

MOBILE MONITORING REPORT

February 2012 to April 2012

Date: 18 July 2012

Purpose

The Commission issued the Mobile Termination Access Services (MTAS) Standard Terms Determination (STD) in May 2011. The STD provided for the monthly collection of mobile data, a summary of which would be published with comments by the Commission.

The STD outlined market changes that the Commission expected to see (within a reasonably short time). These were:

1. an increase in cross network traffic for voice and SMS to that reflecting a competitive mobile market
2. a decrease in the difference in prices between on net and off net calls and SMS
3. a decrease in the customer churn-rate for the smaller operator

This report provides graphs and commentary on the first two indicators.

Commentary

The indicators monitored have shown progress over the year since the introduction of the MTAS STD. While progress has been steady the Commission believes that continued monitoring is warranted to ensure that further advances are made.

Has cross network traffic for voice calls and SMS increased?

Cross network traffic for voice and SMS has increased steadily since the introduction of the MTAS STD.

Table 1: Cross network traffic for voice and SMS

INDICATOR	VOICE		SMS	
	Since MTAS STD (May 2011)	Since October 2009	Since MTAS STD (May 2011)	Since October 2009
% Cross network traffic	+5.3%	+10.4%	+10.7%	+22.2%
Change from previous quarter	+1.4%		+1.6%	

Has the price difference between on net and off net voice calls and SMS decreased?

The on net discount for both voice and SMS has continued to reduce.

Table 2: On net discount for voice and SMS

INDICATOR	VOICE		SMS	
	Since MTAS STD (May 2011)	Since October 2009	Since MTAS STD (May 2011)	Since October 2009
% On net discount	-13.7%	-25.3%	-18.1%	-34.2%
Change from previous quarter	-3.3%		-6.8%	

Voice Traffic

Since May 2011 cross net voice traffic has increased 5.4 percentage points from 16.4% to 21.8% and by 10.4 percentage points since October 2009.

Figure 1: Percentage cross network voice traffic in New Zealand

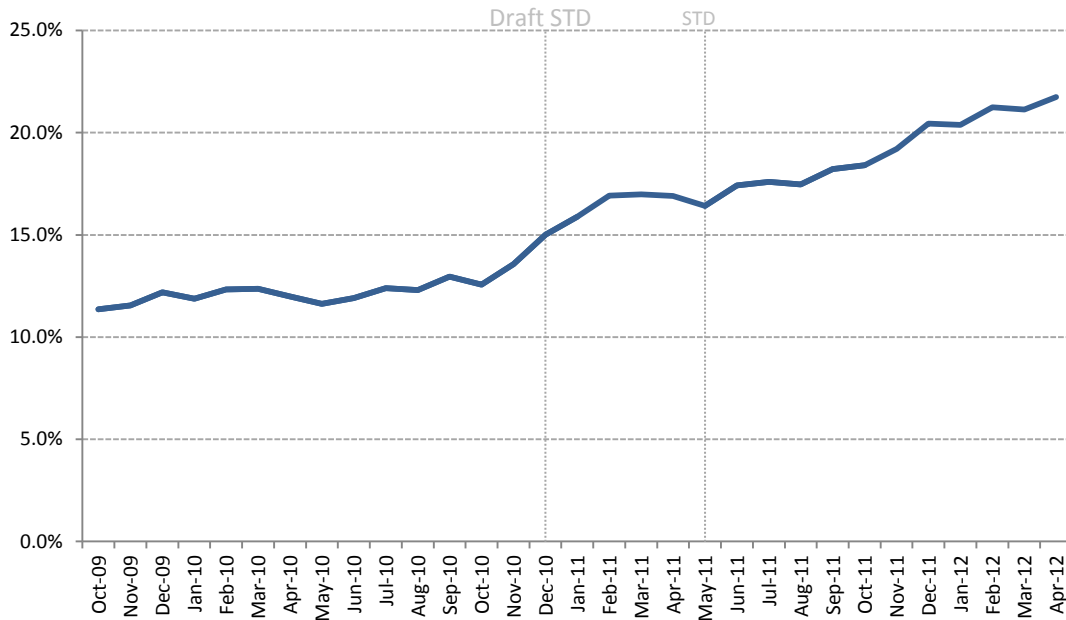


Table 3: Percentage voice traffic

VOICE	Oct-09	May-11	Apr-12
% Cross-network traffic	11.4%	16.4%	21.8%
% On-network traffic	88.6%	83.6%	78.2%

The overall trend in New Zealand for actual voice minutes is decreasing, with a 13% drop since October 2009. On net minutes have decreased while off net have increased.

