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26 October 2018

**COMMERCE COMMISSION STUDY OF MOBILE TELECOMMUNICATIONS MARKETS IN NZ
SUBMISSION ON THE ISSUES PAPER DATED 31 AUGUST 2018**

Introduction

WISPA.NZ thanks the Commission for the opportunity to submit on this important paper.

We are the industry association for what are commonly known as Wireless Internet Service Providers or WISPs, but are increasingly known as Regional Telcos. Since our Association was formed in January 2017 with 15 member companies, we have grown to 28 members.

The defining characteristic of our members is ownership of a fixed wireless network offering broadband services in rural or remote areas which has been beyond the reach of the mainstream national service providers. However, most members offer other forms of delivery as well such as reselling Vodafone's RBI1 service, ADSL/VDSL via copper, or in a few cases, their own rural fibre.

WISPs generally offer broadband of a quality comparable with inner-city fibre and at highly competitive pricing.

Our sector of the industry has developed over approximately the past 15 years. Our existence has been due in large part to a regulatory environment that enables smaller operators to participate profitably in an industry which in earlier times was seen as a natural monopoly or duopoly. We and our rural customers have far-sighted politicians, and the Commerce Commission, to thank for that.

Even now there are occasional voices calling for less regulation based on ideological grounds. From our perspective the current regulatory framework has been an outstanding success and we urge that the current pragmatic balance between regulation and open competition not be pulled back lightly.

We have not answered every question in the Study. Where we have remained silent we consider the question out of scope for WISPs and are leaving it to others to answer.

Q3 How and to what extent have consumers benefited from bundling of mobile services?

Some consumers have benefited from having cellular operators discount broadband services as part of their mobile bundle. However, many more choose to split their broadband services away from the MNOs because the WISP service is seen as superior. Nonetheless, if the cellular companies were to increase the attractiveness of the bundled cellular and broadband offerings, this could damage the WISP business model leading to a dis-benefit to the community long term.

Q4 What are the constraints on non-MNO fixed line broadband providers ability to compete by supplying their own bundles such as bundling of fixed line broadband and electricity by Truistpower and Vocus?

WISPs would dearly like to be able to offer a MVNO service. One of the competitive advantages of WISPs is our local or regional character, which customers see as making us more accessible, responsive, and cognizant of customer needs. However, this is offset by the ability of the much larger MNOs to offer broadband which to them is an add-on but to WISPs is core business. WISPs are constrained by the inability to bundle in a MVNO, a service that many of our members see as essential to the ongoing development of their business for strategic reasons – covering all a customer's telecommunications needs on one invoice and reducing the risk of MNOs attacking WISPs by bundling broadband with their cellular services. It is recognised that margins on reselling cellular services are likely to be thin, but the strategic value of offering the full bundle offsets this.

Increasingly WISPs are looking to become electricity resellers although this is less common than mobile/broadband bundling. The market is opening up to allow us to resell electricity. We see this as a logical extension of our businesses, capitalizing on our ability to respond to local needs and provide a single monthly invoice covering all utilities.

Q14 Why do MVNOs account for a small share of subscribers and revenue in NZ

Low market share is the product of two conditions – the low number of MVNOs and the low number of subscribers to each. In our view the reason is that the MNOs are reluctant hosts to MVNOs, much preferring to maintain a direct relationship with the end user. Arguably they offer MVNOs not to enhance their market share or ARPU, but to appease the regulator in the hope of staving off intervention.

WISPA has requested negotiations to establish a MVNO from the two largest MNOs. Their response has been unenthusiastic and focused on the extremely high setup cost which they would expect WISPs to cover. This resistance, and the perception that wholesale deals from MNOs are uneconomic, means that discussions have never progressed beyond the "why on earth would you want a MVNO?" stage.

In our view the stance of the MNOs will only be changed if the incentives are altered, either through commercial events or regulation.

Q15 How have the competitive conditions changed in the wholesale mobile services market? What impact has 2degrees had in the wholesale market in recent years?

