COMMERCE COMMISSION

Telecommunications Key Statistics – September Quarter 2007

Introduction

1. The Commission is required to undertake telecommunications sector monitoring and information dissemination, so produces regular monitoring reports. This particular report is a regular quarterly monitoring report that utilises readily available key statistics[1].

2. A more comprehensive set of statistics, commentary and analysis of New Zealand's telecommunications markets is planned to be presented in an annual 'state of the market' report early next year.

Broadband Connections

3. Most broadband connections in New Zealand are provided by Telecom over a standard copper telephone line using DSL technology, and the Commission reports the number of these connections each quarter. In around one quarter of the cases Telecom wholesales the service to another retailer.

4. Some broadband connections are also provided via co-axial cable and fixed wireless technologies, including satellite, by other providers. The Commission reports the number of these non-DSL broadband connections every six months.

5. The total number of broadband connections as at 30 June 2007, which was reported in the June quarterly report, has been updated to take account of revised numbers provided to the Commission since the publication of the June quarterly report. The Commission has not counted broadband connections supplied by way of cellular data cards as these are not counted by the OECD in its statistics.

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[1] **Notice of Disclaimer**

Table 1: Telecom Fixed Line Broadband Connections[2]

DSL broadband connections	30 September 2007		30 June 2007		31 March 2007		31 December 2006	
Retail	455,000	71%	440,000	73%	420,000	74%	395,000	76%
Wholesale	188,000	29%	165,000	27%	145,000	26%	127,000	24%
Total	643,000	100%	605,000	100%	565,000	100%	522,000	100%

Source: Telecom

Table 2: Total Broadband Connections

Total broadband connections	30 June 2007	
DSL	605,000	88%
Cable	47,900	7%
Fixed Wireless	31,600	5%
Total	683,500	100%

Source: Commerce Commission, Telecom

6. The latest statistics comparing the total number of broadband connections in New Zealand with the rest of the OECD are for 30 June 2007[3]. The OECD estimated there to be 16.5 broadband subscribers per 100 population in New Zealand (88 percent of the OECD average) to give New Zealand a rank of 20 out of 30 in the OECD.

Average Prices

7. It is difficult to accurately measure how prices faced by telecommunications end-users are moving over time because of changing buyer behaviour, changing products and complex tariffs like capped calling.

8. Telecom publishes average calling prices and the Commission tracks these as one indicator of prices. The Commission has also calculated average access revenue per line as a proxy for the fixed line rental charged by Telecom. In addition, the Commission tracks the $NZ cost of some of the fixed and mobile tariff baskets used for OECD benchmarking.

[2] Broadband connections include all plans with download speeds of 256 kbps or greater
[3] http://www.oecd.org/document/60/0,3343,en_2649_33703_39574076_1_1_1_1,00.html

Table 3: Telecom Average Prices

Telecom average prices[4]	Quarter to 30 Sept 2007	Quarter to 30 June 2007	Quarter to 31 March 2007	Quarter to 31 Dec 2006	% change from Dec annualised
Calls to mobile	32.8 cpm[5]	33.7 cpm	35.5 cpm	35.6 cpm	-10.5%
National calls	9.0 cpm	9.7 cpm	10.3 cpm	10.5 cpm	-19.0%
Outward international calls	17.4 cpm	18.2 cpm	18.3 cpm	18.7 cpm	-9.3%
Access revenue per line[6]	$43 per month	$43 per month	$43 per month	$43 per month	0%

Source: Telecom

Market Revenues

9. Comparing the trends in revenues earned in the different telecommunications markets gives an indication of the dynamics of the market. Telecom publishes quarterly revenues for the different areas of its business, and the Commission has been tracking revenues from what it considers to be core telecommunications services.

