

Regulated Services

An marginal extension of sanity in a monopolist's heaven

There is no mobile competition in New Zealand

The extension of these services is a small step to level playing field

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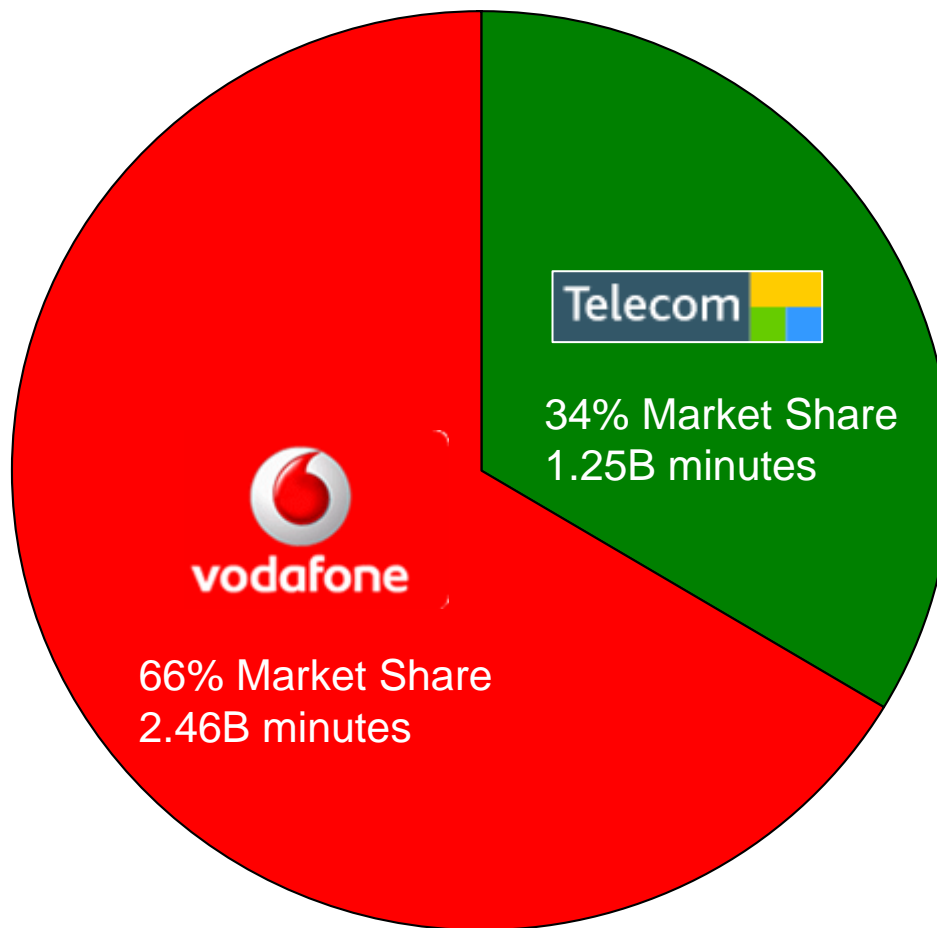
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- The NZ mobile market is the laughing stock of the world
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- Econet's estimate of the monopoly rent extracted from the NZ consumer as a consequence of the delay of this conference

The NZ mobile market is the laughing stock of the world

- No roaming Regulation without price isn't regulation at all
- No co-location Regulation without price isn't regulation at all
- No number portability 10+ years and still waiting
- No competition Only two operators. Even Samoa has 3!
- Some of the highest prices in the world

