COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Mobile Market Study Preliminary Findings

Analyst Briefing

16 May 2019

Dr Stephen Gale

Overview

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Te Komihana Tauhokohoko

- The Commission has been analysing the current state of competition of mobile services, likely future developments, and the potential impacts on competition and consumers
- Competitive conditions and outcomes have improved, with three competing, profitable national MNOs
- Spectrum allocation, MVNOs, and consumer engagement may be important influences on the future conditions for competition
- The current regulatory settings appear to be fit for purpose

Mobile market overview

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3 Mobile Network Operators (MNOs)	3 Mobile Virtual Network Operators (MVNOs)	2 parties have recently announced MVNO deals

The New Zealand mobile market

99%* of services in 2018 provided by 3 MNOs

Spark, 2degrees, vodafone

Data use in 2018 went up **69%****

82% of consumers used mobile broadband data in 2018,† up from **77%** in 2017

New Zealand is§

8th out of **88** countries for 4G speeds *but* **65th** out of **88** countries for 4G coverage

Low user	High user
$17‡	**$48‡**
30 calls	**300 calls**
500MB	**5GB**
$4 more expensive than Australia	**$35 more expensive than Australia**

Emerging trends

eSIMs

We expect eSIM capable devices to become more prevalent and reduce switching costs for businesses, consumers, MVNOs and MNOs

Internet of Things

Mobile traffic will grow significantly in the future with the continued growth of machine-to-machine communications and the Internet of Things

Consumers

Mobile usage

60% of mobile consumers say they find it very easy to access their mobile usage information†

Comparing plans

56% of mobile consumers say it's easy to compare but **68%** rarely ever do†

Switching providers

Only **19%** of mobile consumers say switching providers is difficult but **54%** have not switched in the last five years†

Satisfaction levels

Satisfaction levels with mobile services are above fixed line telecommunication services and energy retailers but below banks

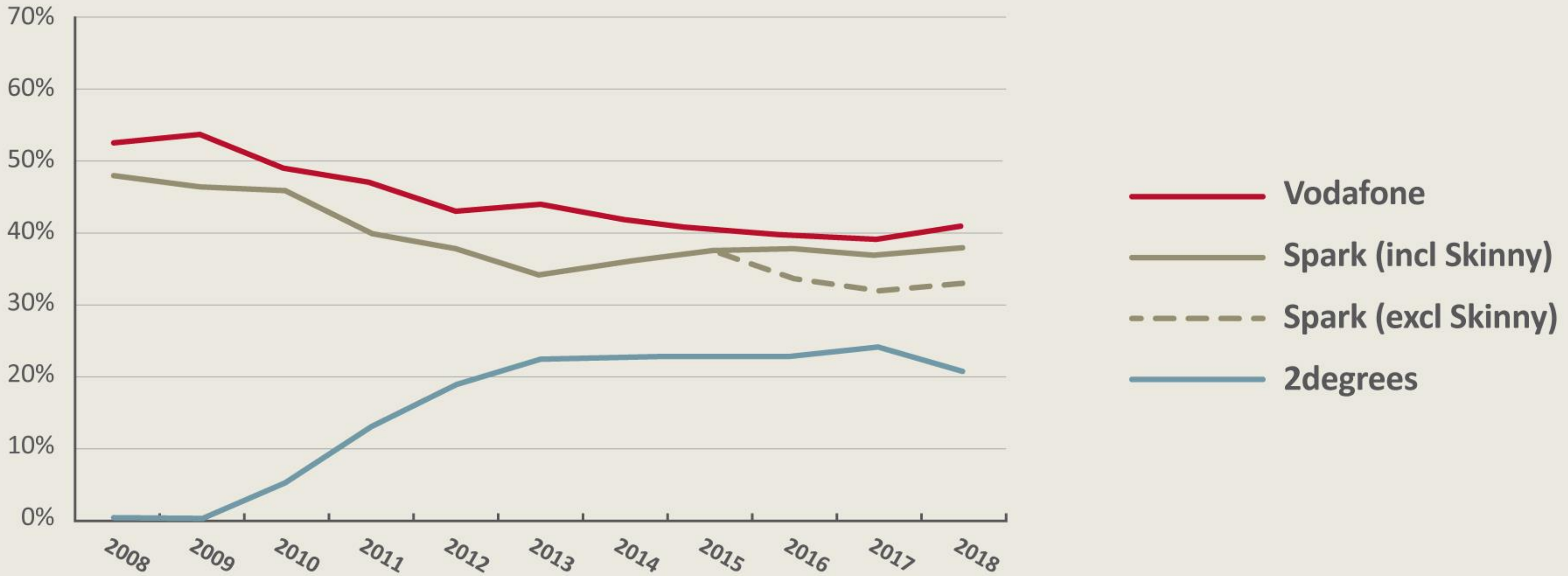
2degrees and Skinny have the highest customer satisfaction†

