COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Mobile Market Study Findings Report

Analyst Briefing

26 September 2019

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Overview

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- The Commission has assessed the state of competition in mobile services, likely future developments, and the potential effects on competition and consumers
- We have found no particular problems in the market at this point in time
  - Consumers might benefit from more shopping around; plans are simple, and switching is easy
  - There is an emerging market for virtual operators and no need to regulate wholesale access
  - With growing data demand, future competition will depend on the upcoming 5G spectrum allocations producing reasonably balanced spectrum holdings
- The current regulatory settings appear to be fit for purpose

Three MNOs continuing to invest

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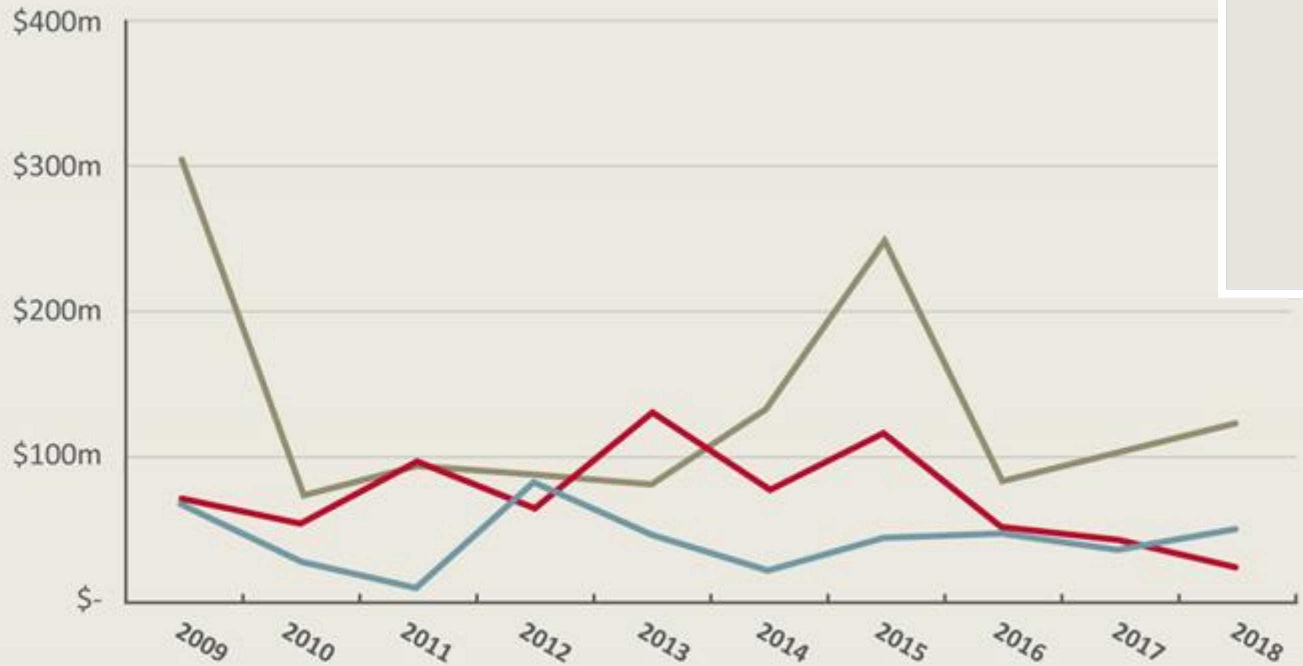
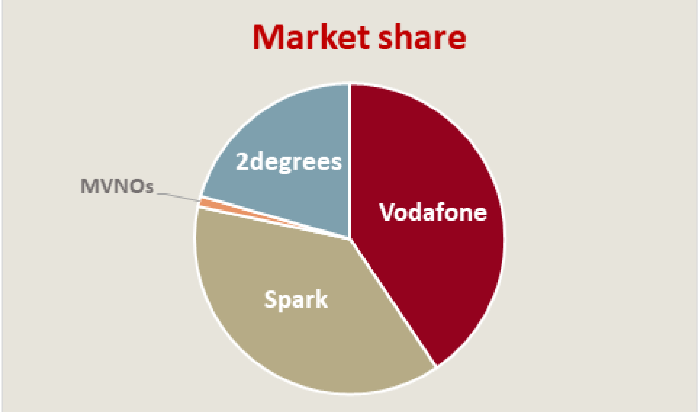
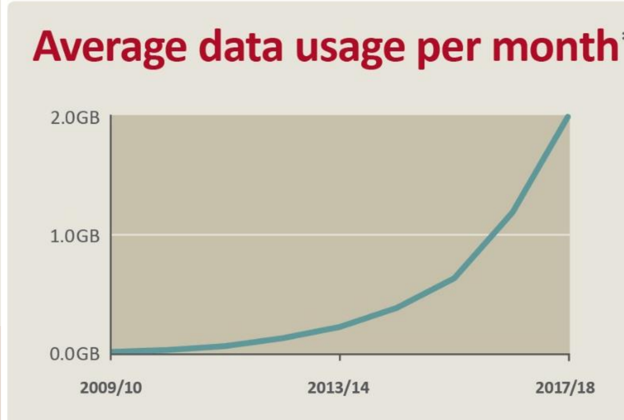
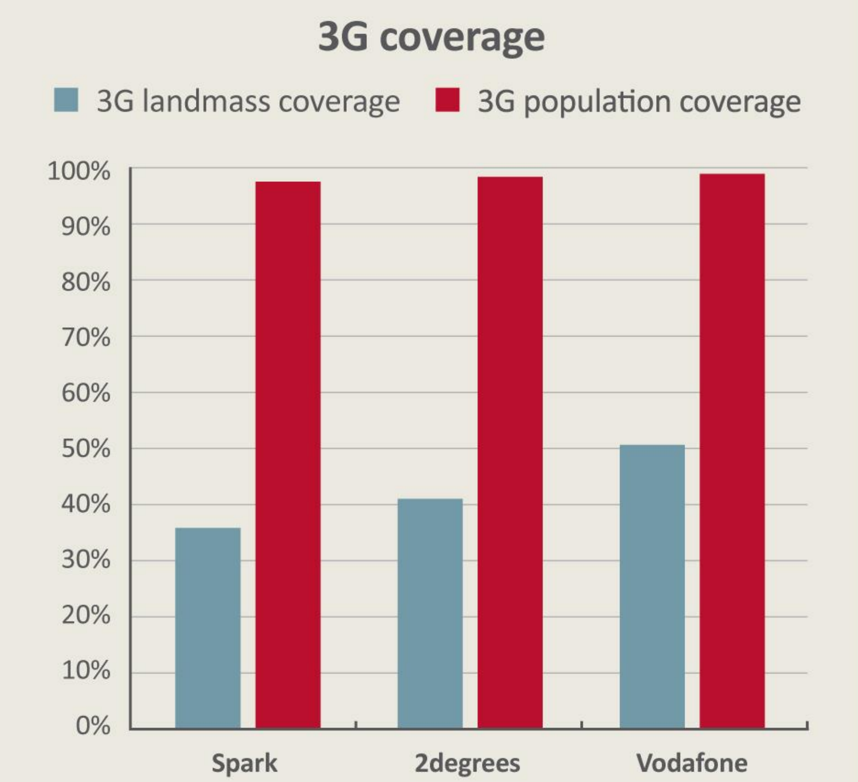


