New Zealand
(By email)

**Comments on Internet New Zealand Peering Consultation Document – 7
November 2007**

Dear Richard,

Internet New Zealand has sought feedback on its Peering Consultation Document, November 2, 2007.

TelstraClear appreciates the opportunity to comment and is also grateful for the opportunity to meet with Dr Murray Milner to outline its views on the matter.

During that meeting TelstraClear noted that, since the introduction of its Domestic Internet access service in 2004, the company has established straightforward commercial arrangements with a wide range of organisations. These exist in direct competition with Telecom and provide customers with access to the vast majority of New Zealand Internet users.

We also note that since 2004 the Internet experience for end users has improved significantly, with a broadband market that delivers faster speeds and lower prices. As a general comment, we concur with Internet New Zealand's view that the issue of peering has been an emotional one for some parties, with a lack of facts to support some claims.

TelstraClear makes the following comments on the report:

- We agree that there is no evidence of market power in the provision of national Internet transport services.
- We support your conclusion that regulation is not required. Further, TelstraClear has invested significant time and resource in driving regulatory change to allow for true competition. This is now in the process of being delivered and we would oppose any unnecessary distraction to the process of market reform.
- It is not clear how the creation of separate pricing for local and international traffic would benefit end users, or how it could be effectively implemented.

We note the report's statement that "even with the increased use of New Zealand based Internet sites, the trend towards higher proportions of international traffic will continue" and question how split traffic pricing would aid rather than impact end users.

Separate pricing would also be confusing for customers in comparison to the current blended charging approach. For example, consumers might assume that any site with a '.co.nz' address would be New Zealand based, but this is not the case.

- The report makes several references to the impact peering exchange changes have had on content providers. Comments such as "More and more New Zealand based providers are hosting their content outside of New Zealand" are not substantiated. Aside from Radio New Zealand, which already had an overseas server and supplies content to an offshore audience, the report offers no examples.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Mathew Bolland', written in a cursive style.

Mathew Bolland
Head of Corporate Services