Radio spectrum

Spectrum is critical for competition, MVNO entry and 5G

* Commerce Commission 2018 Annual Monitoring Questionnaire responses ** Commerce Commission 2018 Annual Monitoring Report
† Consumer NZ's survey of mobile consumers 2018 § OpenSignal ‡ Teligen (Feb 2019)

Mobile market shares



Source: Commerce Commission Annual Monitoring data

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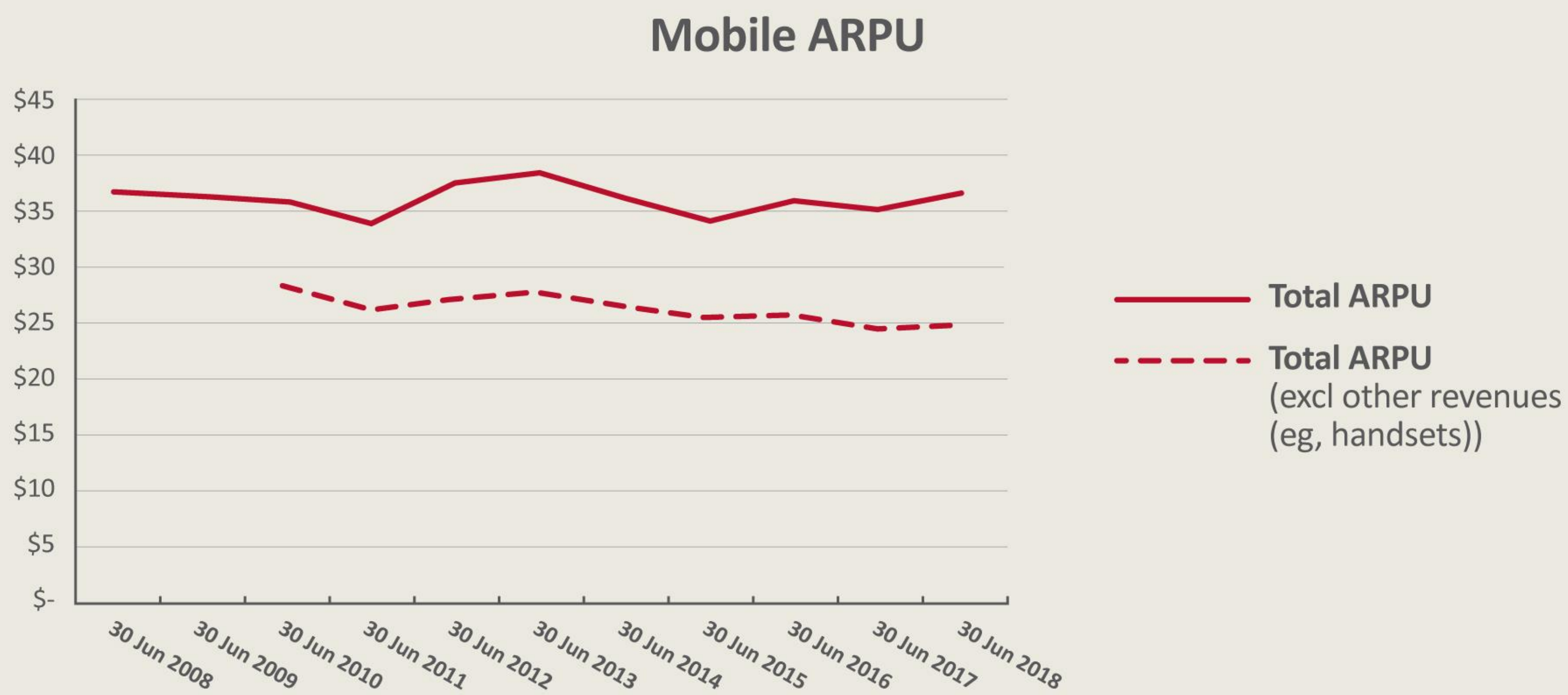
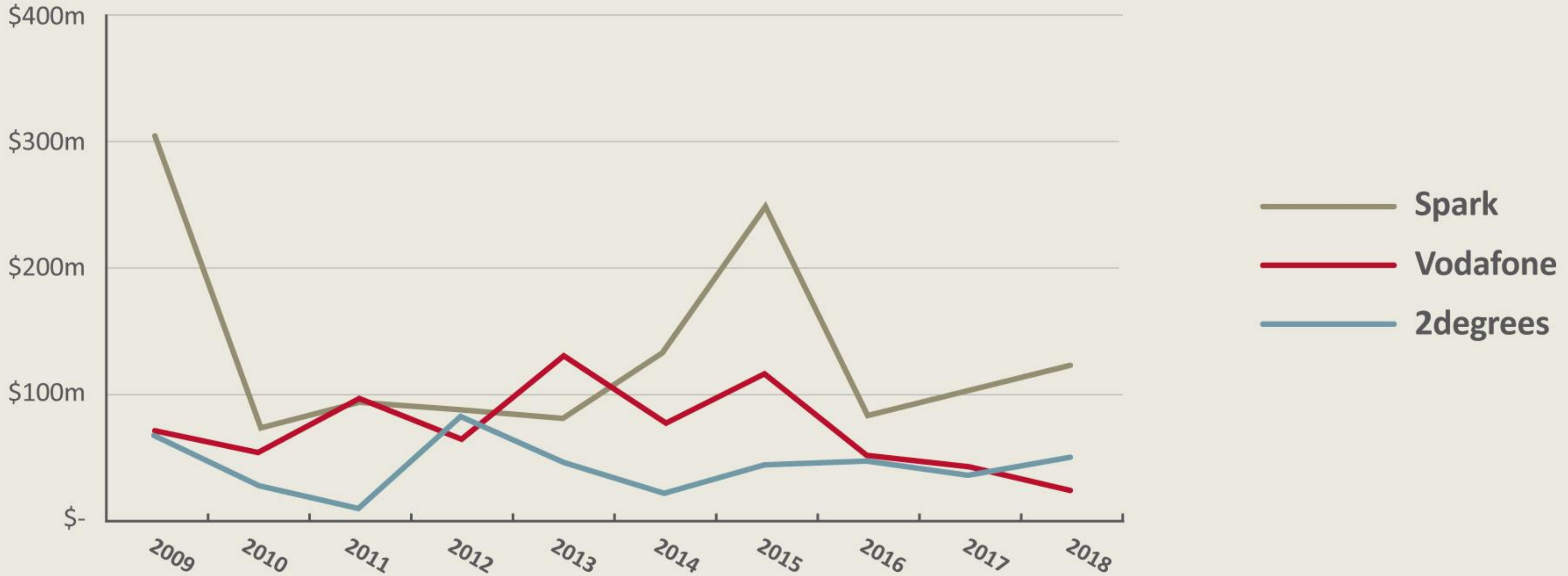
Average revenue per user 2008-2018