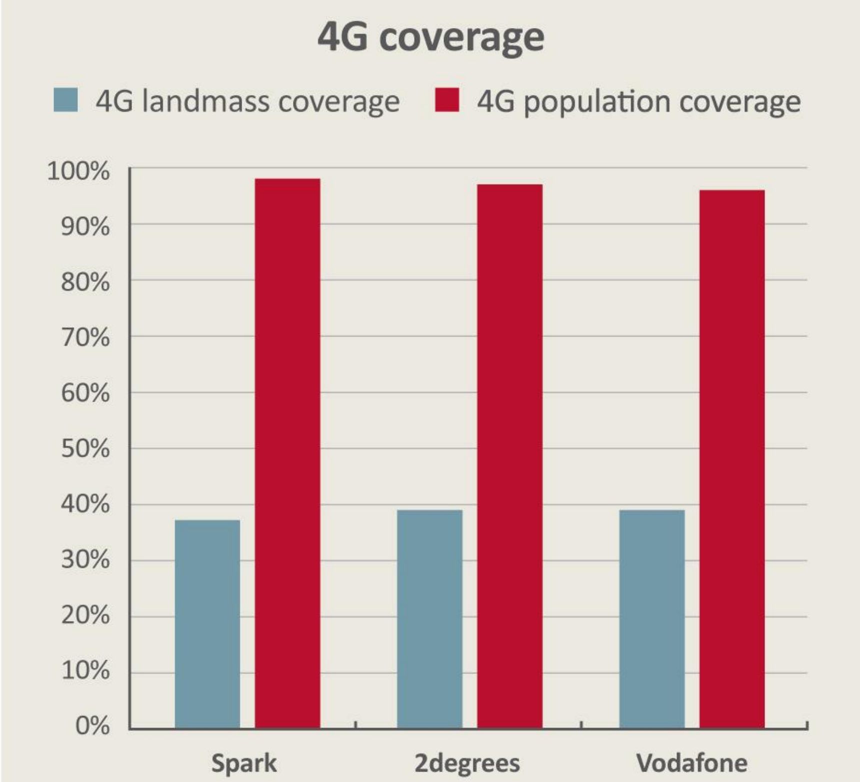
Source: Commerce Commission Annual Monitoring data