Telecom has been busted. The real monopolist in mobile is Vodafone

NZ Mobile Market shares – 2005
Vodafone has Significant Market Power

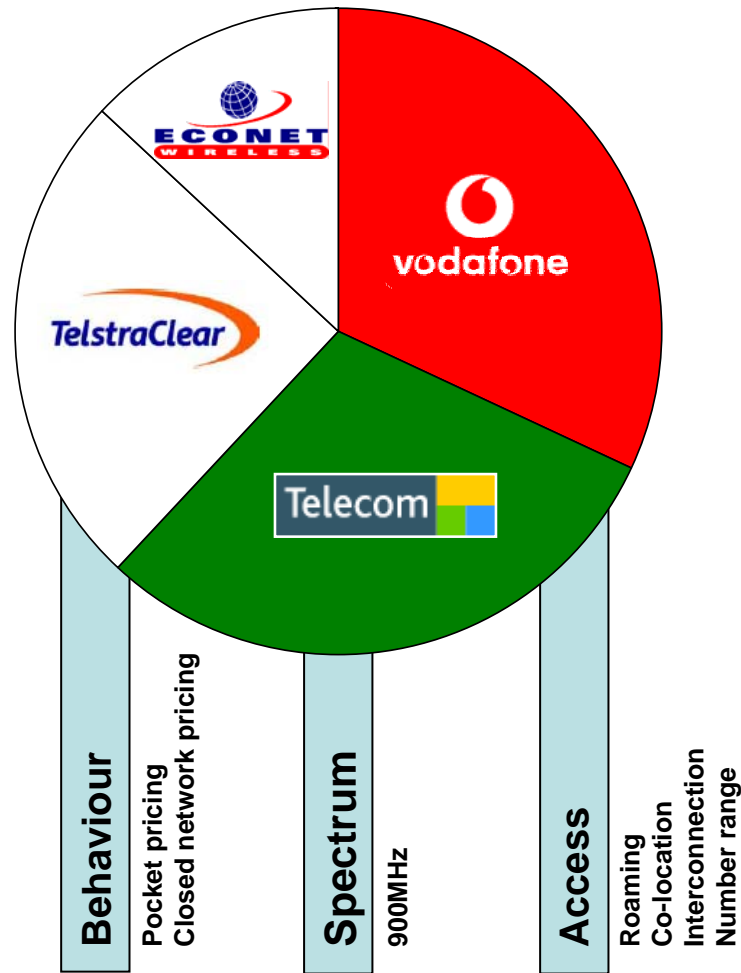


Source: Telecom NZ Annual Report 2005

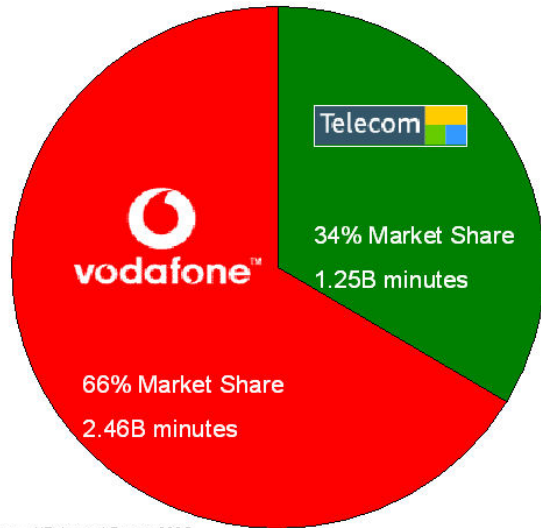
Vodafone NZ MTR submission to Commerce Commission