Source: Commerce Commission Annual Monitoring data

MNO Investment in mobile access



Source: Commerce Commission Annual Monitoring data

Mixed evidence on pricing

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- Prices of mobile services generally compare well with other OECD countries, but prices remain high relative to Australia

	Feb 2019 price, NZD PPP (Aug 2018)			NZ % price var. from	
Mobile phone services basket	**NZ**	**Aust.**	**OECD Average**	**Aust.**	**OECD Average**
30 calls + 500MB	17	13	25	28%	-33%
100 calls + 2GB	28	13	37	114%	-26%
300 calls + 5GB	48	13	50	268%	-6%
unlimited calls + 20GB	72	26	95	177%	-25%

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Data still relatively expensive

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- Prices for higher usage bundles in New Zealand compare well with pay monthly plans in Australia, but are much more expensive than contract deals available in Australia

Pay monthly	Optus	Vodafone Australia	2degrees	Skinny	Spark	Vodafone
Price (NZ$)	$77	$62	$85	$83	$80	$80
Data (GB)	40	20	40	43	22	22
Price per GB	$1.93	$3.09	$2.13	$1.93	$3.64	$3.64
National calls and SMS	unlimited	unlimited	unlimited (incl to Aust)	unlimited	unlimited (incl to Aust)	unlimited (incl to Aust)
12-month contract	**Optus**	**Vodafone Australia**	**Telstra**			
Price (NZ$)	$52	$82	$92			
Data (GB)	80	150	90			
Price per GB	$0.64	$0.55	$1.02			

