



Submission on Mobile Market Study – Preliminary Findings

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PUBLIC VERSION

We welcome the Commission's decision in allowing for submissions on the Mobile Market Study Preliminary Findings (Paper). We looked and considered the preliminary findings presented by the Commission and have selectively responded based on our exposure, experience and understanding of the New Zealand mobile communications market.

We have taken into consideration the challenges businesses face in competing, in offering effective, efficient and fair mobile communication services, as well as the technology changes faced as a result of 5G services and future innovations.

PRICING

All three MNOs have a variety of prepaid and postpaid product offerings that have identifiable variability in data allowances, voice minutes, text, rollovers, add-ons and promotions.

The MNO prepaid offerings had comparable product offerings that ranged from \$19 to \$49 (generally over a 28 day or monthly period). It is our view that there was little price differentiation or advantage in their product offerings and therefore choice was based on brand, coverage, quality of services and/or customer experience¹.

Based on the data presented in the Paper we were surprised to see the variation in the MNO margin between competing operators (3.68). We recognised that the margin presented in this Paper is subject to interpretation (as stated in 3.67).

We are not convinced that the ARPU presented for prepaid customers (3.12) is as low as identified in this Paper (3.12) as these packages have a recurring cycle between 28 days to 1 month and with a minimum product offering price of \$19. It is our view, the reason this ARPU is low is a result of SIM subscriptions being extended for the lifetime of the SIM card activation (even when it is inactive for a significant period).

It is our opinion that regulating the larger MNOs based on price would be a disadvantage to other smaller MNO/MVNOs as it would present a financial burden on achieving a comparable price point that would offer a fair return on competing product offerings.

As was shown in the Paper, the pricing for mobile communication services in New Zealand are higher than those in Australia. This can further be reaffirmed based on the base packages in Australia including better international calling packages and based on New Zealand GDP we are significantly paying higher prices for mobile communication services.

COMPETITION

As the Paper indicates, the uptake of MVNOs has been significantly low at 1%, whereas it should be in the region of 10% based on comparative studies (4.52).

We believe that the MVNO environments is not allowed to emerge due to conflicts of interests that exist with the MNOs existing residential and business interests.

Our experience has shown that there are no clear processes, procedures and/or guidelines to allow interested MVNO parties a clear path of being on-boarded as MVNOs based on clearly defined and logical guidelines.

¹ With no consideration given to other bundles or promotions.

PUBLIC VERSION

We would urge the Commission to define such guidelines and/or regulations for MNOs that would allow interested MVNO parties fairer opportunities in being established as MVNO operators of various types (as indicated in 4.45).

Failure to address this issue will certainly result in New Zealand's mobile communication sector in emerging in becoming an oligopoly, which will hinder fair pricing, competition and innovation.

SPECTRUM

Allocation of the correct spectrum bands for emerging 5G services² is an important component in allowing wireless communication services to be offered efficiently and effectively.

It is our opinion, allocating excessive additional 5G spectrum to existing MNOs would not best serve New Zealanders in offering innovation, coverage, better speeds, reliability and/or competition.

However, we do agree that some part of the available 5G frequency bands should be made available to existing MNOs on an equal basis with the condition that they are able to work together to consolidate their existing legacy frequency bands that best serves in effectively utilising the available bandwidth in offering legacy and effective roadmap to 5G communication services in a timely manner.

We also propose that any un-assigned 5G frequency bands be only assigned based on its best purpose and utilisation in offering:

- 1) Frequencies 617-915 MHz – for large land base coverage
- 2) Frequencies 1,427 – 1,518 MHz – for urban/suburban coverage & bandwidth services
- 3) Frequencies 1,695 – 2.690 MHz – for high bandwidth services
- 4) Frequencies 3.3 – 5.0 GHz – multiple other service types

This Paper has not given attention to the emerging innovative 5G technology capabilities such as Network Slicing that allow cell sites to be shared across multiple core networks (i.e. MNOs and MVNOs). This capability allows flexibility to industry in effectively investing and effectively utilising limited cellular radio spectrum and network investments in offering better coverage for consumers at affordable prices.

We further support the possibility of allowing a portion of the un-assigned 5G spectrum (preferably in the 622-703MHz range) to be made available for regional/national wholesale operators to be established so they can offer 5G services on an open structure to any services provider (including legacy MNOs and MVNOs). We believe this offers the best competitive and innovative advantage for the future of New Zealand; without the current industry constraints faced by emerging businesses.

RISKS

The 5G standards are still emerging and faces competition from WiFi 6E. Consideration should also be given to these and if assigning any 5G spectrum at an early stage could potentially block emerging technologies and opportunities (such as 5G satellite services). We recommend these opportunities are not blocked for future market opportunities, as it could adversely impact New Zealand's Space program and strategies.

² based on International 3GPP TS 38.101 standards

SUPPORTING INNOVATION

New Zealand is currently in a unique situation, where its communication infrastructure and services are world class and in many cases leading edge. This is very different from its position from the last 15 years ago.

In supporting continuous innovation that the MNOs and MVNOs also incorporate a R&D budget to support emerging technologies and industry in the same way that NIST (in the USA) offer for open industry R&D projects.

We suggest that 5G MNO/MVNO operators who may be gaining excessive margins, invest into R&D that will encourage business innovation, skills and education in New Zealand.