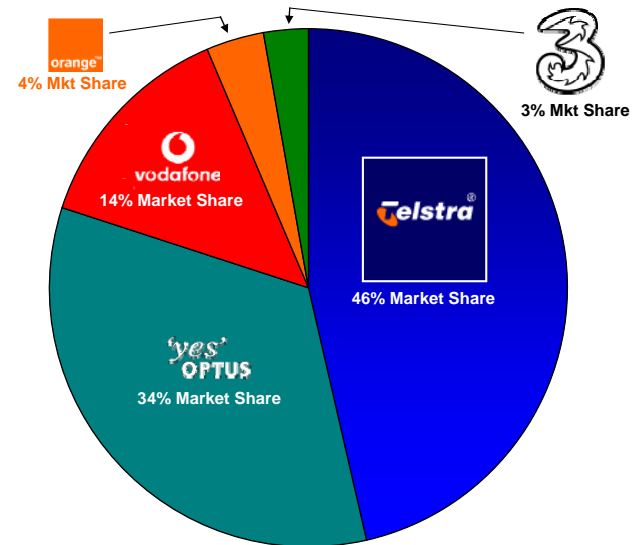
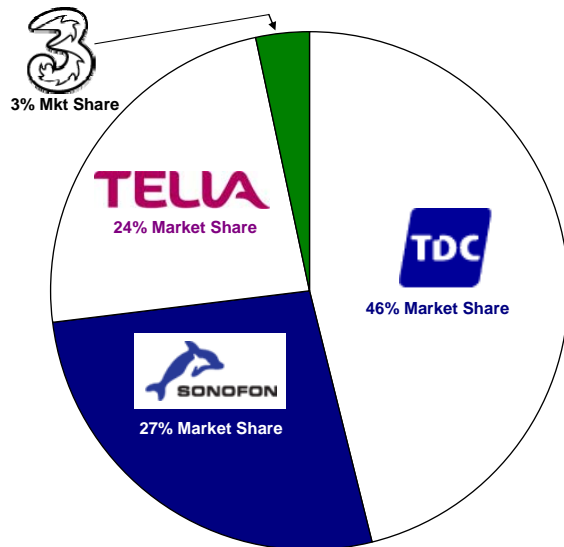
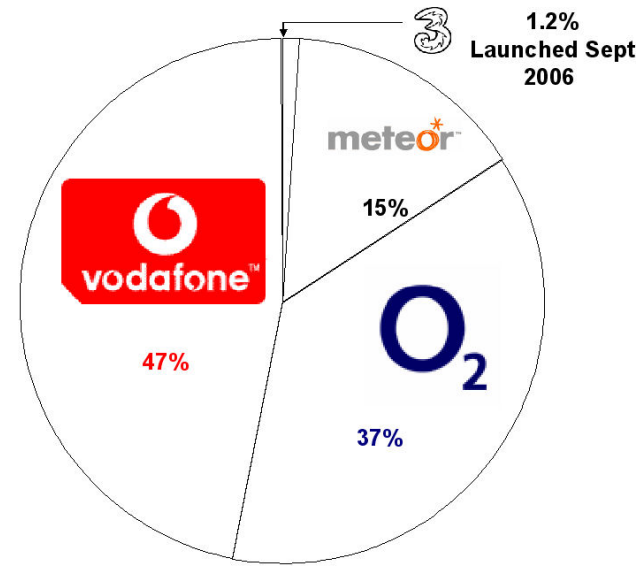