Data use low

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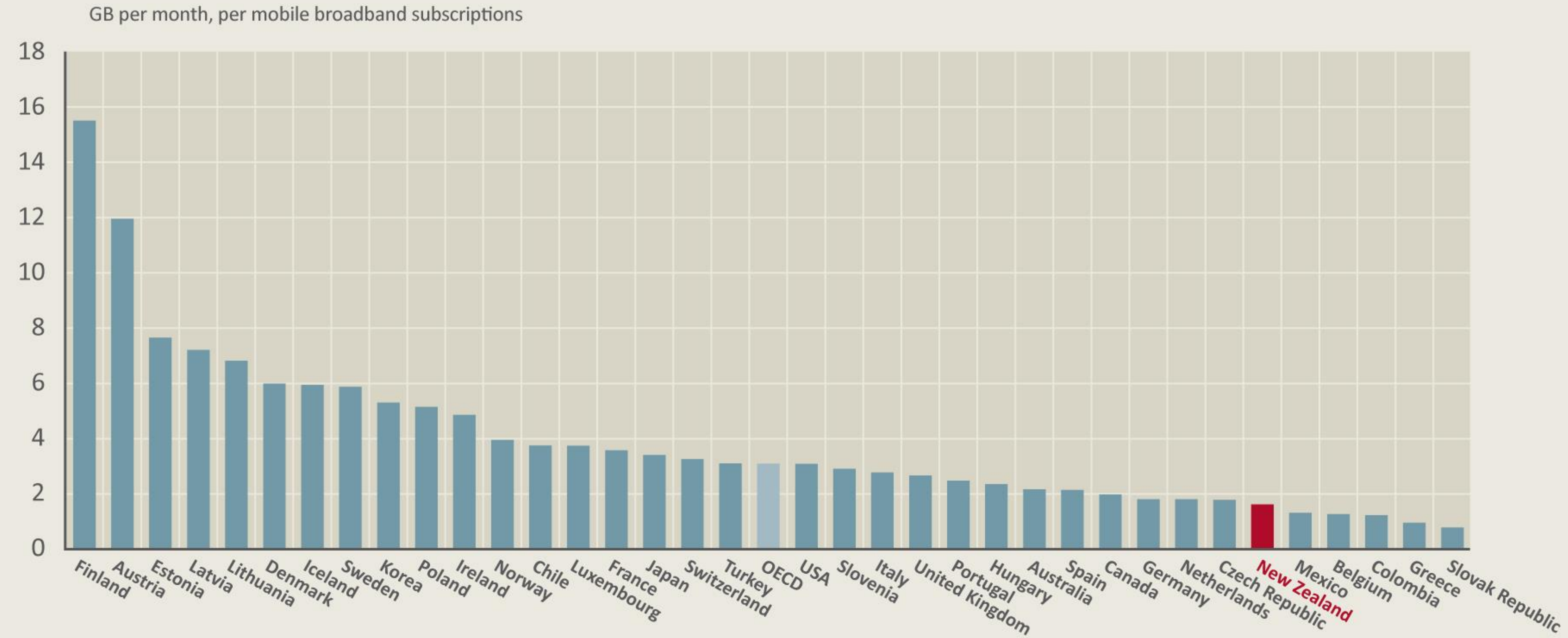
