COMMERCE COMMISSION

Telecommunications Key Statistics – March Quarter 2008

Introduction

1. The Commission is required to undertake telecommunications sector monitoring and information dissemination, so produces regular monitoring reports. This particular report is a 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 for the 2008 year will be presented in an annual market monitoring report early in 2009.

Broadband Connections

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

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

5. The latest statistics comparing the total number of broadband connections in New Zealand with the rest of the OECD are for 31 December 2007.[2] The OECD estimated there to be 18.3 broadband subscribers per 100 population in New Zealand (92 percent of the OECD average) to give New Zealand a rank of 19 out of 30 in the OECD. This compares to the OECD estimate of 14 broadband subscribers per 100 for December 2006 (77 percent of OECD average) and a rank of 21 out of 30. New Zealand ranked sixth in the OECD for broadband growth in 2006-07.

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[1] **Notice of Disclaimer**

[2] http://www.oecd.org/document/54/0,3343,en_2825_495656_38690102_1_1_1_1,00.html

Table 1: Fixed Line DSL Broadband Connections[3]

DSL broadband connections	31 March 2008		31 December 2007		30 September 2007		30 June 2007	
Telecom Retail	482,000	68%	463,000	69%	455,000	71%	440,000	73%
Telecom Wholesale	232,000	32%	211,000	31%	188,000	29%	165,000	27%
Total	714,000	100%	674,000	100%	643,000	100%	605,000	100%

Source: Telecom

Wholesale Connections

6. Telecom is the predominant wholesaler of telecommunications services in New Zealand, and the Commission has started tracking the connection numbers for its most popular wholesale products.

Table 2: Telecom Wholesale Connections

Wholesale products	31 March 2008	31 Dec 2007	30 Sept 2007	30 June 2007	31 March 2007	% change over last year
Unbundled Bitstream	223,036	202,143	179,888	156,204	133,768	66.7%
Residential Lines	183,238	166,302	141,053	117,904	97,439	88.1%
Business Lines	56,498	53,834	51,114	50,026	49,681	13.7%
Wholesale broadband	8,587	8,505	8,466	8,495	11,459	-25.1%

Source: Telecom

7. Unbundled copper local loop is a new product that became available in the March quarter. It is sold directly by Telecom's access network operator, Chorus. Only a small number of lines had been unbundled as at 31 March 2008.

Market Revenues

8. 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 for what it considers to be Telecom's core telecommunications services.

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[3] Broadband connections include all plans with download speeds of 256 kbps or greater

Table 3: Telecom Core Revenues

Telecom core revenues	Quarter to 31 March 2008		Quarter to 31 Dec 2007		Quarter to 30 Sept 2007		Quarter to 30 June 2007	
	Amount ($ m)	**% of total**	**Amount** ($ m)	**% of total**	**Amount** ($ m)	**% of total**	**Amount** ($ m)	**% of total**
Local service revenue	257	32%	260	31%	260	32%	264	32%
National calling[4]	56	7%	59	7%	58	7%	60	7%
International calling[5]	27	3%	28	3%	29	4%	27	3%
Calls to mobile	62	8%	64	8%	66	8%	66	8%
Mobile calling	122	15%	127	15%	126	15%	130	16%
Mobile data	58	7%	57	7%	57	7%	55	7%
Broadband and internet	87	11%	86	10%	80	10%	88	11%
Traditional data services	57	7%	59	7%	60	7%	59	7%
Managed IP services	47	6%	51	6%	46	6%	45	5%
Interconnection	33	4%	35	4%	35	4%	33	4%
Total	806	100%	826	100%	817	100%	827	100%

Source: Telecom

9. 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 is generally trending downwards.

Calling Volumes

10. Changes in the consumption of different types of voice calls shows consumer reaction to changing prices, new products and shifting preferences. Telecom publishes quarterly data on voice call volumes, and the Commission has started tracking these figures.

Table 4: Telecom Calling Volumes[6]

Call type	Quarter to 31 March 2008	Quarter to 31 Dec 2007	Quarter to 30 Sept 2007	Quarter to 30 June 2007	Quarter to 31 March 2007	% change over last year
Chargeable local calls	328	413	409	412	419	-21.7%
Calls to mobile	190	198	201	196	200	-5.0%
National calls[7]	387	411	401	402	388	-0.3%
Outward international calls	176	164	167	148	169	+4.1%

Source: Telecom

[4] National calls and national 0800 calls.
[5] Inwards and outwards calls, so excludes transit revenues
[6] Millions of minutes
[7] Excluding 0800 calls

Average Prices

11. 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.

12. 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.

13. It appears that calling revenue is becoming less dependent on voice call consumption, with calling revenue generally not falling as fast as consumption in the last quarter, leading to a slight rise in average prices for calls to mobile and national calls. It is likely this was caused by the increased number of customers buying subscription based calling packages.