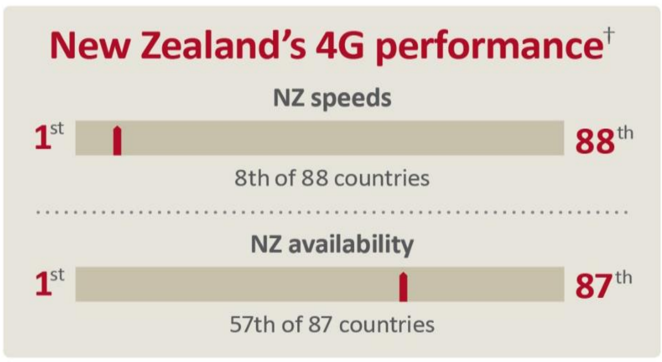


3G and 4G coverage



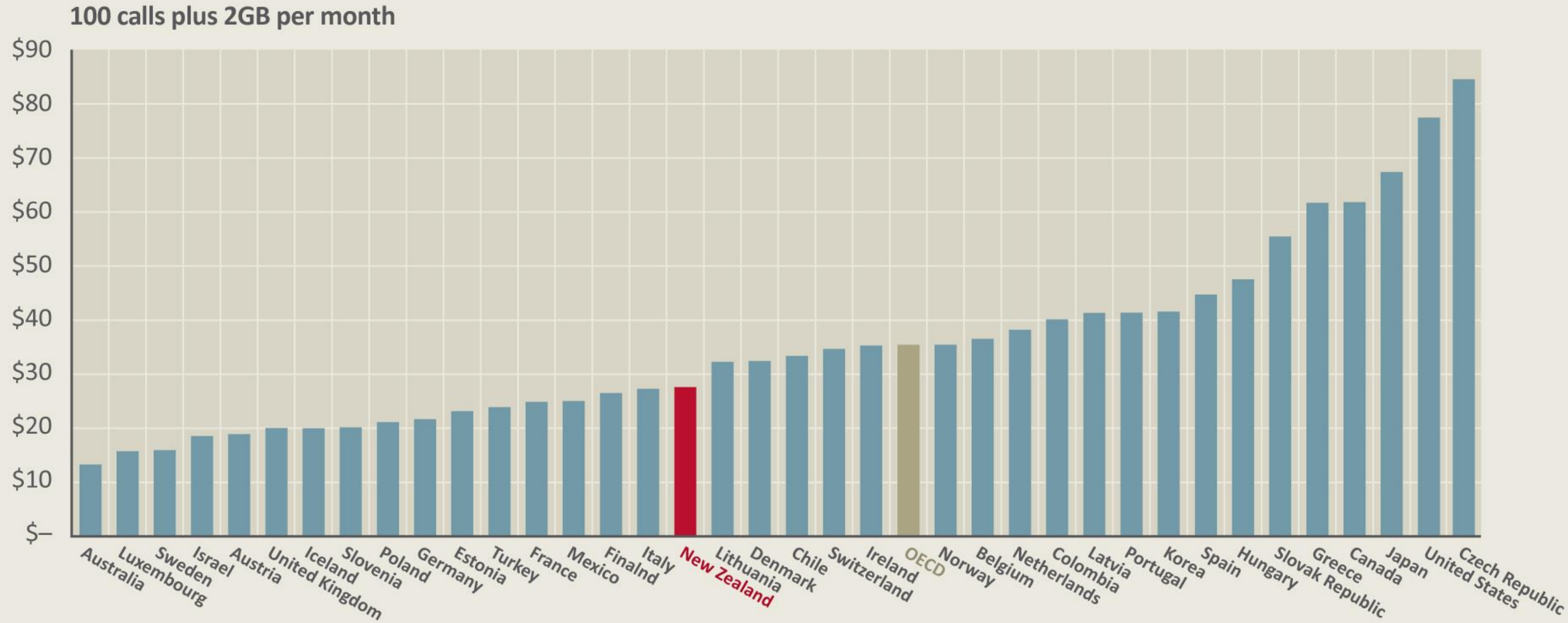


Source: Annual Monitoring Questionnaire responses



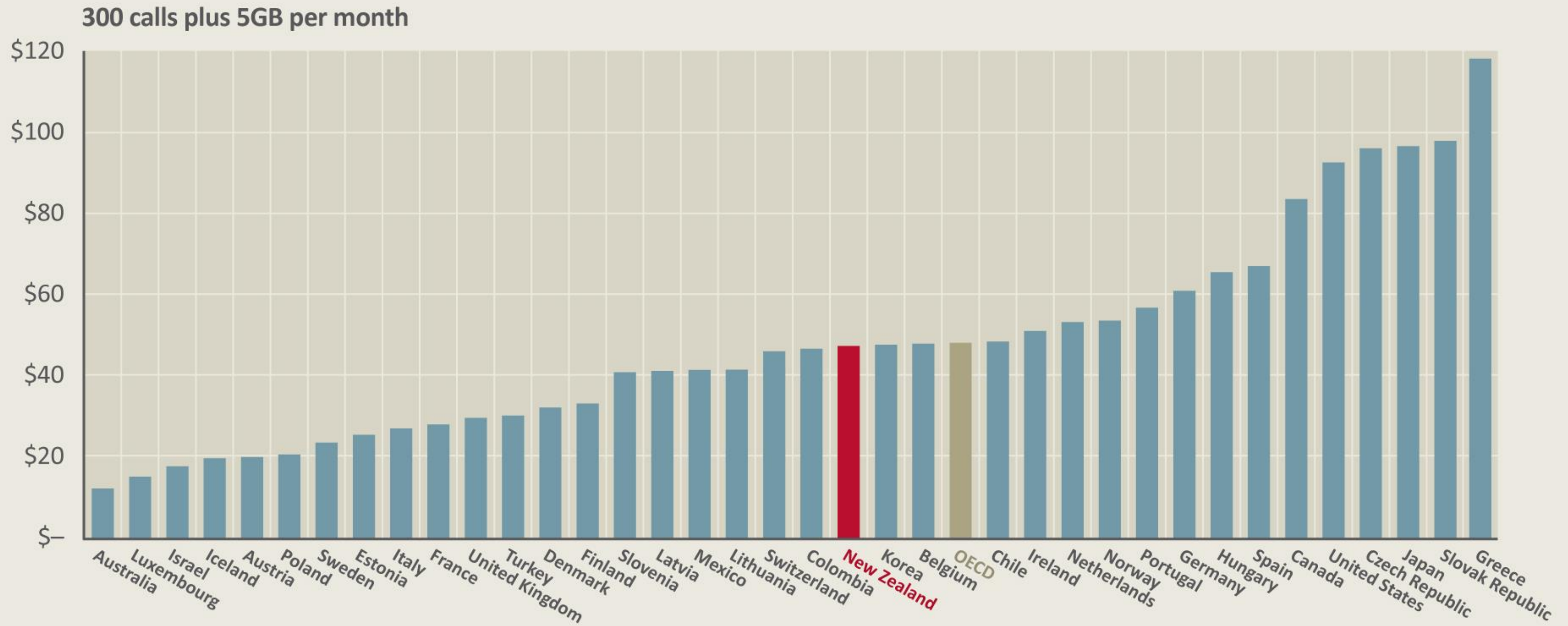
†Opensignal

Mobile Pricing - NZ vs OECD (at NZ average usage)



Source: Teligen benchmarking results, May 2019