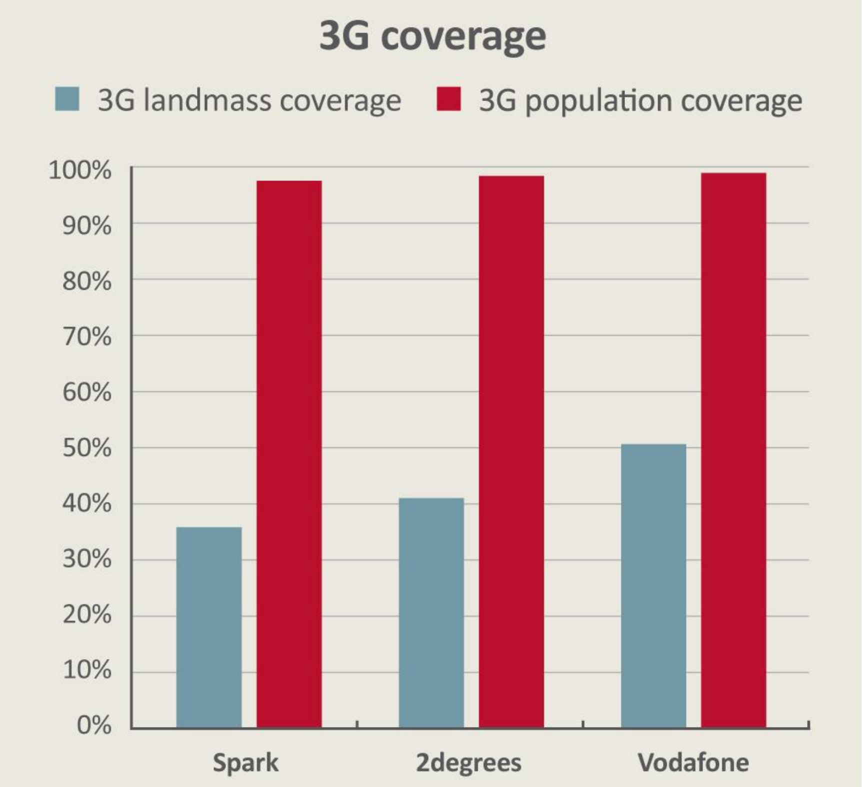
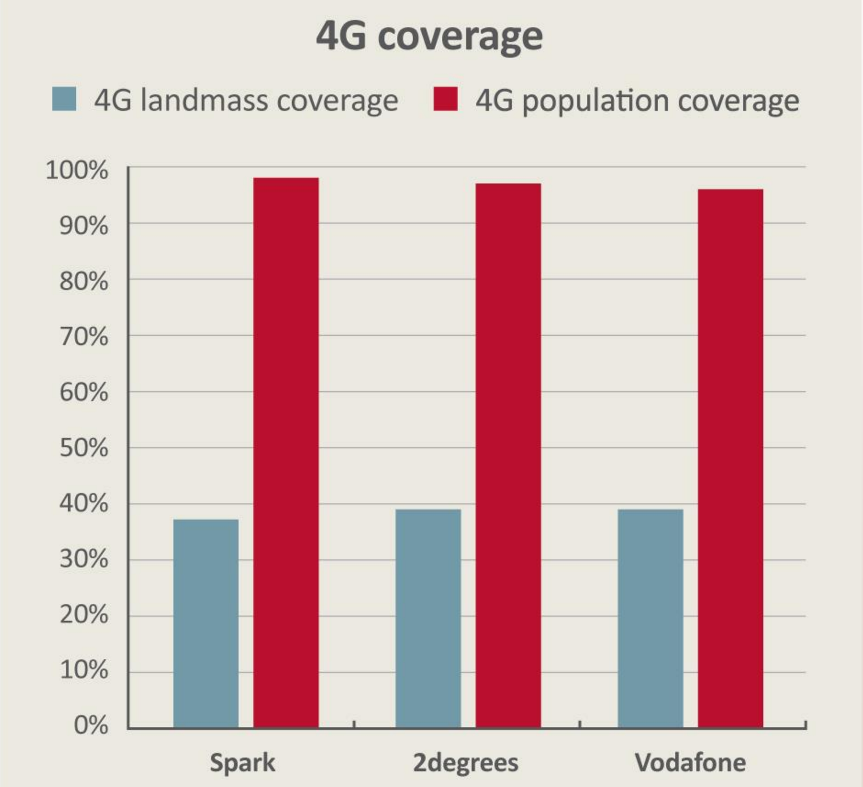