Table 4: Total voice minutes

Voice Minutes (m)	Oct-09	May-11	Apr-12
Outgoing on-net MTM	224	196	172
Outgoing off-net MTM	29	39	48
Total voice minutes	252	235	219

Voice on net discount

The on net discount for voice calls has declined 13.7 percentage points since the MTAS STD and 25.3 points since October 2009.

Figure 2: Percentage on net discount for voice in New Zealand

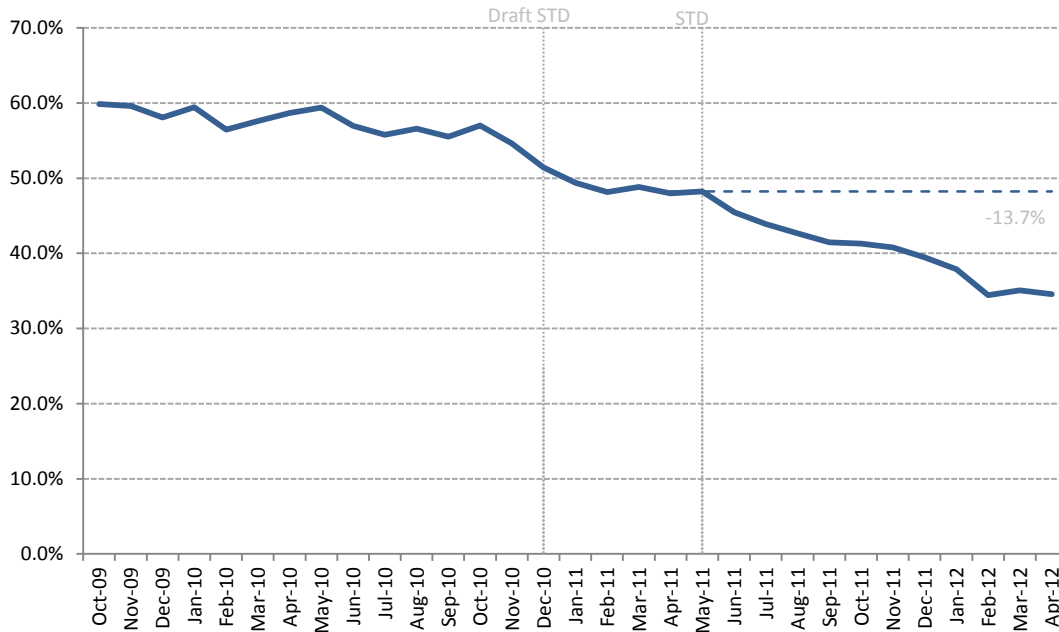


Table 5: On net discount for voice

VOICE	Oct-09	May-11	Apr-12
% On-net discount	59.9%	48.3%	34.6%

SMS Traffic

Since the inception of the STD the proportion of cross net SMS traffic has increased 10.7 percentage points (from 20.1% to 30.8%) and increased 22.2 points since October 2009.