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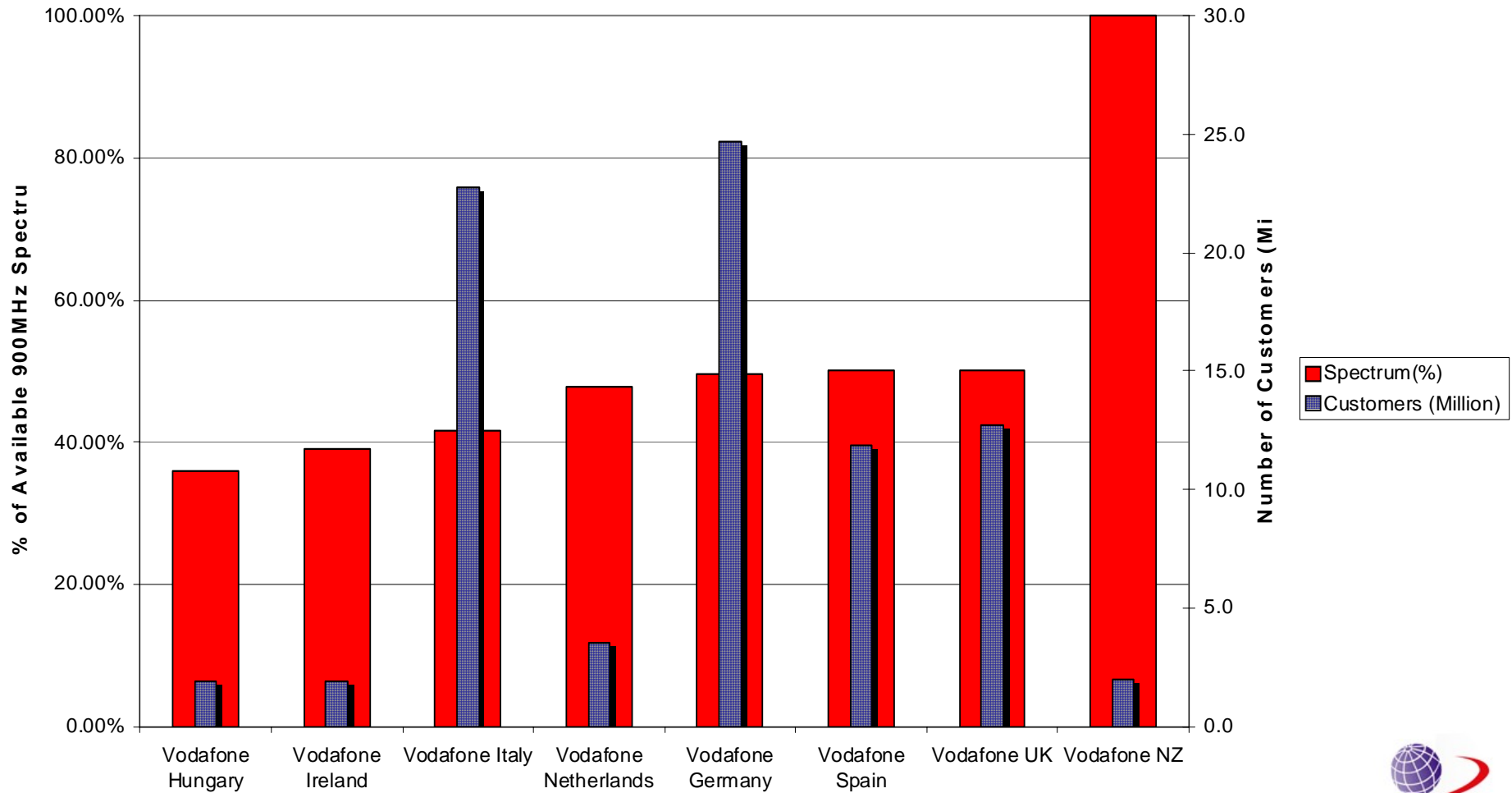


