



COMMERCE COMMISSION

Telecommunications Key Statistics – March Quarter 2007

Introduction

1. In response to new requirements to undertake telecommunications sector monitoring and information dissemination, the Commission has started producing monitoring reports. This particular report is the second of an intended series of quarterly monitoring reports using readily available key statistics¹.
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.

Broadband Connections

3. Most broadband connections in New Zealand are provided by Telecom over a standard copper telephone line using DSL technology. In many instances Telecom wholesales the service to another retailer.

Table 1: Telecom Fixed Line Broadband Connections²

Broadband connections	31 March 2007		31 December 2006	
Retail	420,000	74%	395,000	76%
Wholesale	145,000	26%	127,000	24%
Total	565,000	100%	522,000	100%

Source: Telecom 2007 Results

¹ Notice of Disclaimer

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² Broadband connections include all plans with download speeds of 256 kbps or greater

4. The latest available statistics giving the total number of broadband connections in New Zealand compared to the rest of the OECD are for 30 December 2006³. In addition to the 522,000 DSL connections at that date, the OECD estimated there to be around 25,000 cable modem connections and 29,000 fixed wireless connections, giving New Zealand a total of 14 broadband subscribers per 100 population (83 percent of the average) to rank 21 out of 30 in the OECD. The OECD does not generally count cellular data cards when calculating broadband rankings.

Average Prices

5. 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.
6. 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 baskets used for OECD benchmarking.

Table 2: Telecom Average Prices

Telecom average prices⁴	Quarter ended 31 March 2007	Quarter ended 31 December 2006	% change annualised
Calls to mobile	35.5 cpm	35.6 cpm	-1.1%
National calls	10.3 cpm	10.5 cpm	-7.6%
Outward international calls	18.3 cpm	18.7 cpm	-8.6%
Access revenue per line ⁵	\$43 per month	\$43 per month	

Source: Telecom 2007 Results

Market Revenues

7. 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 intends to track revenues from what it considers to be core telecommunications services.
8. Telecom derives nearly one third of its core revenues from local service, which is largely monthly voice line rental. Quarter on quarter, nearly all revenues are declining.

³ http://www.oecd.org/document/7/0,2340,en_2825_495656_38446855_1_1_1_1,00.html

⁴ Excluding GST

⁵ Total business and residential access revenue for quarter divided by total business, residential and centrex lines rounded to nearest dollar.

Table 3: Telecom Core Revenues

Telecom core revenues	Quarter ended 31 March 2007		Quarter ended 31 December 2006	
	Amount (\$ million)	% of total	Amount (\$ million)	% of total
Local service revenue	262	31%	260	31%
National calling ⁶	63	8%	65	8%
International calling ⁷	31	4%	32	5%
Calls to mobile	71	8%	72	8%
Mobile calling	130	16%	132	16%
Mobile data	55	7%	57	7%
Broadband and internet	73	9%	83	10%
Traditional data services	63	8%	59	7%
Managed IP services	46	6%	43	5%
Interconnection	38	5%	39	5%
Total	832	100%	842	100%

Source: Telecom 2007 Results

OECD Benchmarking

9. 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 tables below indicate how New Zealand products rank against other OECD countries using some of these baskets. The results are indicative only and need to be interpreted with caution as the baskets will be different from New Zealand customer profiles and do not capture special or confidential deals.
10. Very little has changed since the December quarter, with the \$NZ price of almost all the New Zealand plans staying the same⁸. The exception is the Vodafone Base plans, which decreased in price in December⁹ and have had their restrictive conditions eased slightly.

⁶ National calls and national 0800 calls.

⁷ Inwards and outwards calls, so excludes transit revenues

⁸ The \$NZ price of fixed line baskets has changed slightly due only to a slight change in how calls to mobile are split between the two mobile networks.

⁹ This price decrease wasn't picked up by Teligen so the Commission has adjusted the results.

Table 4: Mobile Low User Basket

Carrier and Plan	February 2007			November 2006		
	Rank from 30	% of avg	Price in \$NZ	Rank from 30 ¹⁰	% of avg ¹¹	Price in \$NZ ¹²
Vodafone Base 20	15	101	256.87	22	118	299.54
Telecom FLEXI Mytime	26	133	336.11	26	132	336.11
Vodafone Motormouth Prepay	29	153	386.85	28	152	386.85
Telecom Go Prepaid Mates' Rates	29	153	386.85	28	152	386.85 ¹³

Source: Teligen T-Basket. Copyright Teligen, UK

11. The Commission notes that the top ranked low user plan for New Zealand, Vodafone's Base 20 plan, has a number of restrictive conditions, including a two year contract term (reduced from three last quarter), heavy early termination penalties, no handset rebate and no international roaming, which is likely to make it unattractive to the vast majority of mobile phone users. The second ranked plan, Telecom's FLEXI Mytime, had somewhat restrictive terms in that it was only available on a 24 month contract term (a 12 month option was added in April).