Figure 3: Percentage cross network SMS traffic in New Zealand

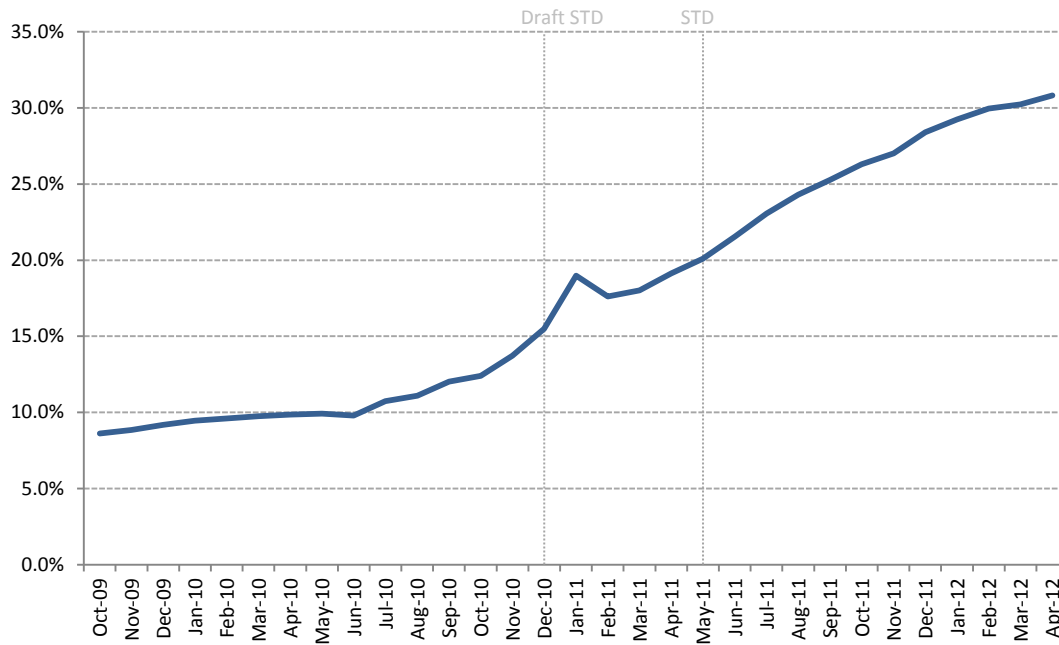


Table 6: Percentage SMS traffic

SMS	Oct-09	May-11	Apr-12
% Cross-network traffic	8.6%	20.1%	30.8%
% On-network traffic	91.4%	79.9%	69.2%

The overall trend in New Zealand for SMS message is increasing, with a 2% rise since October 2009. Off net messages have increased rapidly while on net have decreased.

Table 7: Total SMS messages

SMS Messages (m)	Oct-09	May-11	Apr-12
Outgoing on-net	994	910	767
Outgoing off-net	94	229	342
Total SMS messages	1,088	1,140	1,109

SMS on net discount

The on net discount for SMS has declined 18.1 percentage points since the MTAS STD and 34.2 points since October 2009.