Table 5: Telecom Average Prices

Telecom average prices[8]	Quarter to 31 Mar 2008	Quarter to 31 Dec 2007	Quarter to 30 Sept 2007	Quarter to 30 June 2007	Quarter to 31 March 2007	% change over last year
Calls to mobile	32.6 cpm[9]	32.3 cpm	32.8 cpm	33.7 cpm	35.5 cpm	-8.2%
National calls	9.3 cpm	9.0 cpm	9.0 cpm	9.7 cpm	10.3 cpm	-9.7%
Outward international calls	15.3 cpm	17.1 cpm	17.4 cpm	18.2 cpm	18.3 cpm	-16.4%
Access revenue per line[10]	$43 per month	$43 per month	$43 per month	$43 per month	$43 per month	

Source: Telecom

OECD Benchmarking

14. 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.

15. The Commission supplements the Teligen results by putting into the baskets additional commonly used New Zealand plans from Telecom and other major providers. When interpreting the results it is important to note that the results from the other countries are for the cheapest plan, which may not be the most widely used plan.

[8] Excluding GST
[9] Cents per minute
[10] Total business and residential access revenue for quarter (excluding GST) divided by total business, residential and centrex lines rounded to nearest dollar.

16. 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

17. In its 2007 annual monitoring report[11] the Commission did not report benchmarking results for Vodafone's You Choose Base plans as it considered these plans had a plethora of restrictive conditions that made them unique to New Zealand and unlikely to have attracted a significant number of customers. Vodafone subsequently complained to the Commission about this approach, which prompted the Commission to undertake some market research.

18. The Commission sent 'mystery shoppers' to at least three different Vodafone retailers in Auckland, Wellington and Christchurch. It found that there was no documentation about the You Choose Base Plans in any of the stores visited, and in most instances staff had never heard of the plans. In several cases, when specifically asked about the You Choose Base Plans, the staff member serving used the internet to find details of the plans. It appeared that none of the staff spoken to had ever sold a You Choose Base plan, with one staff member explicitly admitting this to the Commission's mystery shopper.

19. Given these findings, and in light of Vodafone's refusal to disclose to the Commission the number of customers on the Base plans, the Commission stated in a reply to Vodafone[12] that it intended to continue to exclude the You Choose Base Plans from its 2008 monitoring reports. The Commission has, therefore, not reported the benchmarking results for the You Choose Base plans for February 2008 in this quarterly report.

20. In May 2008, Vodafone made changes to its website to make the You Choose Base plans more accessible, and to allow customers to be able to subscribe to them over the internet without having to visit a retail outlet. The Commission is, therefore, reconsidering its position, and if it is satisfied that the Base plans are readily accessible, it will include them in the June quarterly monitoring report.

21. All the mobile plans benchmarked have not changed in price in $NZ over the last year, and have continued to rank in the bottom quartile of the 30 OECD countries surveyed.

22. The Commission notes that the OECD methodology used means it is unable to benchmark plans that provide unlimited calling between one or several specified on-net numbers for a fixed monthly fee. While this may mean there are readily accessible plans that offer better value than those benchmarked, the Commission notes such plans encourage the creation of closed network groups.

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[11] http://www.comcom.govt.nz/IndustryRegulation/Telecommunications/MonitoringandReporting/DecisionsList.aspx
[12] ibid

Table 6: Mobile Low User Basket

Carrier and Plan	February 2008			November 2007			August 2007			May 2007		
	Rank from 30[13]	% of avg[14]	Price in $NZ	Rank from 30	% of avg[15]	Price in $NZ	Rank from 30	% of avg	Price in $NZ	Rank from 30	% of avg	Price in $NZ
Telecom FLEXI Mytime	25	137	336	26	139	336	27	140	336	26	132	336
Vodafone Motormouth Prepay	28	157	387	29	160	387	28	161	387	28	152	387

Source: Teligen T-Basket, Commission.

Table 7: Mobile Medium User Basket

Carrier and Plan	February 2008			November 2007			August 2007			May 2007		
	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 Choose 60 + Your Time 100 + TXT 100	26	148	661	27	148	661	27	153	661	26	149	661
Telecom FLEXI Anytime	29	179	811	29	182	811	29	188	811	30	183	811

Source: Teligen T-Basket.

Table 8: Mobile High User Basket

Carrier and Plan	February 2008			November 2007			August 2007			May 2007		
	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 Choose 120 + Your Time 100 + TXT 100	24	121	887	25	122	887	24	124	887	24	117	887
Telecom FLEXI Anytime	29	182	1369	29	188	1369	30	191	1369	28	180	1369

Source: Teligen T-Basket.

Fixed plans

23. This quarter the Commission has started ranking Vodafone's residential fixed line (Vodafone Home phone) and fixed wireless (Vodafone Home phone plus) plans. The Home phone plus plan uses Vodafone's cellular wireless network, so may not provide the same voice quality as a fixed line service. However, the Commission considers it to be a reasonable substitute for a fixed line service

[13] 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.
[14] Calculated by comparing the plan price with the average of it and the top ranked plans for other OECD countries
[15] Calculated by comparing the plan price with the average of the top ranked plans for each OECD country

in areas with good Vodafone mobile network coverage. Users are provided with a wireless ‘box’ into which they plug a fixed line phone.