Mobile Pricing - NZ vs OECD (larger bundle)



Source: Teligen benchmarking results, May 2019

Mixed evidence on pricing

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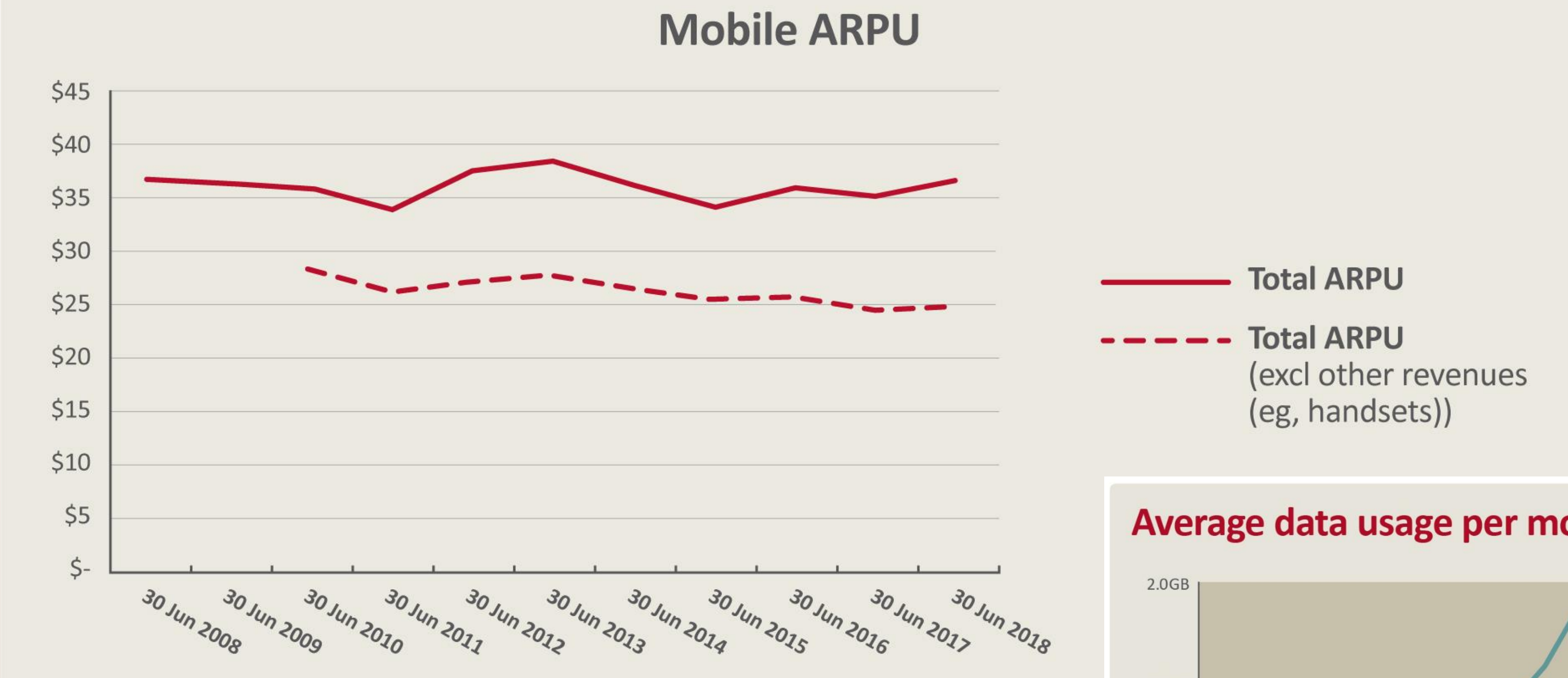
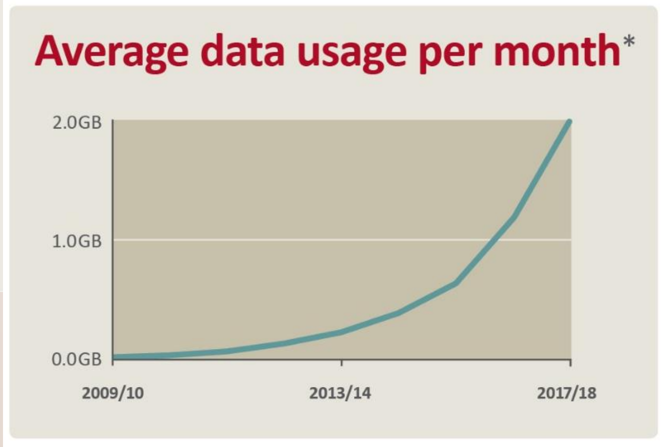
- Prices of mobile services generally compare well with other OECD countries