Source: OECD

3G and 4G coverage



Source: Annual Monitoring Questionnaire responses



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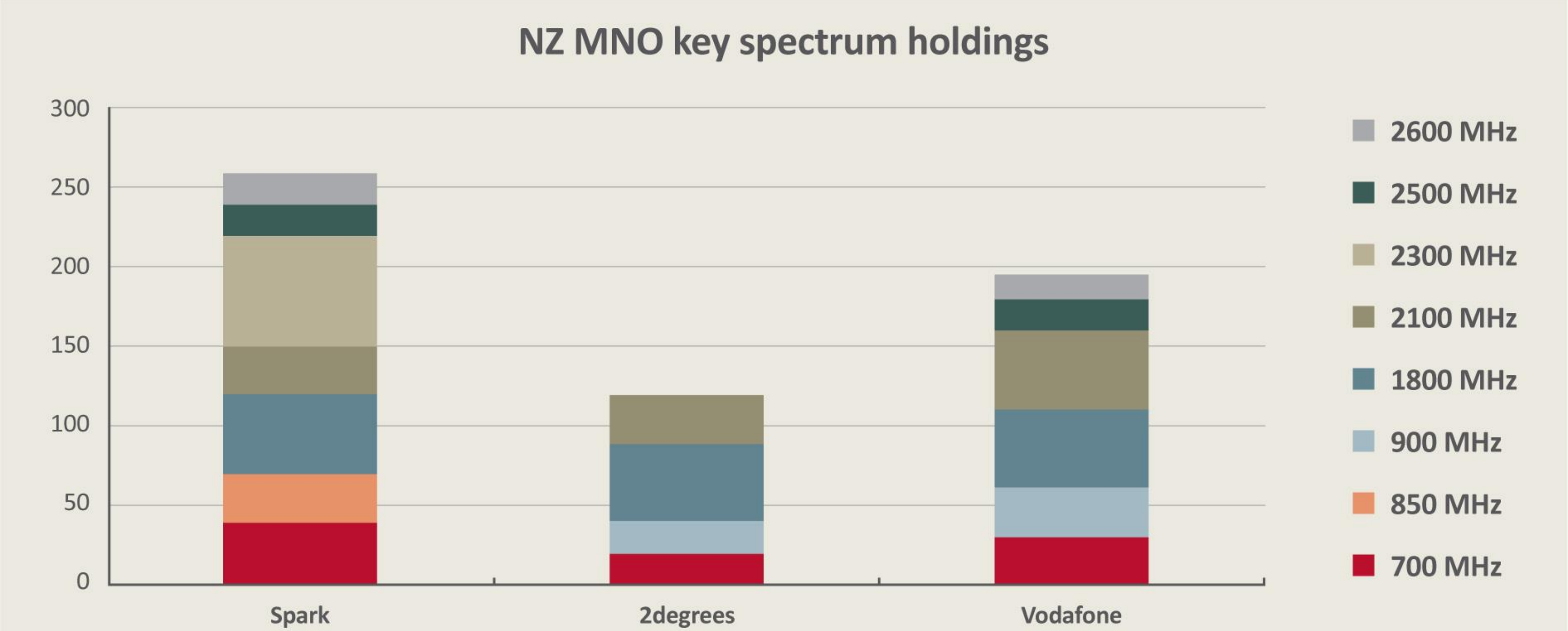
Key issues