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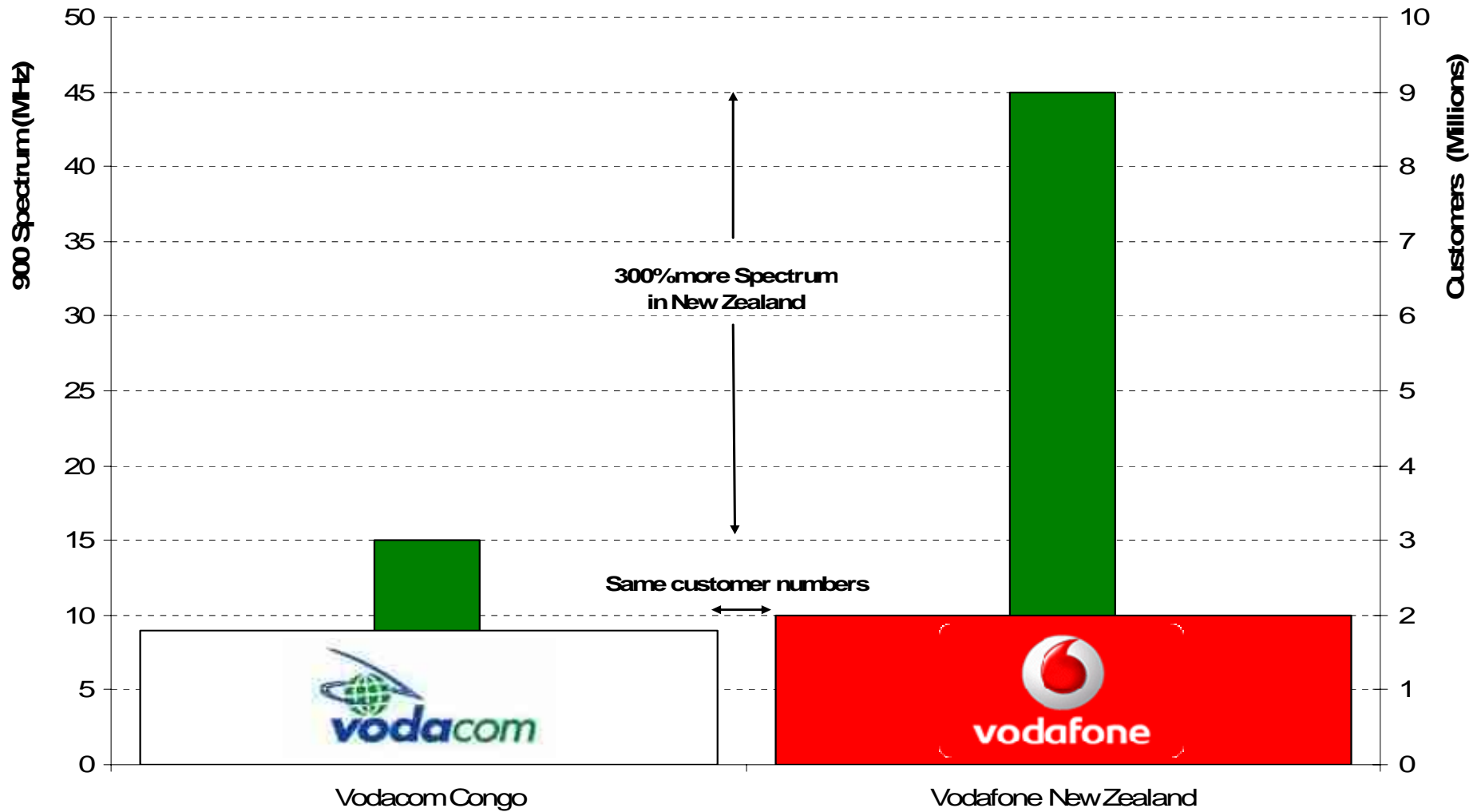