	May 2019 price, NZD PPP			NZ % price variance from	
Mobile phone services basket	**NZ**	**Australia**	**OECD average**	**Australia**	**OECD average**
30 calls + 500MB	17	13	24	29%	-32%
100 calls + 2GB	28	13	35	115%	-22%
300 calls + 5GB	48	13	48	270%	-1%
unlimited calls + 20GB	72	26	86	178%	-17%

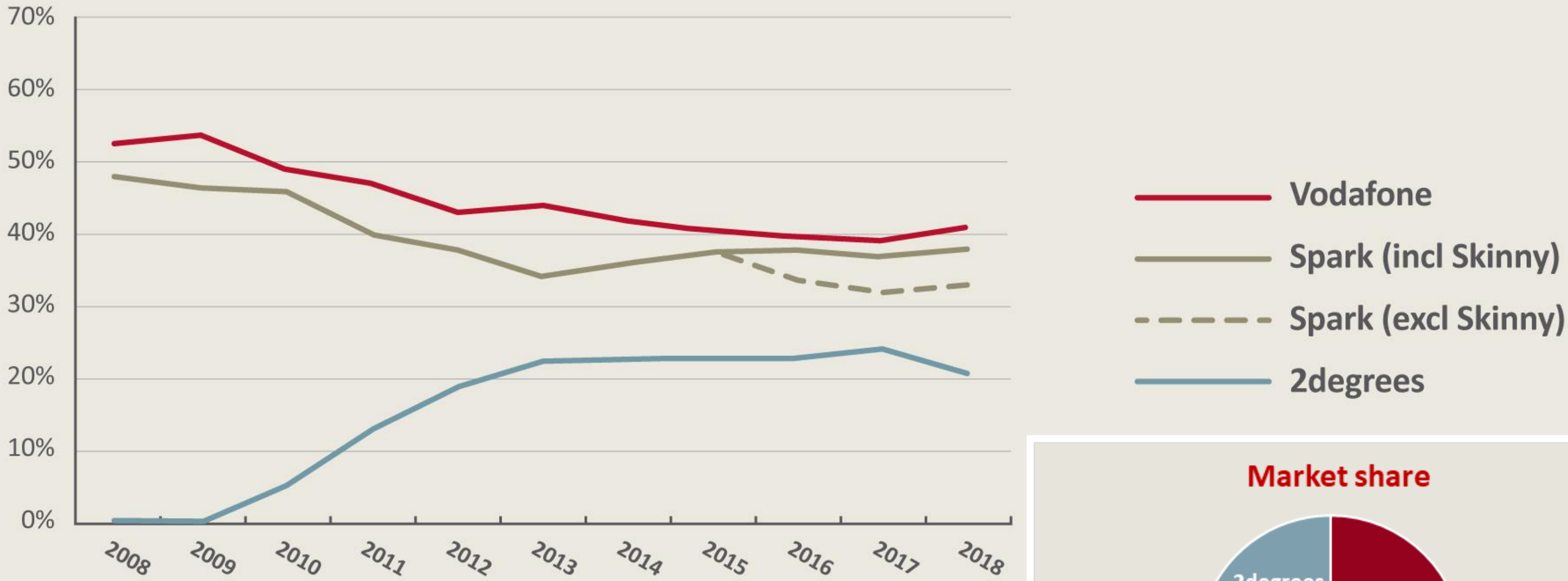
Average revenue per user 2008-2018



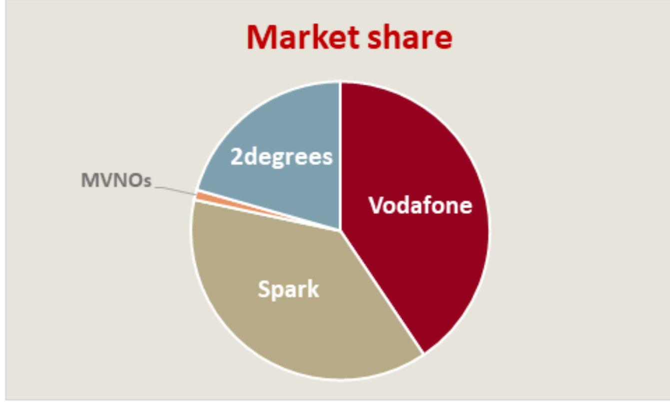
Source: Commerce Commission Annual Monitoring data