24. National calls are free under Vodafone’s Home phone plus national plan (subject to a fair usage policy) but fixed-to-mobile calls to non-Vodafone connections are relatively expensive. This means whether the Vodafone Home phone plus plan is cheaper than a fixed line plan depends on a user’s consumption pattern. Vodafone’s new Home phone plus local plan that has a lower monthly fee and free local calls will be benchmarked in the next quarterly monitoring report as it only became available in June.

25. The OECD benchmarking methodology rates Vodafone Home phone plus national plan as the cheapest NZ plan for the residential medium user basket (ranking 18 out of 30 and 101 percent of the average). The TelstraClear InHome cable plan is the cheapest plan for the low user basket (ranking 22 out of 30 and 109 percent of the average) while the TelstraClear HomePlan resale plan is the cheapest plan for the high user basket (ranking 16 out of 30 and 99 percent of the average), narrowly ahead of the TelstraClear InHome cable plan which has an equal ranking.

Table 9: Fixed Line Residential Low User Basket

Carrier and Plan	February 2008			November 2007			August 2007			May 2007		
	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 Anytime Ak, Wgtn, Chch	27	125	670	28	130	670	27	133	681	27	131	681
Telecom Anytime rest of NZ	27	135	727	28	141	727	29	144	737	28	142	737
Telecom Homeline Wgtn, Chch	27	131	705	28	136	705	27	140	713	28	138	713
Telecom Homeline rest of NZ	29	145	787	29	152	787	30	156	794	28	153	794
TelstraClear (cable) InHome, Wgtn, Cc	20	106	568	23	110	568	24	111	568	22	110	568
TelstraClear HomePlan (resale)[16]	27	134	723	28	140	723	29	141	723	28	139	723
Vodafone Home phone (resale) Auck, Wgtn, Chch[17]	22	109	585	-	-	-	-	-	-	-	-	-
Vodafone Home phone (resale) rest of NZ	25	119	638	-	-	-	-	-	-	-	-	-
Vodafone Home phone plus national (wireless network)	22	110	591	-	-	-	-	-	-	-	-	-

Source: Teligen T-Basket, Commission.

[16] A lower price is available on application for Wellington and Christchurch
[17] The suburbs where this service is available are shown at: http://vodafonenz.custhelp.com/cgi-bin/vodafonenz.cfg/php/enduser/std_adp.php?p_faqid=4443

Table 10: Fixed Line Residential Medium User Basket

Carrier and Plan	February 2008			November 2007			August 2007			May 2007		
	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 Anytime Ak, Wgtn, Chch	25	122	890	27	127	890	28	132	915	26	129	915
Telecom Anytime rest of NZ	27	129	947	28	135	947	28	140	971	28	137	971
Telecom Homeline Wgtn, Chch	27	142	1048	28	150	1048	28	154	1067	28	151	1067
Telecom Homeline rest of NZ	30	152	1129	29	161	1129	30	166	1148	28	162	1148
TelstraClear (cable) InHome, Wgtn, Cc	23	110	803	24	115	803	23	116	803	25	114	803
TelstraClear HomePlan (resale)[18]	25	109	798	23	114	798	23	115	798	24	113	798
Vodafone Home phone (resale) Auck, Wgtn, Chch	25	114	834	-	-	-	-	-	-	-	-	-
Vodafone Home phone (resale) rest of NZ	25	121	888	-	-	-	-	-	-	-	-	-
Vodafone Home phone plus national (wireless network)	18	101	733	-	-	-	-	-	-	-	-	-

Source: Teligen T-Basket, Commission.

26. The only known prices changes in the fixed line plans tracked over the last four quarters are Telecom's fixed-to-mobile prices dropping by 4 cents per minute from 1 September 2007. A further reduction of 2 cents per minute took place on 1 April 2008 and will be picked up in the results given in the June quarter monitoring report.

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

Table 11: Fixed Line Residential High User Basket

Carrier and Plan	February 2008			November 2007			August 2007			May 2007		
	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 Anytime Ak, Wgtn, Chch	24	120	1507	25	127	1507	25	132	1573	25	130	1573
Telecom Anytime rest of NZ	24	125	1564	25	132	1564	26	137	1629	26	134	1629
Telecom Homeline Wgtn, Chch	28	149	1890	28	159	1890	27	163	1941	28	160	1941
Telecom Homeline rest of NZ	28	155	1971	29	166	1971	29	170	2023	28	167	2023
TelstraClear (cable) InHome, Wgtn, Cc	16	99	1238	18	104	1238	19	104	1238	17	102	1238
TelstraClear HomePlan (resale)[19]	16	99	1232	18	104	1232	19	104	1232	16	102	1232
Vodafone Home phone (resale) Auck, Wgtn, Chch	18	104	1295	-	-	-	-	-	-	-	-	-
Vodafone Home phone (resale) rest of NZ	21	108	1348	-	-	-	-	-	-	-	-	-
Vodafone Home phone plus national (wireless network)	17	102	1264	-	-	-	-	-	-	-	-	-

Source: Teligen T-Basket, Commission.

27. There are data issues with Teligen's SOHO (Small office/home office) results for February 2008, so no SOHO result will be given for this quarter.

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