Table 4: Telecom Core Revenues

Telecom core revenues	Quarter to 30 Sept 2007		Quarter to 30 June 2007		Quarter to 31 March 2007		Quarter to 31 Dec 2006	
	Amount ($ m)	% of total	Amount ($ m)	% of total	Amount ($ m)	% of total	Amount ($ m)	% of total
Local service revenue	260	32%	264	32%	262	31%	260	31%
National calling[7]	58	7%	60	7%	63	8%	65	8%
International calling[8]	29	4%	27	3%	31	4%	32	4%
Calls to mobile	66	8%	66	8%	71	9%	72	9%
Mobile calling	126	15%	130	16%	130	16%	132	16%
Mobile data	57	7%	55	7%	55	7%	57	7%
Broadband and internet	80	10%	88	11%	73	9%	83	10%
Traditional data services	60	7%	59	7%	63	8%	59	7%
Managed IP services	46	6%	45	5%	46	6%	43	5%
Interconnection	35	4%	33	4%	38	5%	39	5%
Total	817	100%	827	100%	832	100%	842	100%

Source: Telecom

[4] Excluding GST
[5] Cents per minute
[6] Total business and residential access revenue for quarter divided by total business, residential and centrex lines rounded to nearest dollar.
[7] National calls and national 0800 calls.
[8] Inwards and outwards calls, so excludes transit revenues

10. Telecom continues to derive nearly one third of its core revenues from local service, which is largely monthly voice line rental. The share of revenue generated by each of the other types of service remains largely static while total revenue continues its slow decline. Broadband and internet revenue fell in part due to customer refunds during the quarter for the issues encountered with the migration to the new Yahoo!Xtra Bubble platform.

OECD Benchmarking

11. In order to compare the costs of telecommunications services in different countries, the OECD has developed a series of standard consumption baskets reflecting different telecommunications end-user profiles. Details of publicly available plans are used to calculate the cheapest cost of filling each basket in each OECD country. This work is performed by Teligen and the underlying data is available on a subscription basis. The Commission has started to supplement the Teligen results by putting additional commonly used fixed line plans into the baskets, including TelstraClear's residential plans.

12. The tables below indicate how New Zealand products rank against the best plans of other OECD countries. The results are indicative only and need to be interpreted with caution as the baskets will differ from New Zealand customer profiles and do not capture special or confidential deals.

Mobile Plans

13. The price of Vodafone's Base plans decreased since the June quarter, improving New Zealand's ranking in all the mobile baskets. However, all the unavoidable restrictive conditions of the Base plans, which make these plans particularly unattractive, are still in place. Internationally, mobile prices continue to fall so the rankings of all the other New Zealand plans surveyed, whose prices haven't changed, have fallen slightly.

Table 5: Mobile Low User Basket

Carrier and Plan	**August 2007**			**May 2007**			**February 2007**			**November 2006**		
	Rank from 30[9]	% of avg[10]	Price in $NZ[11]	Rank from 30	% of avg	Price in $NZ	Rank from 30	% of avg	Price in $NZ	Rank from 30	% of avg	Price in $NZ
Vodafone Base 20	14	89	213	17	103	255	15	101	257	22	118	300
Telecom FLEXI Mytime	27	140	336	24	135	336	26	133	336	26	132	336
Vodafone Motormouth Prepay	28	161	387	28	155	387	29	153	387	28	152	387
Telecom Go Prepaid Mates' Rates[12]	28	205	493	29	198	493	30	194	493	30	194	493

[9] The rank is calculated taking the cheapest $US/PPP plan given for every OECD country apart from NZ, and assuming the NZ plan named is the one plan selected for NZ.
[10] Calculated by comparing the plan price with the average of the top ranked plans for each OECD country
[11] Annual cost excluding GST, rounded to the nearest dollar.
[12] Teligen figure amended to correct for overstated cost of calls to Cellular Secretary.

Source: Teligen T-Basket, Commission.

14. The Commission continues to note that the top ranked low user plan for New Zealand, Vodafone's Base 20 plan, has an extraordinary number of restrictive conditions, including a two year contract term, heavy early termination penalties, no handset rebate and no international roaming[13], which is likely to make it unattractive to the vast majority of mobile phone users. The Commission is not aware of any plans overseas that are similarly restrictive.