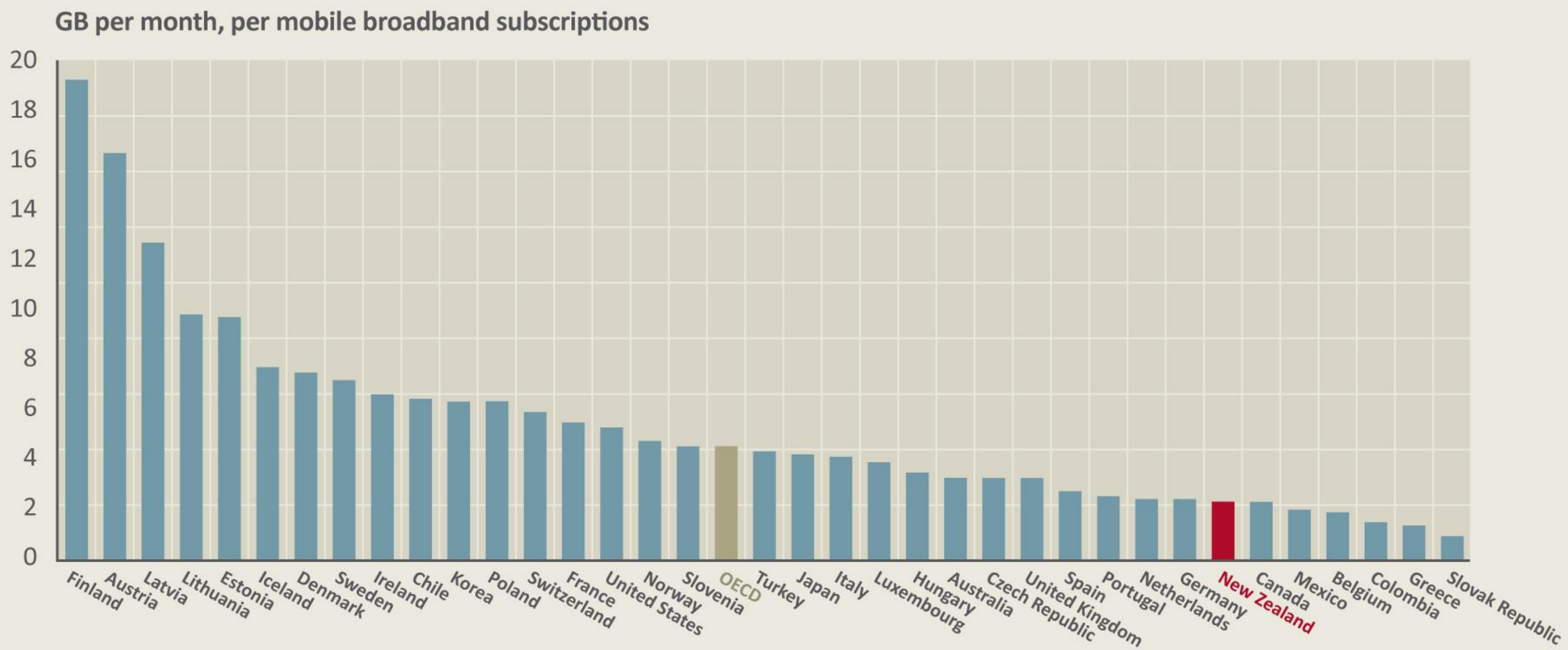
Mobile market shares



Source: Commerce Commission Annual Monitoring data



…but data usage remains relatively low



Source: OECD

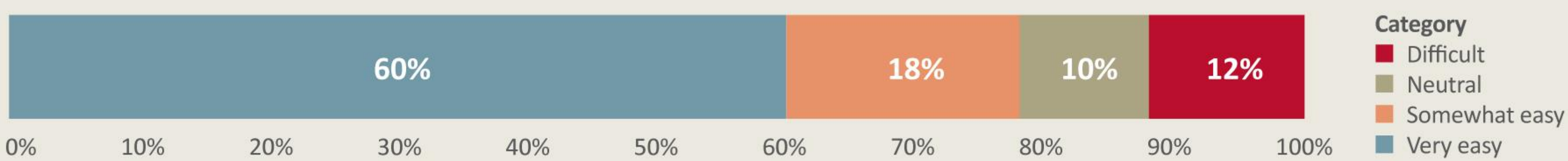
Key issues

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

Consumers

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

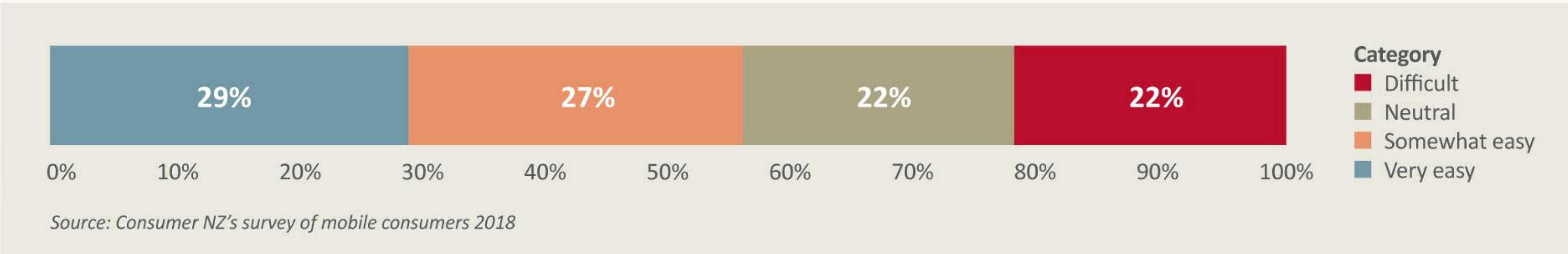
Ease of Accessing mobile usage information



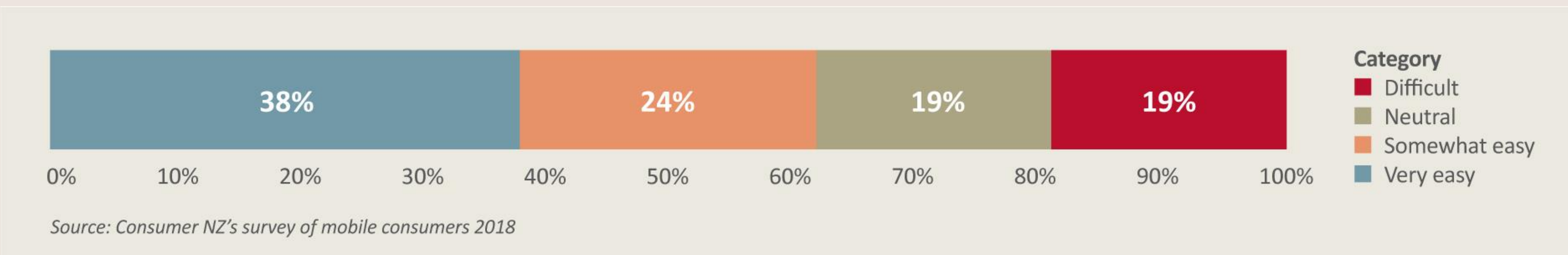
Source: Consumer NZ's survey of mobile consumers 2018