Figure 4: Percentage on-net discount for SMS in New Zealand

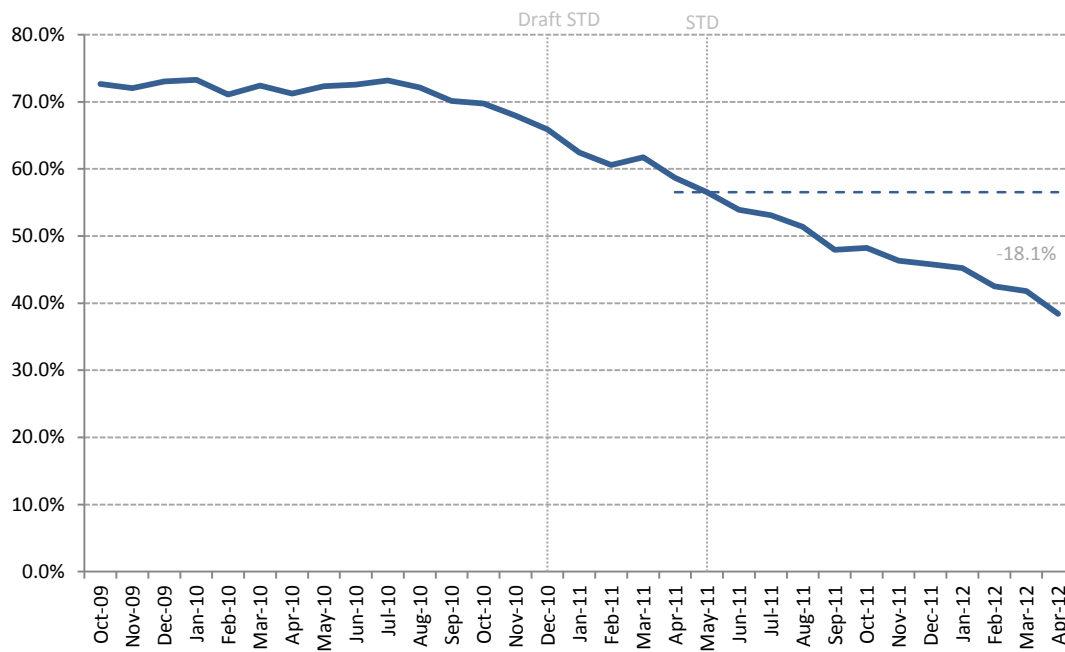


Table 8: SMS on net discount

SMS	Oct-09	May-11	Apr-12
% On-net discount	72.6%	56.5%	38.4%

Voice on net / off net revenue

The average revenue per minute for off net calls has declined 17.7% since the introduction of the STD¹ and decreased 34.6% since October 2009. On net revenue has increased by 6.7% since October 2009.

Figure 5: Industry average voice revenue per minute in New Zealand

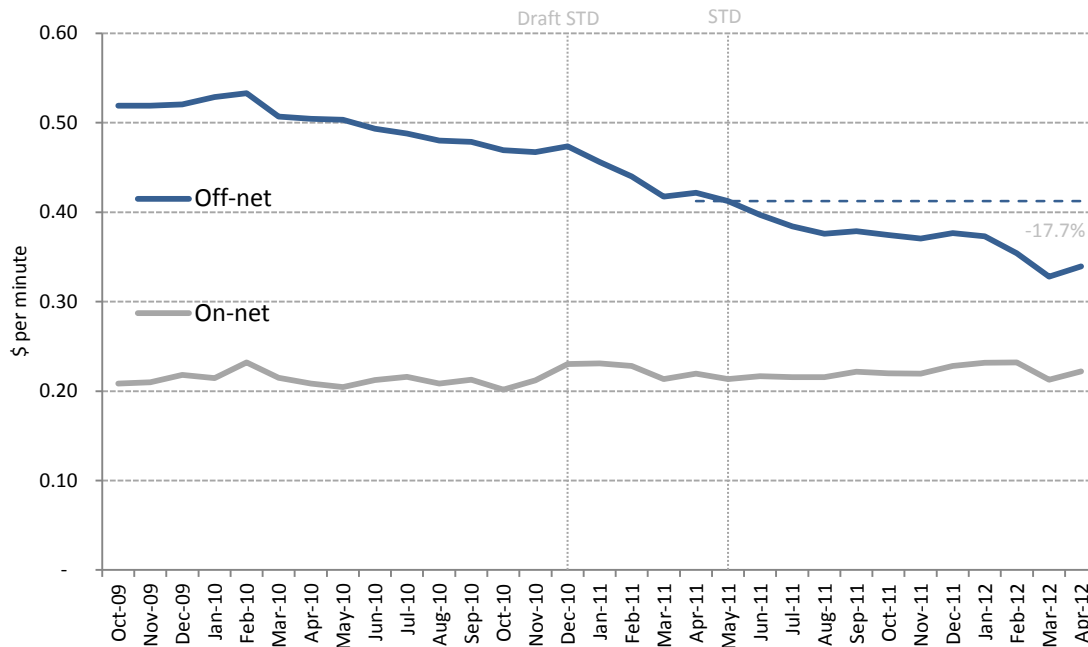


Table 9: Average voice revenue per minute

VOICE	Oct-09	May-11	Apr-12
On-net revenue per minute	\$ 0.21	\$ 0.21	\$ 0.22
Off-net revenue per minute	\$ 0.52	\$ 0.41	\$ 0.34

¹ The current mobile termination rate for voice is 3.97c. This will decrease to 3.72c on 1 April 2013 and to 3.56c on 1 April 2014

SMS on net / off net revenue

The average revenue per minute for off net SMS has declined 30.6% since the inception of the MTAS STD², with a 61.6% drop since October 2009.

