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22 May 2008

Dr Ross Patterson
Telecommunications Commissioner
Commerce Commission
WELLINGTON

Dear Ross,

Re: Locking of Mobile Handsets

Thank you for your letter of 29 April 2008 outlining the Commission's views in relation to Vodafone's proposal for the general introduction of locked handsets into the New Zealand market.

At the time of receiving your letter, Vodafone had already put in place plans to commence selling locked handsets. In this regard, Vodafone had purchased (and imported) a number of locked handsets from its overseas suppliers, and had commenced stocking its stores with the same. As you are aware, Vodafone commenced selling locked handsets to consumers at the beginning of May 2008.

As a result of the responses it has received from its customers, Vodafone has decided that, for the time being, it will change its policy and no longer order locked handsets.

Vodafone will, however, continue to sell to consumers those locked handsets that are already in our supply chain or on firm order. Vodafone will make it clear to customers who buy these handsets that should they wish to unlock the handset in the future, they will be able to call a freephone number and do so free of charge.

Vodafone does not consider handset locking will restrict competition on price and service over the provision of mobile services in New Zealand, as your letter suggests. Rather, Vodafone believes handset locking (and charging to unlock handsets) is consistent with competitive behaviour that occurs in many telecommunications markets where mobile telecommunications services are sold. Vodafone therefore reserves the right to review in the future its decision on whether to lock handsets. As part of this review Vodafone may also reconsider whether to charge differentially for locked and unlocked handsets, including giving prospective customers the choice.

I would welcome the opportunity to have a discussion with you on this matter now that this decision has been made. In any event, should you have any further queries in relation to this matter, feel free to contact me on 021 639977.

Yours sincerely,



AP Tom Chignell
General Manager, Corporate Affairs