Table 5: Mobile Medium User Basket

Carrier and Plan	February 2007			November 2006		
	Rank from 30	% of avg	Price in \$NZ	Rank from 30	% of avg	Price in \$NZ
Vodafone Base 60	19	106	491.34	25	130	598.01
Vodafone Choose 60 + Your Time 100 + TXT ay	26	142	660.94	27	143	660.94
Telecom FLEXI Anytime	29	175	811.29	29	176	811.29

Source: Teligen T-Basket. Copyright Teligen, UK

12. The Commission notes that the top ranked plan medium user plan for New Zealand, Vodafone's Base 60 plan, has the same restrictive conditions as the Base 20 plan. 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. Even the third ranked plan, Telecom's FLEXI Anytime plan,

¹⁰ The rank is calculated taking the cheapest \$US/PPP of two alternative plans given for every OECD country apart from NZ, and assuming the NZ plan named is the one plan selected for NZ.

¹¹ Calculated by comparing the plan price with the average from the top ranked plan for each country

¹² Annual cost excluding GST.

¹³ The Teligen figure was amended to correct overstated the cost of calls to Cellular Secretary

had somewhat restrictive terms in that it was only available on 24 month or 36 month terms (a 12 month option was added in April).

Table 6: Mobile High User Basket

Carrier and Plan	February 2007			November 2006		
	Rank from 30	% of avg	Price in \$NZ	Rank from 30	% of avg	Price in \$NZ
Vodafone Choose 120 + Your Time 100 + TXT 100	22	114	886.56	23	115	886.56
Telecom FLEXI Anytime	30	177	1,368.63	30	177	1,368.63

Source: Teligen T-Basket. Copyright Teligen, UK

13. In calculating the price of the top ranked high user plan for New Zealand, Vodafone's Choose 120, Teligen has included the 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 \$74. Again, the second ranked plan, Telecom's FLEXI Anytime plan, had somewhat restrictive terms as mentioned above, although it remained considerably more expensive than the top ranked Vodafone plan.

Table 7: Fixed Line Residential Low User Basket

Carrier and Plan	February 2007			November 2006		
	Rank from 30 ¹⁴	% of avg	Price in \$NZ	Rank from 30	% of avg	Price in \$NZ
Telecom Anytime – Auckland, Wellington, Christchurch	26	121	649.25	26	121	649.67
Telecom Anytime – rest of NZ	27	131	703.67	27	131	704.09

Source: Teligen T-Basket. Copyright Teligen, UK

14. The Commission notes that in calculating the cost of all the fixed line residential baskets, Teligen has used the cost of the Anytime plan available to Auckland, Wellington and Christchurch subscribers only. The Commission has supplemented this with the cost of the basket using the Anytime plan available to all subscribers outside of Auckland, Wellington and Christchurch.
15. Telecom's Anytime pricing on its website requires a valid phone number to be entered before the price is given.

¹⁴The rank is calculated taking the cheapest \$US/PPP plan given for every OECD country apart from NZ and USA, and assuming the NZ plan named is the one plan selected for NZ and the US plan is BellPac rather than Verizon.

Table 8: Fixed Line Residential Medium User Basket

Carrier and Plan	February 2007			November 2006		
	Rank from 30	% of avg	Price in \$NZ	Rank from 30	% of avg	Price in \$NZ
Telecom Anytime – Auckland, Wellington, Christchurch	24	117	852.49	25	117	853.51
Telecom Anytime – rest of NZ	24	124	906.92	25	124	907.93

Source: Teligen T-Basket. Copyright Teligen, UK

Table 9: Fixed Line Residential High User Basket

Carrier and Plan	February 2007			November 2006		
	Rank from 30	% of avg	Price in \$NZ	Rank from 30	% of avg	Price in \$NZ
Telecom Anytime – Auckland, Wellington, Christchurch	24	116	1,447.95	25	116	1,449.75
Telecom Anytime – rest of NZ	24	121	1,502.38	25	120	1,504.17

Source: Teligen T-Basket. Copyright Teligen, UK

16. Historically, New Zealand used to rank better in residential comparisons at higher call volumes because local calls here are ‘free’ while in most countries they are charged for on a per call or time basis. The OECD introduced a high user basket with a higher volume of local calls at the beginning of 2006 but this basket also has a higher volume of fixed-to-mobile calls, which are relatively expensive for Telecom’s residential customers in particular. New Zealand therefore now ranks relatively poorly in residential fixed line comparisons even when higher calling volumes are used.

Table 10: Fixed Line Business SOHO Basket

Carrier and Plan	February 2007			November 2006		
	Rank from 30	% of avg	Price in \$NZ	Rank from 30	% of avg	Price in \$NZ
Telecom Business Time	25	121	1,120.03	24	122	1,120.85

Source: Teligen T-Basket. Copyright Teligen, UK

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