



## SUBMISSION TO COMMERCE COMMISSION

### Draft decision on Chorus' price-quality path

24 September 2021

Sky welcomes the opportunity to provide feedback on the Commerce Commission's recent draft decision on Chorus' price-quality path. It is positive to see that the Commission sees a continuing role for incentives in the market. Sky's particular area of focus and concern however is the complex process to be applied to the approval of incentives Chorus offers ISPs like Sky. It is Sky's strong belief that the process will have a significant negative impact on competition by introducing uncertainty surrounding incentives, impacting business planning for retail customer pricing, and creating rigidity in a dynamic and ever-changing market. The current proposal would favour mobile network operators, who are charging lower prices and incentivising customers to move to fixed wireless services on their owned networks.

Sky believes our recent entry to market is an example of how the current incentive process works in favour of creating competition and fulfilling the principles of the Telecommunications Act to increase fibre uptake and utilisation of the network.

Sky started selling fibre services from May of this year, with a focus on delivering value and quality to our customers. The fibre sector of the broadband market offers less barriers to entry, supported by stable incentive programs which can be confidently forecasted against. Margins are slim in the broadband market, in part due to the underlying costs and competitiveness of the broadband market. The availability of incentives supported the business case and decision for Sky to enter the fibre segment of the broadband market. Incentives from Chorus support Sky as well as delivering a high-quality product to our customers.

Quality has been delivered to retail broadband customers through our promotion of Chorus' faster 900/400 speed plan and our own investment in WiFi6 tech. With compelling pricing, the combination of quality and value could not be delivered without a superior fibre network and the support of incentives from Chorus. We believed from the outset that our customers would see great value in what we offered. Now that we're in market our customers have told us that we have delivered on both quality and value with responses from customers like...

*"Great product and price. Much better value than what we were paying with Spark. Very quick delivery and was activated the week after ordering. So far so good, WiFi is very fast and stable"*

*"Saves us \$\$ on what we used to spend. Easy to install and gives us what we need."*



*"Been with slingshot for 5 years and couldn't get Wi-Fi upstairs but now I'm with sky I can even get my Wi-Fi upstairs in my garage and even at my letterbox. So definitely would recommend sky to my friends ..oh and the price and disney plus..YOUS ROCK"*

*"Really easy to order and set up. The broadband coverage is really good and really fast! Good price too. Thank you"*

*"The transition was seamless. Price was better than I was paying at Vodafone"*

*"Awesome price, and the booster means we now have Wi-Fi throughout the house, wish I'd known earlier"*

*"I like how fast the broadband is and how easy it is to set up and connect. Also comes at an affordable price."*

*"It was easy to setup, and the quality has been excellent for a house of 4 people with no issues whatsoever."*

The proposal being made to have individual CAPEX submissions for incentive payments does not have a clearly defined process, although it does set out a number of gates Chorus would need to pass to gain approval. Sky is concerned that Chorus will be required to enter into a burdensome administrative process on a regular basis to get every initiative campaign approved, without any guarantee of being able to provide incentives to RSPs like Sky. Bureaucracy aside, this would lead to ambiguity and greatly reduce the ability to perform long-term business planning that was inclusive of incentives.

In a highly competitive and dynamic market like consumer broadband, being able to respond with agility to competitors is critical. Chorus equally need to be able to respond to changes in market conditions. We continue to see our competitors regularly updating offers as they navigate in market, including Spark and Vodafone both continuing to offer fixed wireless plans at lower prices than fibre plans with upfront sign-up incentives for customers offered as well. In some cases, standard retail prices are below wholesale fibre prices. Vodafone openly acknowledges in its submission that it offers a number of FWA services at prices "*which cannot be matched by fibre services given the wholesale costs retailers face*".

Should incentives no longer feature in the market, or be harder to guarantee, it would make it considerably more challenging for Sky to make further innovation investments like we have done in launching Sky Broadband and WiFi6 and indeed compete with larger RSPs who are able to offer both fibre and FWA services. The same applies when it comes to designing attractive, competitive prices and offers in market that drive the uptake of fibre services as well as increasing the intensity of usage.



It is important that the position of smaller non-MNO market players, such as Sky, are given equal weight when making your final determination. We hope that this will be the case and look forward to a decision that continues to support a competitive market.

For further queries:

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