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Tom Forster
Manager, Telecommunications Branch
Commerce Commission
telco@comcom.govt.nz

Dear Tom

MED SUBMISSION ON THE COMMISSION'S TELECOMMUNICATIONS SECTOR MONITORING

The Ministry appreciates the opportunity to comment on the Commission's quarterly and annual sector monitoring reports. The Ministry has generally been impressed with the quality of the reporting and the Commission's analysis of the data collected. The Ministry's response to the specific questions raised follows:

1. *Are the Commission's key statistics quarterly monitoring reports useful?*

a. Is the OECD benchmarking information useful?

The OECD benchmarking is useful, and tends to generate public interest. While the benchmarking is indicative only, it gives some suggestion of the value for money New Zealand users are getting from their mobile and fixed communications relative to other similarly developed countries.

The benchmarking also aids in comparison between local operators and the different retail packages they offer. The breakdown of costs into the different revenue streams for the fixed line baskets is also of interest and can provide guidance to consumers in choosing the provider and package likely to best suit their individual needs.

b. Is the reporting of Telecom data useful?

Being the incumbent provider, it is useful to track Telecom's performance over time, particularly post-operational separation. Trends in wholesale connections, calling charges, and the share of growth in retail DSL connections over time are of particular interest as they provide some insight into the level of competition in the market.

It is noted in the June 2008 report that the Commission hopes to start publicly reporting unbundled line numbers in future; the Ministry would endorse the publication of this information.

c. Should the Commission try to get quarterly industry data from parties in addition to Telecom?

Generally the Ministry would prefer if industry-wide data was made available as much as possible. However the expense involved in collecting data (for both the Commission and industry) and confidentiality concerns are likely to make the collection and publication of industry-wide data on a quarterly basis difficult.

d. Would it be better to report more comprehensive industry data (if possible) but on a less frequent basis?

Given the dynamic nature of the industry, and the desire to track progress in the industry throughout the year, quarterly reports are preferable for key statistics indicating market growth or contraction. The annual monitoring report provides an opportunity to publish more comprehensive data.

e. What information in the quarterly reports would you like to see presented differently and why?

MED are generally happy with the presentation of the information in the reports. The "Quarter in Review" section included in the June 2008 release is a useful addition, and the use of graphs in the June 2008 release instead of tables was a significant improvement, allowing for quick interpretation of the results and identification of trends, although it would be useful to include the tables in an annex for those interested in looking at the data in more detail.

f. What other information would you like to see included in the quarterly reports and why?

No comment.

g. What information do you think should be removed from the quarterly reports and why?

No comment.

2. Was the Commission's 2007 telecommunications market monitoring report useful?

a. What information in the annual report would you like to see presented differently and why?

No comment.

b. What additional information would you like to see included in future annual reports and why?

Information on non-chargeable local calling minutes. This is a large part of the local calling market and including this information would give an indication of the value for money users are receiving for their monthly line rentals.

Volume of toll free numbers ported.

It would be good to disaggregate the capital expenditure reporting, with a split between fixed and mobile network investment.

It would also be useful, as part of the reporting of mobile phone connections, to track the split between prepay and on-account connections.

c. *What information do you think should be removed from future annual reports and why?*

No comment.

3. *Do you support the Commission using an annual industry survey (which is generally supported by the TCF) to collect much of the aggregate industry data not already disclosed by Telecom?*

Yes, annual industry data across a range of issues is of interest both nationally and internationally, for tracking the state of the industry year to year and to allow for international comparisons. The Ministry is often called upon to complete surveys from international organisations, and having a single, accurate point of reference for industry wide data would prove valuable in this regard.

a. *Once respondents have systems set up to extract the required data, would it be relatively easy and cheap for respondents to provide the data more often than annually?*

Survey respondents are in a better position than the Ministry to answer this question.

b. *Would it be better to have Statistics NZ collect industry statistics if this was able to be organised?*

MED considers that there are advantages and disadvantages to having Statistics NZ collect industry statistics instead of the Commission. These must be considered carefully to ensure that the additional benefits of transferring responsibility to Statistics NZ outweigh any additional costs.

Potential advantages of having Statistics NZ collect industry statistics:

- Legal backing (companies must respond to their surveys).
- Ability to capture a greater number of industry participants.
- Statistical expertise.
- Economies of scale that Statistics NZ has for collecting and compiling statistics
- Public and international awareness of Statistics NZ as a source of statistical information.
- Independence from the industry.

Potential disadvantages of having Statistics NZ collect industry statistics:

- Having Statistics NZ collect the data may prove more expensive than having the Commission do so; this will need to be carefully considered along with the source of any additional funding that may be required.
- Statistics NZ have strict rules around the confidentiality of information, particularly for questions where a few providers have the majority of market share. MED would like assurance that, if the survey is to be transferred to Statistics NZ, information that is made available currently through the TCF survey would still be made available by Statistics NZ.
- Statistics NZ processes may mean that the data is not made publicly available until some time after the data is collected.
- Depending on the arrangement agreed between the Commission and Statistics NZ, the Commission (and MED) may not be able to access the data set for the survey.
- There may be less flexibility for changing/updating the survey over time to reflect market developments.
- Statistics NZ lack sector specific knowledge and will require significant input from the Commission and MED in designing and updating the survey over time.

In our view, the disadvantages will likely outweigh the advantages unless Statistics NZ gives a binding assurance that the data that is currently collected and made available continues to be made available, and that it is released publicly within reasonable timeframes. The Ministry will continue to participate in discussions with Statistics NZ and the Commission about the survey to ensure a positive outcome is achieved, particularly in relation to the availability of data.

c. Are there other ways of collecting industry information that the Commission should consider, and what are they?

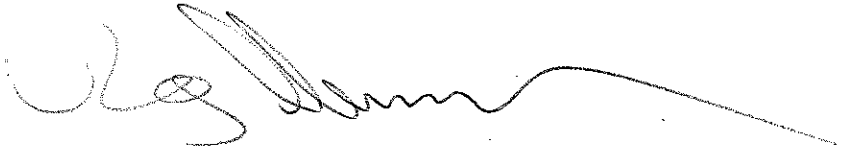
As an alternative, the Commission could consider tendering out the running of the survey to a private organisation (this could be a cheaper option than Statistics NZ). This would have to be done in consultation with the industry to ensure, *inter alia*, confidentiality issues are dealt with appropriately. While a private organisation would not have the legal backing of Statistics NZ, the Commission would likely have greater control over the survey and easier access to the data collected. Also, the Commission's powers to compel disclosure of data could be used.

4. It has been proposed that the Commission construct consumption baskets for New Zealand usage of fixed and mobile phone services, and use these to compare New Zealand prices to those in other countries. This would be in addition to rather than in place of OECD benchmarking. Do you support such a proposal, and what suggestions do you have for progressing it?

Constructing our own consumption baskets could potentially help to overcome some of the problems endemic in broadband benchmarking, e.g. we can seek to compare like with like in terms of speeds, data caps, bundling etc. However, constructing the baskets and identifying international comparators is likely to require a significant amount of work,

and it is hard to say without more detail about the proposal whether the benefit of having such information available will be significant given the cost of collecting it.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Reg Hammond', with a long, sweeping horizontal line extending to the right.

Reg Hammond
Manager, ICT Regulatory Group
Energy and Communications Branch