- In our view, there are three issues which are likely to influence the performance of the mobile market in delivering competitive outcomes for mobile consumers in New Zealand:
  - Spectrum
  - MVNO access
  - Mobile consumer engagement

Spectrum

- Spectrum is a scarce and critical input into the supply of mobile services.
- Significant disparities in spectrum holdings, including the amount and bands of spectrum held, can affect competition



Source: Radio Spectrum Management website

Spectrum

- In our view, the design of the 5G auction should take account of overall spectrum holdings and allow for the potential entry of new parties
- Spectrum allocation will be a critical factor for improving competition conditions in general

MVNOs

- Until recently, competition between MNOs to offer MVNO access has been limited
- However, two new entrants have recently announced MVNO deals
- We think the competitive conditions are sufficient to allow MVNOs to emerge where viable market opportunities exist
- Regulation at this time isn’t appropriate, but we will continue to monitor developments

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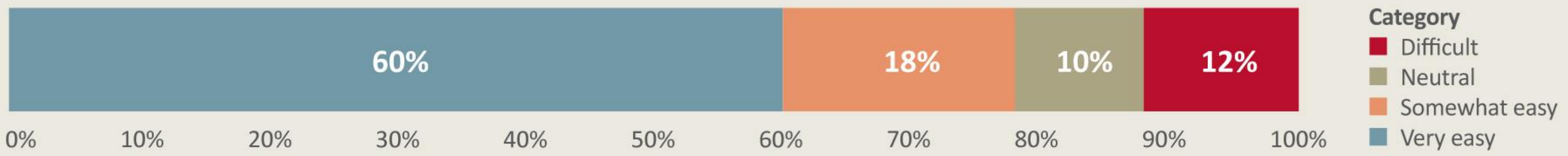
Consumers

- Most consumers can easily access their mobile usage information, and find switching fairly easy, although information on mobile performance is harder to find

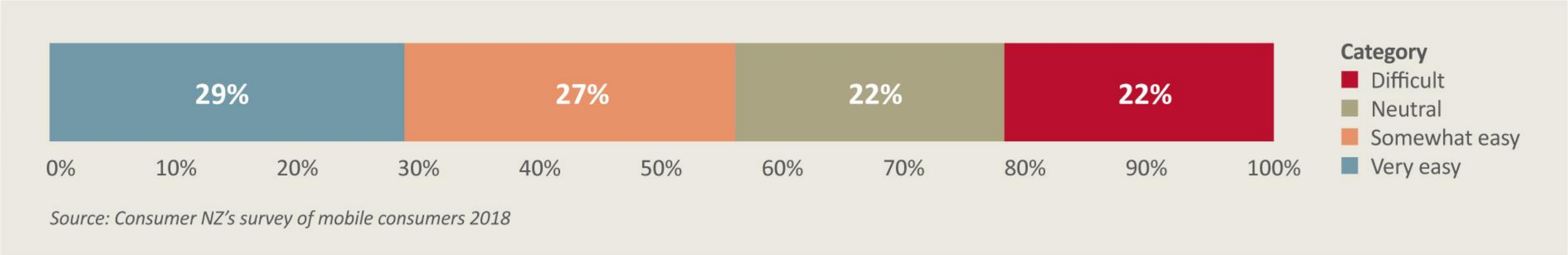
Ease of Accessing mobile usage information