15. Telecom's prepay voice call charging policy is to charge per minute (rounding up the nearest minute) while with Vodafone the prepay policy is, after the first minute, to charge per second. This means that although the headline tariffs of Vodafone Motormouth prepay and Telecom's Go Prepaid Mates Rates plan are the same, the actual cost of the Telecom plan is significantly higher.

Table 6: Mobile Medium User Basket

Carrier and Plan	August 2007			May 2007			February 2007			November 2006		
	Rank from 30	% of avg	Price in $NZ	Rank from 30	% of avg	Price in $NZ	Rank from 30	% of avg	Price in $NZ	Rank from 30	% of avg	Price in $NZ
Vodafone Base 60	12	89	385	20	111	491	19	106	491	25	130	598
Vodafone Choose 60 + Your Time 100 + TXT 100	27	153	661	26	149	661	26	142	661	27	143	661
Telecom FLEXI Anytime	29	188	811	30	183	811	29	175	811	29	176	811

Source: Teligen T-Basket.

16. The Commission continues to note that the top ranked medium user plan for New Zealand, Vodafone's Base 60 plan, has the same restrictive conditions as the Base 20 plan. Other plans continue to rate poorly. In calculating the price of the second ranked plan, Vodafone's Choose 60, Teligen has included bonus minutes given when a 36 month term is selected which reduces the cost somewhat compared to a shorter term, e.g. selecting a 24 month term would push the price up by around $42.

Table 7: Mobile High User Basket

Carrier and Plan	August 2007			May 2007			February 2007			November 2006		
	Rank from 30	% of avg	Price in $NZ	Rank from 30	% of avg	Price in $NZ	Rank from 30	% of avg	Price in $NZ	Rank from 30	% of avg	Price in $NZ
Vodafone Base 150	16	93	664									
Vodafone Choose 120 + Your Time 100 + TXT 100	24	124	887	24	117	887	22	114	887	23	115	887
Telecom FLEXI Anytime	30	191	1369	28	180	1369	30	177	1369	30	177	1369

[13] Vodafone has announced that will offer international roaming on its Base plans from 7 January 2008.

Source: Teligen T-Basket.

17. With its price reduction, Vodafone's Base 150, which hasn't been ranked before, is now the cheapest high user plan, supplanting the Vodafone Choose 120. However, this Base plan has the same restrictive conditions as the other Base plans. Other plans continue to rank more poorly.

Fixed line plans

18. There was no change in Telecom's fixed line tariffs since the June quarter. A small reduction (3 cents per minute) was made to fixed-to-mobile rates on 1 September, so just missed being captured in these results.

19. There was also no change in TelstraClear's tariffs but the Commission has corrected several minor errors it made when reporting on TelstraClear's plans in the June quarterly report[14]. TelstraClear's May figures have also been corrected for consistency. The Commission has stopped tracking the lower priced Wellington and Christchurch version of the TelstraClear HomePlan resale product as it is no longer promoted and is available on application only.

20. Fixed line prices in some other OECD countries have decreased, leading to the ranking of all the NZ plans surveyed to fall slightly.

Table 8: Fixed Line Residential Low User Basket

Carrier and Plan	**August 2007**			**May 2007**		
	Rank from 30	**% of avg**	**Price in $NZ**	**Rank from 30**	**% of avg**	**Price in $NZ**
Telecom Anytime – AUCK, WGTN, CHCH	27	133	681	27	131	681
Telecom Anytime – rest of NZ	29	144	737	28	142	737
Telecom Homeline, $3 weekends and nights – WGTN, CHCH	27	140	713	28	138	713
Telecom Homeline, $3 weekends and nights – rest of NZ	30	156	794	28	153	794
TelstraClear InHome, Talk 24/7 – cable network WGTN, CHCH	24	111	568	22	110	568
TelstraClear HomePlan, Talk 24/7 – resale all of NZ[15]	29	141	723	28	139	723

Source: Teligen T-Basket, Commission.

