



12 March 2021

## **Consultation on Chorus' proposal to spend \$1.6b during first period of new fibre regulatory regime**

Sky welcomes the opportunity to provide some high-level comments in relation to the Chorus proposal.

Sky is a new entrant to the New Zealand broadband market, with our Sky Broadband service due to be offered to Sky Box customers in the coming weeks.

Sky's position in the market is different from the major telcos. We are first and foremost a content company, delivering great sports, entertainment and news content to our customers across the country. As part of our effort to provide additional value to our customers, and in particular our loyal and important Sky Box customers, we have chosen to offer them broadband alongside their Sky services.

We are focused on delivering an excellent broadband service, with an emphasis on quality and reliability, and at affordable prices.

We are working constructively with Chorus, and acknowledge that Chorus has built a superb fibre network for New Zealanders with the assistance of Government UFB funding.

As noted, we are a content company not a telco, and before choosing to enter into broadband we undertook a thorough assessment of the market, which showed:

- Consumers love fibre, and it is delivering great benefits.
- The market is increasingly dynamic, with Fixed Wireless competition ramping up (we understand that two major players are now targeting 25% to 40% of their customers on to FWA<sup>1</sup>).
- Customers are price sensitive. We note that the recently-announced Vodafone entry level FWA at \$40 is now below the wholesale price of fibre. We are not as confident as Chorus that "Once customers have experienced fibre services they tend to stay with fibre".

Fibre must therefore remain cost competitive to be relevant. As new entrants to the market, with a particular focus on providing excellent and affordable broadband services to our content consumers, we want to compete fairly and on a level playing field.

It is therefore important to allow connection incentives at the wholesale level. Up to now the incentives offered by Chorus have largely focussed on growing the total number of fibre

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<sup>1</sup> <https://www.nzherald.co.nz/business/spark-ceo-jolie-hodson-wants-30-40-per-cent-of-fixed-line-broadband-customers-on-wireless/S2O4ZORU7IJ3X66YQAISUYQ4AE/>



connections. Although there is still a job to be done in connecting more kiwi homes to fibre, our analysis of the market points to churn between technologies becoming increasingly common.

Other broadband network technologies that Sky does not have access to are offering substantial incentives, such as the \$20 discount currently offered by Spark on its FWA plans. At the current retail margins for fibre, we cannot adequately respond without support from wholesale incentives.

We therefore submit that the Commission assess the size of the incentives offered by Chorus against the full fibre base, rather than just new connections.

As a new entrant to the market we have not commented in detail on the Chorus proposal, other than to reiterate the need for connection and churn incentives and our desire to be able to compete fairly and on a level playing field, and we look forward to further engagement with the Commission as we get closer to our market entry.

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