



COMMERCE COMMISSION

Key Statistics Quarterly Monitoring Report – December 2006

Introduction

1. In response to new requirements to undertake telecommunications sector monitoring and information dissemination, the Commission will start producing various monitoring reports. This particular report is the first of an intended series of quarterly monitoring reports using readily available key statistics about telecommunications markets in New Zealand and overseas.
2. Being the first ever quarterly monitoring report, it establishes a base set of statistics which can be used as a basis of comparison going forward¹. The statistics have an effective date that roughly coincides with the introduction of the new monitoring requirements. Other quarterly statistics are likely to be added to future reports as they become available.
3. 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

4. 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.

¹ Notice of Disclaimer

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- while every reasonable step has been taken to gather and produce accurate information, no guarantee is made as to its accuracy; and
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Table 1: Telecom Fixed Line Broadband Connections²

Broadband connections	31 December 2006	
Retail	395,000	76%
Wholesale	127,000	24%
Total	522,000	100%

Source: Telecom Q2 2007 Results

5. The latest available statistics giving the total number of broadband connections in New Zealand are for 30 September 2006³. In addition to the 493,000 DSL connections at that date, there were an additional 118,000 broadband connections from cable, cellular data cards, satellite and other non-DSL technologies. This means that as at 31 December 2006, total broadband connections would have been at least 640,000 or 15.3 connections per 100 inhabitants.

Average Prices

6. 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. Telecom currently publishes average calling prices and the Commission intends to track 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 intends to track the \$NZ cost of some of the baskets used for OECD benchmarking.

Table 2: Telecom Average Prices

Telecom average prices⁴	Quarter ended 31 December 2006
Calls to mobile	40.3 cpm
National calls	10.5 cpm
Outward international calls	18.7 cpm
Access revenue per line ⁵	\$42 per month

Source: Telecom Q2 2007 Results

OECD Benchmarking

7. 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

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

³ *Internet Service Provider Survey: September 2006*, Statistics New Zealand

⁴ Excluding GST

⁵ Total business and residential access revenue for six months to end of quarter divided by total business, residential and centrex lines

performed by Teligen and the underlying data is available on a subscription basis. The data used in this report is for November 2006. 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.

Table 3: Mobile Low User Basket

Carrier and Plan	Rank from 30⁶	% of average⁷	Price in \$NZ⁸
Vodafone Base 20	22	118	299.54
Telecom FLEXI Mytime	26	132	336.11
Vodafone Motormouth Prepay	28	152	386.85
Telecom Go Prepaid Mates' Rates	28	152	386.85 ⁹

Source: Teligen T-Basket November 2006. Copyright Teligen, UK

8. 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 three year contract term with 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, has somewhat restrictive terms in that it is only available on a 24 month contract term.

Table 4: Mobile Medium User Basket

Carrier and Plan	Rank from 30	% of average	Price in \$NZ
Vodafone Base 60	25	130	598.01
Vodafone Choose 60 + Your Time 100 + TXT 100	27	143	660.94
Telecom FLEXI Anytime	29	176	811.29

Source: Teligen T-Basket November 2006. Copyright Teligen, UK

9. The Commission notes that the top ranked plan medium user plan for New Zealand, Vodafone's Base 60 plan, also has a number of restrictive conditions, including a three year contract term with 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. 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

⁶ 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.

⁷ Calculated by comparing the plan price with the average from the top ranked plan for each country

⁸ Annual cost excluding GST.

⁹ The Teligen figure was amended to correct overstated the cost of calls to Cellular Secretary

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, has somewhat restrictive terms in that it is only available on 24 month or 36 month terms.

Table 5: Mobile High User Basket

Carrier and Plan	Rank from 30	% of average	Price in \$NZ
Vodafone Choose 120 + Your Time 100 + TXT 100	23	115	886.56
Telecom FLEXI Anytime	30	177	1,368.63

Source: Teligen T-Basket November 2006. Copyright Teligen, UK

10. 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, has somewhat restrictive terms in that it is only available on 24 month or 36 month terms, although in this case it is considerably more expensive than the top ranked Vodafone plan.

Table 6: Fixed Line Residential Low User Basket

Carrier and Plan	Rank from 30¹⁰	% of average	Price in \$NZ
Telecom Anytime – Auckland, Wellington, Christchurch	26	121	649.67
Telecom Anytime – rest of NZ	27	131	704.09

Source: Teligen T-Basket November 2006. Copyright Teligen, UK

11. The Commission notes that in calculating the cost of all the 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.
12. Telecom's Anytime pricing on its website is not entirely transparent as it requires a valid phone number to be entered before the price is given.

¹⁰The 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 7: Fixed Line Residential Medium User Basket

Carrier and Plan	Rank from 30	% of average	Price in \$NZ
Telecom Anytime – Auckland, Wellington, Christchurch	25	117	853.51
Telecom Anytime – rest of NZ	25	124	907.93

Source: Teligen T-Basket November 2006. Copyright Teligen, UK

Table 8: Fixed Line Residential High User Basket

Carrier and Plan	Rank from 30	% of average	Price in \$NZ
Telecom Anytime – Auckland, Wellington, Christchurch	25	116	1,449.75
Telecom Anytime – rest of NZ	25	120	1,504.17

Source: Teligen T-Basket November 2006. Copyright Teligen, UK

13. Historically, New Zealand used to rank better in residential comparisons if call volumes were increased 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 9: Fixed Line Business SOHO Basket

Carrier and Plan	Rank from 30	% of average	Price in \$NZ
Telecom Business Time	24	122	1,120.85

Source: Teligen T-Basket November 2006. Copyright Teligen, UK

14. 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 on the OECD’s SOHO (small office/home office) basket but not the SME (small/medium enterprise) basket because the latter assumes 30 users and calculates the annual fixed cost simply by multiplying the standard business line rental by 30.