



WISPA New Zealand

P.O. Box 6 | Inglewood | Taranaki
Phone: [Phone number]

Email: [Email address]

Website: <http://wispa.nz>

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Simon Thompson
Head of Telecommunications Regulation
Commerce Commission
P O Box 2351
WELLINGTON

Dear Simon

MOBILE MARKET STUDY

Thank you for the opportunity to provide feedback on your mobile market study.

WISPA.NZ is an industry association whose members comprise 20 wireless ISPs. All our members offer retail broadband services, predominantly in rural and regional areas. It has been estimated that WISPs collectively have 40,000 customers – a number that will increase rapidly now that many WISPs have been granted government contracts to be part of the RBI2 project.

WISPs by nature are small, local businesses. In a dynamic industry dominated by very large integrated service providers, some multi-national, this makes our members vulnerable to abuse of market power or anti-competitive behavior. This vulnerability will increase over time – for example, in the RBI2 project WISPs provide a specialized broadband service whereas the cellular companies will be able to bundle broadband with their cellphone offerings. The fact that the three cellular companies have formed a joint venture to take advantage of this opportunity exacerbates the stark difference in scale compared to a typical WISP comprising a working proprietor and a handful of staff.

Against that background we make the following observations:

Scope

WISPA is concerned that the scope of the Study may be unduly constrained if it is limited to "mobile." Mobile services are but one component of a modern telecommunications market which typically bundles services including fixed phone lines and broadband. We submit that the scope should clearly take in all the markets in which any mobile company operates – including broadband, backhaul and fixed line issues, and possibly content.

MVNOs

WISPA has approached the three mobile operators individually in the hope of persuading one of

them to negotiate for a Mobile Virtual Network that could be marketed collectively by our members. We have found all of them unreceptive to the concept, and the upfront cost quoted to us by each was unrealistic and identical with no apparent justification. This suggests a lack of competition in a component of the market which has resulted in an underwhelming number of MVNOs. We submit that the scope of the study should embrace MVNOs including the barriers to entry.

Pocket Pricing

The history of telecommunications in NZ has included several instances of pocket pricing being used to deter entry. A high-profile example was Telecom using this as a technique to close out markets for the Saturn network in the 1990s, when different retail prices applied to different sides of the same street where Saturn had a presence. WISPs are especially vulnerable to such practices because of their regional character, concentration on parts of the market that are costly to serve, and the disparity in scale compared to the national operators. In addition, the emergence of the Rural Connectivity Group with its government subsidy to expand mobile coverage adds a new dimension – the broadband which is WISPs' core business is to the RCG an add-on to cellular coverage and a cross -subsidy between the two could be used to drive a WISP out of the market. We submit that the Commission should be very vigilant in observing any signs of such practices and ensure that adequate measures are available to deal with these expeditiously.

Backhaul

WISPs are highly dependent on competitively-priced backhaul. Uncertainty about the future ownership of Vocus is a concern. We submit that the Commission should keep a close overview on the development of the backhaul market to ensure that there is no backward slide in this cornerstone of the telecommunications infrastructure.

Thank you for the opportunity to comment. We are happy to discuss these issues further at any time.

Yours sincerely



Ernie Newman
Secretariat, WISPA.NZ