21. For the low user basket, TelstraClear's cable plan gets the highest NZ ranking at 24 out of 30 and 111 percent of the OECD average. The default plan for Telecom customers, Homeline, gets the lowest ranking, with the standard plan applying outside of Wellington and Christchurch ranking 30 out of 30 and 156 percent of the OECD average.

[14] The InHome plan discount for calling spend of over $80 a month was recognised and a fixed component for connection charges was added to HomePlan costs.

[15] A lower price is available on application for Wellington and Christchurch

Table 9: Fixed Line Residential Medium User Basket

Carrier and Plan	August 2007			May 2007		
	Rank from 30	% of avg	Price in $NZ	Rank from 30	% of avg	Price in $NZ
Telecom Anytime – AUCK, WGTN, CHCH	28	132	915	26	129	915
Telecom Anytime – rest of NZ	28	140	971	28	137	971
Telecom Homeline, $3 weekends and nights – WGTN, CHCH	28	154	1,067	28	151	1,067
Telecom Homeline, $3 weekends and nights – rest of NZ	30	166	1,148	28	162	1,148
TelstraClear InHome, Talk 24/7 – cable network WGTN, CHCH	23	116	803	25	114	803
TelstraClear HomePlan, Talk 24/7 – resale all of NZ	25	123	851	25	120	851

Source: Teligen T-Basket, Commission.

22. For the medium user basket, both TelstraClear's plans are higher ranked than Telecom's. Its cable network plan available in Wellington and Christchurch gets the best result, ranking 23 out of 30 and 116 percent of OECD average.

Table 10: Fixed Line Residential High User Basket

Carrier and Plan	August 2007			May 2007		
	Rank from 30	% of avg	Price in $NZ	Rank from 30	% of avg	Price in $NZ
Telecom Anytime – AUCK, WGTN, CHCH	25	132	1,573	25	130	1,573
Telecom Anytime – rest of NZ	26	137	1,629	26	134	1,629
Telecom Homeline, $3 weekends and nights – WGTN, CHCH	27	163	1,941	28	160	1,941
Telecom Homeline, $3 weekends and nights – rest of NZ	29	170	2,023	28	167	2,023
TelstraClear InHome, Talk 24/7 – cable network WGTN, CHCH	19	104	1,238	17	102	1,238
TelstraClear HomePlan, Talk 24/7 – resale all of NZ	19	104	1,232	16	102	1,232

Source: Teligen T-Basket, Commission.

23. For the high user basket, TelstraClear's plans are again higher ranked than Telecom's, with both its plans ranking 19 out of 30 and 104 percentage of the OECD average. The margin by which Telecom's plans exceed the OECD average reaches 170 percent for its default Homeline plan applying outside of Wellington and Christchurch. This is largely due to the high cost of fixed-to-mobile calls.

Table 11: Fixed Line Business SOHO Basket

Carrier and Plan	August 2007			May 2007			February 2007			November 2006		
	Rank from 30	% of avg	Price in $NZ	Rank from 30	% of avg	Price in $NZ	Rank from 30	% of avg	Price in $NZ	Rank from 30	% of avg	Price in $NZ
Telecom Business Time	24	126	1120	25	125	1120	25	121	1120	24	122	1120

Source: Teligen T-Basket.

24. The price of the Telecom Business Time plan used in the SOHO basket has not changed, although the decreasing cost of some overseas plans means its margin above the OECD average has increased a little to 126 percent.

25. Benchmarking business costs is more problematic than benchmarking residential costs because businesses are more likely to be offered discounts and services whose prices are confidential. The Commission has reported the OECD's SOHO (small office/home office) basket results only, which are less likely to be subject to these problems.

26. Currently Teligen surveys only Telecom for its SOHO basket so the Commission may, in future, look to supplement this result with results from other providers.