Figure 6: Industry average revenue per SMS in New Zealand

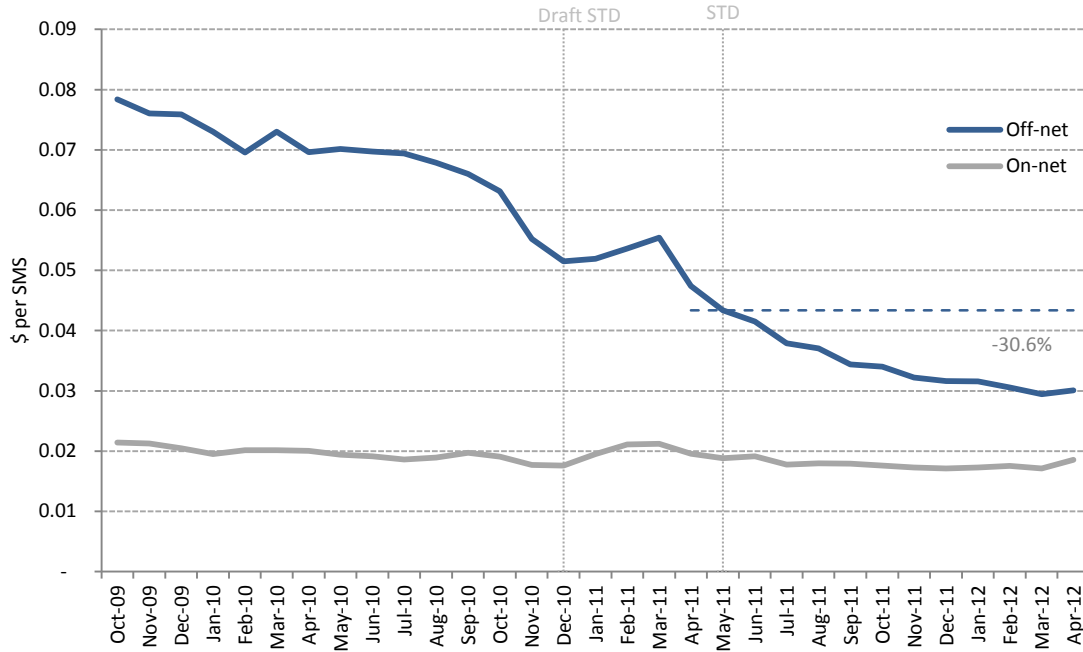


Table 10: Average SMS revenue per message

SMS	Oct-09	May-11	Apr-12
On-net revenue per minute	\$ 0.021	\$ 0.019	\$ 0.019
Off-net revenue per minute	\$ 0.078	\$ 0.043	\$ 0.030

² The current mobile termination rate for SMS is 0.06c per SMS

Market Developments

There have been a number of developments in the pre and post pay mobile markets which encourage cross network voice and SMS traffic. Current any net offers, as taken from the companies websites, are detailed below (only the voice and SMS components are shown).

Prepay

New Zealand prepay plans often require an additional add-on to benefit from cross network offers. Below are the latest any net offers.

Vodafone

- prepay plans of up to 100 minutes and 2500 texts to any network in a month and a NZBestMate
- the NZBestMate allows the customer to use 1000 minutes and 1000 TXTs to 1 mobile of any operator, or 1000 minutes to 1 NZ landline

Telecom

- has a Talk Value Pack add-on which enables 40 any network minutes for use in a 90 day period. Also customers can purchase 2500 any network texts each month
- launched the “Skinny” brand offering weekly any net prepaid plans for \$4. This brand is aimed at the youth market.

2degrees

- offer customers text and voice pack add-ons which allows 2500 texts or 100 minutes to any network in a month.

Postpay

New Zealand post pay plans have cross network voice and SMS as standard. Below are the maximum current offers available.

Vodafone

- offer a range of cross network plans up to 1000 minutes and 2500 texts to any network.

Telecom

- offer plans up to either 1000 minutes and 300 texts or 650 minutes and 2500 texts to any network.
- introduced iPhone plans with any net 300 SMS and up to 400 voice minutes

2 degrees

- offer plans up to unlimited minutes to any mobile or landline and 2500 text to any network