New Zealand's worst policy failure

Vodafone is a GSM monopolist



Vodafone has 300% more 900MHz spectrum in New Zealand for a network with the same number of customers as they have in Congo.



New Zealand's national disgrace was the 1998 decision to encourage pocket pricing which ended network competition aspirations in NZ and transformed NZ to a telecommunications backwater

- 1991 Failure privatisation of TCNZ without a industry specific regulator
- 1995 Baumol Willig decision to perpetuate monopoly rents
- 1996 Failure to license more mobile networks when OCED countries first visualized 100% penetration
- 1996 Failure to support Bell South's cry for help with the Competition Quartet re anti competitive behavior from TCNZ
- 1996 Failure to recognize TCNZ's monopoly rents on the fixed line network
- 1998 Failure to sort out pocket pricing by the incumbent Telecom
- 1998 Failure to introduce Number Portability
- 1998 Failure to attract any more network entrants during the technology boom
- 1999/2000 Failure to prevent incumbents holding up spectrum auctions, taking 9 months to sell new spectrum
- Failure to conduct an inquiry to see if there was collusion in the spectrum sales which took 9 months, in the period that cellphone penetration was booming
- 2000 Failure to adopt meaningful recommendations of Fletcher report into telecommunications
- 2000 Failure to prevent Telecom shutting down I 4 Free
- 2001 Failure to prevent the new entrant "Clear" from being sold to an incumbent neighbour Telstra
- 2001 Failure to insert behavior into the 2001 Telecommunications Act
- 2001 Failure to include price regulation for roaming & co-location, rendering existing regulation ineffective
- 2001 Failure by government to understand how a monopoly will never offer commercial terms to a competitor
- 2002 Failure to prevent Vodafone from buying the last vestiges of 900 spectrum, despite its already huge hoards of spectrum
- 2004 Failure to unbundle local loop
- 2005 Failure of Telstra to build a mobile network
- 2005 Telecom buy up WiMAX spectrum, snubbing the Commerce Commission pending ComCom decision
- 2005 NZ rated highest mobile phone costs in OECD
- 2006 NZ rates slowest broadband take up
- 2006 NZ still at bottom of the world for mobile prices, mobile usage and broadband roll-out

Roaming services - it's a joke

- Roaming has a ton of conditions which cancel out the benefit of it
- Econet negotiated with Vodafone for a year in 2002, only to be given a price that was around 5x OECD average, and way above retail prices
- Econet negotiated roaming with Vodafone for most of 2005 and into 2006. Still there has been no progress because price is not regulated. Econet wants cost-based pricing (a.k.a. TSLRIC); Vodafone wants retail pricing (a.k.a. Baumol-Willig). Therefore, there is no agreement.
- Lack of roaming means lack of entry into the market. Capital providers balk at antiquity relative to other markets
- Even if price is included, there are a range of fundamental problems:
 - The service can only last 5 years
 - Vodafone can switch off the service if we don't meet even one roll-out milestone
 - We can't make an application to Commissioner if we already have an agreement: so we can't enter the market until the Commissioner makes a decision
- These make it impossible for a new entrant business case
- Roaming negotiations are “gamed” by incumbents
 - Ridiculous opening position
 - Trivialising pricing
 - Long-winded negotiations

Co-location progress in New Zealand is an environmental disaster that the incumbent should be financially responsible for cleaning up

- Co-location has been handed to an industry forum
- This forum is dominated by incumbents with no incentive to provide co-location – it's a farce
- They are asked to write a Code which can't be enforced and doesn't deal with price
- The result: no progress whatsoever:
 - A Code was written by December 2003 by incumbent-dominated forum
 - It was rejected by the Commission because it did not facilitate competition
 - In May 2006 - nearly **3 years later!!!** - the Commission will have a look at the second draft!
 - In the meantime, no new entry has emerged and NZ's prices have rocketed to the highest in the OECD
 - This is beautiful for the incumbents; a horror story for the new entrants
- The meetings are a tax on new entrants – they waste time and frustrate
- TCF – again, the self-regulatory façade enables incumbents to hide behind a pyrrhic solution
- *The root cause of this is that the regulations don't deal with price*

This is an unnecessary conference (the only new information is a chocolate cookie recipe)

CHOCOLATE CHIP BISCUITS.- *from the Edmonds Cookery Book*

125 g butter, softened

¼ cup sugar

3 tablespoons sweetened condensed milk

½ cup chocolate chips

few drops vanilla essence

1½ cups standard plain flour

1teaspoon baking powder

Cream butter, sugar, condensed milk and vanilla until light & fluffy. Sift flour and baking powder together. Mix sifted dry ingredients and chocolate chips into creamed mixture. Roll tablespoonsful of mixture into balls. Place on greased oven tray flatten with a floured fork. Bake at 180°C for 20 minutes.

Makes 25.