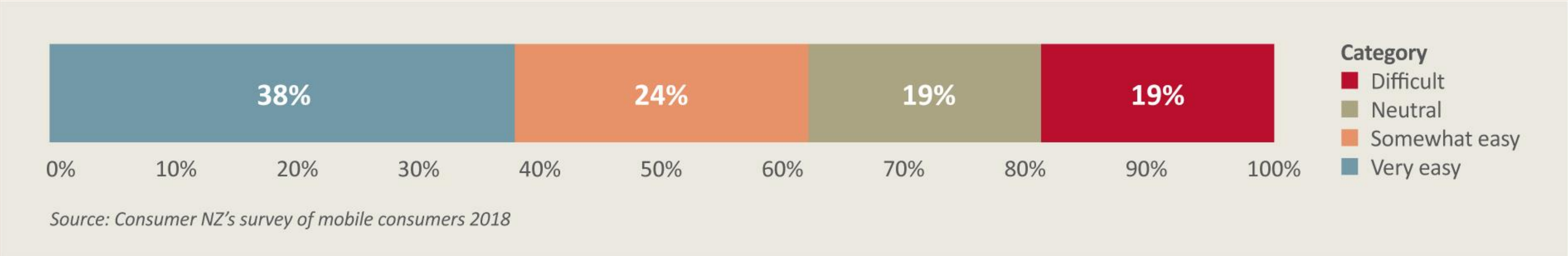
Source: Consumer NZ's survey of mobile consumers 2018

Consumers

Ease of comparing providers and plans



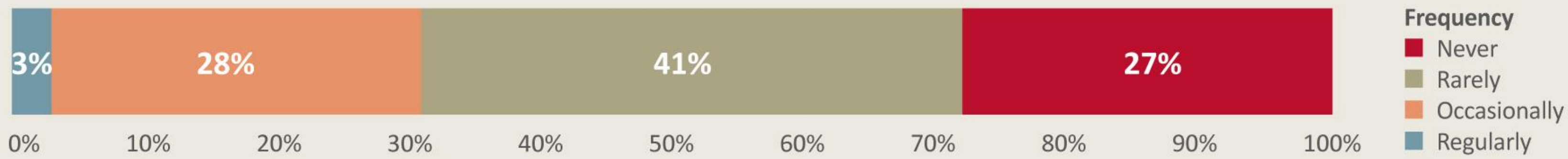
Ease of switching provider



Consumers

- While most consumers find it easy to compare available plans, they also report that they don't actually compare plans very often. A significant proportion of consumers have also remained with their current provider for many years

Frequency of comparing plans



Source: Consumer NZ's survey of mobile consumers 2018

Time with current provider

Source: Consumer NZ's survey of mobile consumers 2018

Consumers

- Complementary work is underway to establish the consequence of consumer inertia, and whether regular assessment or checking of plans could save consumers money
- Customer satisfaction is higher than for fixed line services, but still has room to improve. This is being taken forward in the work on Retail Service Quality under Part 7 of the Telecommunications Act

Regulation

- Our review of the current market competitive conditions, and likely future developments, has not identified sufficient grounds for us to bring forward our planned reviews of regulated services

Service	Type	Introduced	Next Schedule 3 review due	Subject to an STD
National roaming	Specified	19 December 2001	20 September 2023	No
Mobile Termination Access Service (MTAS)	Designated	23 September 2010	23 September 2020	Yes
Mobile co-location	Specified	19 December 2001	30 June 2021	Yes[1]
Local and mobile number portability	Designated	19 December 2001	30 June 2021	Yes

[1]The STD for mobile co-location was first introduced in 2008.

Next steps

Milestone	Indicative dates
Submissions on the preliminary findings due	28 June 2019
Cross submissions due	19 July 2019
Mobile market study findings published	30 September 2019

For more information contact Andrew Harrison c/o regulation.branch@comcom.govt.nz

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