WISPs have seen little change in the wholesale market yet as a result of 2degrees entry.

Q16 Has 2degrees completion of deployment of its national network changed, or is it likely to change, the competitive environment for wholesale mobile service going forward? If so please describe.

Until recently there has been a common perception that 2degrees footprint in rural NZ remained small and any wholesaling would involve roaming off another MNO, making wholesaling to WISPs, whose market is primarily rural, uneconomic. That impression has been challenged in recent weeks with 2degrees claiming to have made substantial gains in rural coverage and indicating greater interest in wholesale. However, some WISPs are yet to be convinced about the real coverage of rural areas that 2degrees claims. For those reasons it is too early yet to judge how much of a new opportunity this represents.

Q20 What are the risks that fixed line only broadband providers could be foreclosed by providers of mobile and fixed line bundles and what are the potential consequences of that for competition?

The risks are that a nationwide MNO, especially Spark, could aggressively target WISP customers using bundles or pocket pricing. WISP customers frequently enquire about adding a mobile service to the WISP bundle, but the inability of WISPs to do so is usually a disappointment rather than a deal breaker. If Spark became more aggressive in its bundling practices that could threaten the economics of the much smaller WISP businesses.

The other MNOs are viewed as less of a threat – Vodafone because of perceived poor quality of rural services especially in the RBl1 sites, and 2degrees because of relatively low coverage.

Q33 How important is infrastructure sharing likely to be to facilitate the widespread and timely deployment of 5G services- urban and rural – in NZ by improving the economics of a 5G deployment?

In respect of rural areas our instincts are that infrastructure sharing will enable consumers to have the benefit of 5G considerably earlier than if every service provider goes it alone. That said, it is early days and there are many more questions to be answered before that could be said definitively.

We have no comment on urban infrastructure sharing.

Q34 If 5G wireless becomes a substantial substitute for fibre to the home, what is the right approach to setting the price for backhaul from mobile towers and from the additional cell sites?

At this stage market forces should prevail.

Q40 What are your views on the viability of three or more separate 5G networks, and what alternative models do you consider as potentially viable?

Three or more networks would be quite viable to operate in urban areas but would slow the rollout to rural areas as history shows this would be accomplished very slowly and reluctantly.

Q41 How important is access to the infrastructure established by the Rural Connectivity Group to roll out 5G services to rural areas?

Potentially this is very useful to WISPs and our customers, noting that we have reciprocal benefits to offer the RCG. However, the towers may often not be positioned optimally for higher frequency transmissions (above 700Mhz) for either fixed or mobile customers. If the higher bands could not be used, many of the benefits of 5G would be denied and the service would be 5G in name only. Also the utility of these towers is highly dependent on the quality of backhaul if fibre is not available on site.

Q44 To what extent can MNOs compensate for a reduction in network quality from having less spectrum by building or acquiring access to more mobile sites?

We note that the section of the Issues Paper on "Spectrum issues" appears to focus solely on the perceived needs of MNOs without recognizing the substantial benefits rural customers already enjoy from the use of this spectrum by WISPs.

In rural areas, WISPs using the 3.5GHz spectrum would place transmitters on sites covering a commercially viable cluster of end users within line of sight. That way we can assure the Crown

that the spectrum is being deployed to the best advantage for its intended purpose of delivering broadband to the regions.

Conversely, MNOs would be expected to locate towers with the dual purpose of enhancing their cellular coverage as the primary aim, and delivering fixed broadband as a handy by product. That is likely to result in less efficient use of the spectrum and many disappointed end users.

Q45 What restrictions if any ought to be placed on the forthcoming spectrum allocation to best facilitate competition in 5G services?

Spectrum allocation should be limited to a maximum amount per bidder on an auction basis to allow competition between MNOs and an adequate amount of the total spectrum to be allocated to regional providers on a Managed Spectrum Park basis similar to the 2.5GHz spectrum. This will allow the most efficient use of the spectrum and allow regional providers to compete more fairly with MNOs.

Conclusion

WISPA is happy to elaborate on any of the content of this submission if required.



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