Consumers

Ease of comparing providers and plans

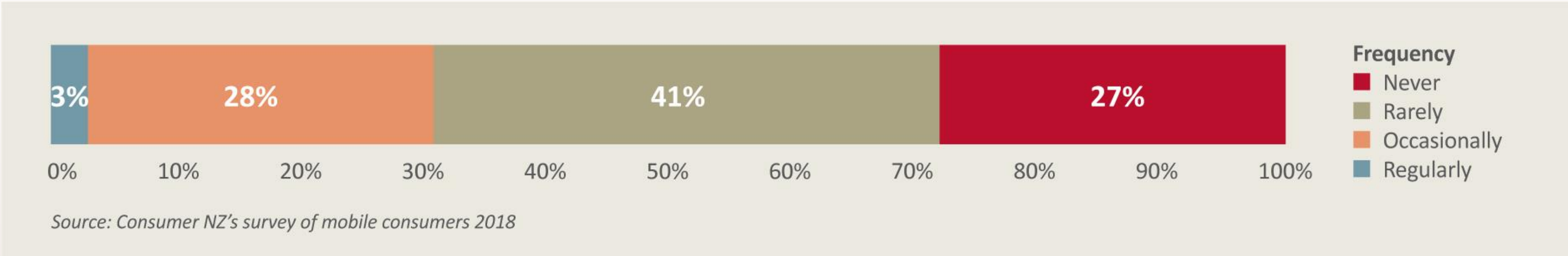


Ease of switching provider



Consumers

Frequency of comparing plans



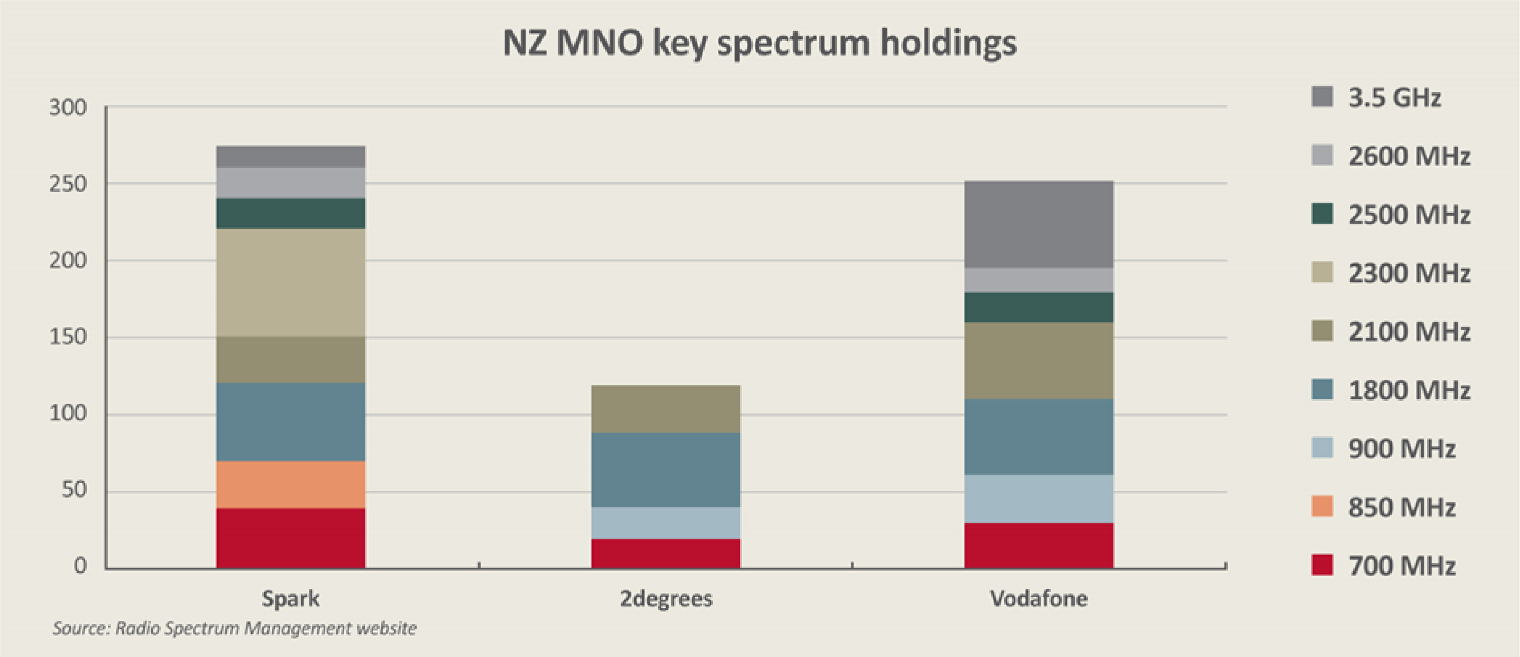
Time with current provider

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

Spectrum

- Spectrum is a scarce and critical input into the supply of mobile services
- As data use continues to grow, significant disparities in mobile spectrum holdings would be likely to affect competition



Spectrum

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

MVNOs

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- Until recently, competition between MNOs to offer MVNO access has been limited
- However, two new entrants have recently announced MVNO deals
- We consider the competitive conditions are sufficient at this point in time to allow MVNOs to emerge where viable market opportunities exist
  - in particular, 2degrees has completed its network build, reducing its reliance on roaming and has also invested in a wholesale platform to support MVNOs
- Regulation at this time isn't appropriate, but we will continue to monitor developments

Regulation

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

Service	Type	Introduced	Next Schedule 3 review due	Subject to an STD
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
National roaming	Specified	19 December 2001	20 September 2023	No

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

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