Mobile Market Study
Preliminary Findings

Analyst Briefing
16 May 2019

Dr Stephen Gale
Overview

• 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

The New Zealand mobile market

- **99%** of services in 2018 provided by 3 MNOs
- Data use in 2018 went up **69%**
- **82%** of users consumed mobile broadband data in 2018, up from **77%** in 2017
- **8th** out of **88** countries for 4G speeds but **65th** out of **88** countries for 4G coverage

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

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* Commerce Commission 2018 Annual Monitoring Questionnaire responses  ** Commerce Commission 2018 Annual Monitoring Report
† Consumer NZ's survey of mobile consumers 2018  5 OpenSignal  TelGen (Feb 2019)
Mobile market shares

Source: Commerce Commission Annual Monitoring data
**Mobile market overview**

### The New Zealand mobile market
- **99%** of services in 2018 provided by 3 MNOs
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- New Zealand is **8th** out of **88** countries for 4G speeds but **65th** out of **88** countries for 4G coverage

### Consumers
- **60%** of mobile consumers say they find it very easy to access their mobile usage information.
- **56%** of mobile consumers say it’s easy to compare but **68%** rarely ever do.
- **19%** of mobile consumers say switching providers is difficult but **54%** have not switched in the last five years.

### 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.

### 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.

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† Consumer NZ’s survey of mobile consumers 2018  
5 OpenSignal  
9 Telgen (Feb 2019)
Average revenue per user 2008-2018

Mobile ARPU

Source: Commerce Commission Annual Monitoring data
MNO Investment in mobile access

Source: Commerce Commission Annual Monitoring data
Mixed evidence on pricing

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

<table>
<thead>
<tr>
<th>Mobile phone services basket</th>
<th>Feb 2019 price, NZD PPP (Aug 2018)</th>
<th>NZ % price var. from OECD Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NZ</td>
<td>Aust.</td>
</tr>
<tr>
<td>30 calls + 500MB</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td>100 calls + 2GB</td>
<td>28</td>
<td>13</td>
</tr>
<tr>
<td>300 calls + 5GB</td>
<td>48</td>
<td>13</td>
</tr>
<tr>
<td>unlimited calls + 20GB</td>
<td>72</td>
<td>26</td>
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</table>
Data still relatively expensive

- 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.

<table>
<thead>
<tr>
<th>Pay monthly</th>
<th>Optus</th>
<th>Vodafone Australia</th>
<th>2degrees</th>
<th>Skinny</th>
<th>Spark</th>
<th>Vodafone</th>
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<tbody>
<tr>
<td>Price (NZ$)</td>
<td>$77</td>
<td>$62</td>
<td>$85</td>
<td>$83</td>
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<td>$80</td>
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<td>Data (GB)</td>
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<tr>
<td>Price per GB</td>
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<td>$2.13</td>
<td>$1.93</td>
<td>$3.64</td>
<td>$3.64</td>
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</table>

<table>
<thead>
<tr>
<th>National calls and SMS</th>
<th>unlimited</th>
<th>unlimited</th>
<th>unlimited (incl to Aust)</th>
<th>unlimited</th>
<th>unlimited (incl to Aust)</th>
<th>unlimited (incl to Aust)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12-month contract</td>
<td>Optus</td>
<td>Vodafone Australia</td>
<td>Telstra</td>
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<td></td>
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<tr>
<td>Price (NZ$)</td>
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<td>$82</td>
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<tr>
<td>Data (GB)</td>
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<td>150</td>
<td>90</td>
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<tr>
<td>Price per GB</td>
<td>$0.64</td>
<td>$0.55</td>
<td>$1.02</td>
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</tr>
</tbody>
</table>
Data use low

GB per month, per mobile broadband subscriptions

Source: OECD
3G and 4G coverage

**3G coverage**
- Spark: 80% 3G landmass coverage, 90% 3G population coverage
- 2degrees: 40% 3G landmass coverage, 50% 3G population coverage
- Vodafone: 60% 3G landmass coverage, 70% 3G population coverage

**4G coverage**
- Spark: 60% 4G landmass coverage, 70% 4G population coverage
- 2degrees: 40% 4G landmass coverage, 50% 4G population coverage
- Vodafone: 30% 4G landmass coverage, 40% 4G population coverage

Source: Annual Monitoring Questionnaire responses
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- Switching providers: Only 19% of mobile consumers say switching providers is difficult but 54% have not switched in the last five years

Low user
- $17 for 30 calls 500MB
- $4 more expensive than Australia

High user
- $48 for 300 calls 5GB
- $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

Radio spectrum

Spectrum is critical for competition, MVNO entry and 5G

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:
  o Spectrum
  o MVNO access
  o 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.
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
• 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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§ OpenSignal  
‖ Telgen (Feb 2019)
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

Source: Consumer NZ’s survey of mobile consumers 2018
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**

![Frequency of comparing plans chart]

*Source: Consumer NZ’s survey of mobile consumers 2018*

**Time with current provider**

![Time with current provider chart]

*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
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.

<table>
<thead>
<tr>
<th>Service</th>
<th>Type</th>
<th>Introduced</th>
<th>Next Schedule 3 review due</th>
<th>Subject to an STD</th>
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</thead>
<tbody>
<tr>
<td>National roaming</td>
<td>Specified</td>
<td>19 December 2001</td>
<td>20 September 2023</td>
<td>No</td>
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<tr>
<td>Mobile Termination Access Service (MTAS)</td>
<td>Designated</td>
<td>23 September 2010</td>
<td>23 September 2020</td>
<td>Yes</td>
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<tr>
<td>Mobile co-location</td>
<td>Specified</td>
<td>19 December 2001</td>
<td>30 June 2021</td>
<td>Yes¹</td>
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<tr>
<td>Local and mobile number portability</td>
<td>Designated</td>
<td>19 December 2001</td>
<td>30 June 2021</td>
<td>Yes</td>
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</table>

¹The STD for mobile co-location was first introduced in 2008.
Next steps

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Indicative dates</th>
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<tbody>
<tr>
<td>Submissions on the preliminary findings due</td>
<td>28 June 2019</td>
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<tr>
<td>Cross submissions due</td>
<td>19 July 2019</td>
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<td>Mobile market study findings published</td>
<td>30 September 2019</td>
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</table>

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