Mobile Market Study
Findings Report

Analyst Briefing
26 September 2019

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Overview

• 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

Source: Commerce Commission Annual Monitoring data
3G and 4G coverage

Source: Annual Monitoring Questionnaire responses

New Zealand’s 4G performance

NZ speeds
1st
88th
8th of 88 countries

NZ availability
1st
87th
57th of 87 countries

†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

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

<table>
<thead>
<tr>
<th>Mobile phone services basket</th>
<th>May 2019 price, NZD PPP</th>
<th>NZ % price variance from May 2019 price, NZD PPP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NZ</td>
<td>Australia</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>
</tr>
</tbody>
</table>
Average revenue per user 2008-2018

Mobile ARPU

Source: Commerce Commission Annual Monitoring data

Average data usage per month*
Mobile market shares

Source: Commerce Commission Annual Monitoring data
...but data usage remains relatively low

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**GB per month, per mobile broadband subscriptions**

![Graph showing GB per month, per mobile broadband subscriptions for various countries.](chart)

*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:
  o Mobile consumer engagement
  o Spectrum
  o 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

Source: Consumer NZ’s survey of mobile consumers 2018

Ease of switching provider

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

Frequency of comparing plans

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.
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.

Source: Radio Spectrum Management website
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

• 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
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.

<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>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile termination access service (MTAS)</td>
<td>Designated</td>
<td>23 September 2010</td>
<td>23 September 2020</td>
<td>Yes</td>
</tr>
<tr>
<td>Mobile co-location</td>
<td>Specified</td>
<td>19 December 2001</td>
<td>30 June 2021</td>
<td>Yes^1</td>
</tr>
<tr>
<td>Local and mobile number portability</td>
<td>Designated</td>
<td>19 December 2001</td>
<td>30 June 2021</td>
<td>Yes</td>
</tr>
<tr>
<td>National roaming</td>
<td>Specified</td>
<td>19 December 2001</td>
<td>20 September 2023</td>
<td>No</td>
</tr>
</tbody>
</table>

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