Datafile of Asia-Pacific Telecommunications

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This information is taken from CIT Publications' Datafile of Asia-Pacific Telecommunications which includes profiles of all telecoms sectors in 14 Asia-Pacific countries as well as over 40 company profiles.

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New Zealand

Mobile communications

Regulations

Regulatory bodies:	The Ministry of Economic Development (MED) came into existence in February 2000, absorbing the former regulator, the Communications Division of the Ministry of Commerce. The MED advises the Minister of Communications on competition and international telecoms issues. Policy is formulated by the Communications Networks Policy Group of the Resources and Networks Branch of the MED. The Radio Spectrum Management Group of the Operations and Risk Management Branch allocates licences.
Recent regulatory developments:	The much delayed auction of 2GHz spectrum began on 10 July 2000. Nine paired blocks of spectrum are available for 2G services and three for 3G services; one 3G paired block has been set aside for a Maori trust.

Market commentary

In November 2000, after more than two years of discussion and delay, the auction for third-generation (3G) mobile spectrum was well under way, if not actually drawing to a close. The first steps towards 3G licensing began in late 1998 when the then MoC announced that it would be holding an online auction of spectrum blocks in the 2GHz band which would enable winners to offer 2G or 3G services. Although it set 29 March 1999 as the date for the auction it was forced to postpone it until January 2000 after a claim was made to the Waitangi Tribunal that the Maoris should be entitled to a share of the spectrum. In December 1999 the auction was again postponed, this time so that the

MoC could address competition issues; the regulator had decided that New Zealand law was not strong enough to ensure that adequate competition would develop in the 3G market.

The auction finally began on 10 July 2000. Spectrum is available in the 2GHz band which spans 1710MHz-2300MHz and is capable of supporting 2G and 3G United States Personal Communication Services (USPCS) and the European IMT 2000 3G standard. 60MHz of spectrum has been made available for 3G services, 15MHz more than was originally proposed. Following the period of consultation on competition issues the government decided to cap the amount of 3G spectrum available per bidder so that no applicant can purchase more than 15MHz of paired spectrum. Bidders will also be allowed to purchase a maximum of 5MHz unpaired spectrum, known as the TDD band. The cap will be enforced for a three-year period from the date on which management rights are transferred to successful bidders. One of the four 15MHz blocks on offer has been reserved for a Maori trust and a one-off fund of NZD5 million has been created to facilitate Maori participation in the auction; the trust will pay a price equivalent to the average price of the other blocks less a discount of 5%. All licences are valid for 20 years. The reserve price for the 10MHz 3G spectrum is NZD3.33 million and NZD1.67 million for 5MHz 3G spectrum.

The tender has been divided into three parts, 2G paired, 3G paired and 3G unpaired (TDD). By 4 November 2000 the slow-paced auction had run for a grand total of 251 rounds, despite the government's attempts to speed matters up by increasing to 10% the amount by which a new offer must exceed a previous bid; bids for management rights totalled NZD127.19 million. The auction has produced few surprises or upsets: companies bidding for 2G blocks were the two incumbents Telecom New Zealand (Telecom) and Vodafone New Zealand (Vodafone), Hutchison Telecommunications (NZ), eSavoy Pacific, Clear Communications and Telstra Saturn, the joint venture between the Australian PTO's New Zealand subsidiary and United GlobalCom-backed Saturn which was established in February 2000. After round 251 the 3G contenders were Telecom, Vodafone and Telstra Saturn with respective bids of NZD14.88 million, NZD8.05 million and NZD11.67 million for paired spectrum. Walker Wireless entered the fray in round 127 but has since exited. Bidders for the TDD spectrum at the end of round 251 were Vodafone, Telstra Saturn and Clear Communications, all with bids of NZD1.75 million. The auction will end when no new bids are submitted for a round and no existing bids are withdrawn; meanwhile the government and some of the smaller players are concerned that the protracted process is incurring high costs and delaying the rollout of new networks.

Until new licences are awarded New Zealand's cellular market consists of Telecom and Vodafone; Australia's Telstra paid NZD13 million for a TACS-B analogue licence in 1993 but never launched a service though it seems likely that Telstra Saturn will be successful in its bid for a 3G licence. Though New Zealand's mobile sector showed relatively slow growth until the end of 1998 it has since expanded rapidly and by July 2000 the operators boasted 1.54 million subscribers between them, up from 1.25 million six months earlier. Cellular penetration increased from 32.9% to 40.2%.

Main players

Telecom New Zealand (Telecom)
Telecom retains its dominance of New Zealand's cellular market even though its share has fallen rapidly since Vodafone took over its competitor in November 1998 (see below); by mid-2000 it had 980,000 customers, up from 857,900 six months earlier. Telecom attributes much of the growth to the increase in demand for pre-paid services; by mid-2000 pre-paid users accounted for around 52% of its customer base compared to 44% at the end of 1999. This increase, however, has had a negative effect on Telecom's average revenue per customer which fell by around 29% in the year to July 2000.

In August 1999 Telecom unveiled plans for a new digital mobile network based on cdmaOne technology. The service is scheduled to be launched commercially in the first half of 2001, though the analogue network is expected to remain operational until at least 2005. The company plans to invest around NZD200 million in rolling out the new infrastructure and in February 2000 selected Lucent Technologies as its CDMA supplier.

Telecom New Zealand is owned by Bell Atlantic Holdings (24.9%), Brandes Investment Partners (7.6%), Franklin Resources (6%) and The Capital Group Companies (5%). The rest is distributed share ownership.

Vodafone New Zealand
New Zealand's second mobile licence was awarded to a consortium comprising US-based Bell South and Singapore Technologies (STT) in 1992. BellSouth New Zealand, as it became known, launched a GSM service the following year but made slow progress in attracting subscribers and in November 1998 BellSouth sold its 65% interest to the UK's Vodafone (now Vodafone AirTouch) for NZD750 million; STT sold its share soon afterwards.

Vodafone, which inherited a subscriber base of just 130,000, had invested NZD200 million in the network by November 2000, expenditure which appears to have paid off. It has increased network coverage to 97% of the population, up from 92% in September 1998, and by mid-2000 its installed base was 561,973, an increase of 41.6% in six months and translating into a market share of 36.4%. Three months later the company's customer base had risen to 638,000. Vodafone would not reveal what percentage of its customers use its pre-paid option. The company launched an internet portal, My Vodafone, in April 2000 and WAP services became commercially available a month later. Vodafone began trialling GPRS in the first quarter of 2000 and in August signed a contract with Nokia for the installation of new equipment; it intends to launch a commercial GPRS service in the first quarter of 2001. In February 2000 Vodafone signed an agreement with the country's second fixed line carrier Clear Communications enabling the latter to resell Vodafone services.

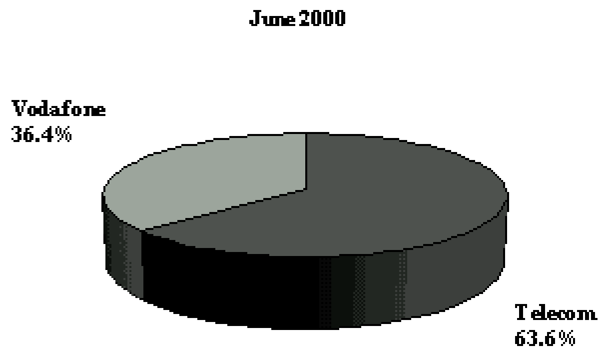
Vodafone New Zealand is a wholly owned subsidiary of the UK's Vodafone AirTouch.

Main operators

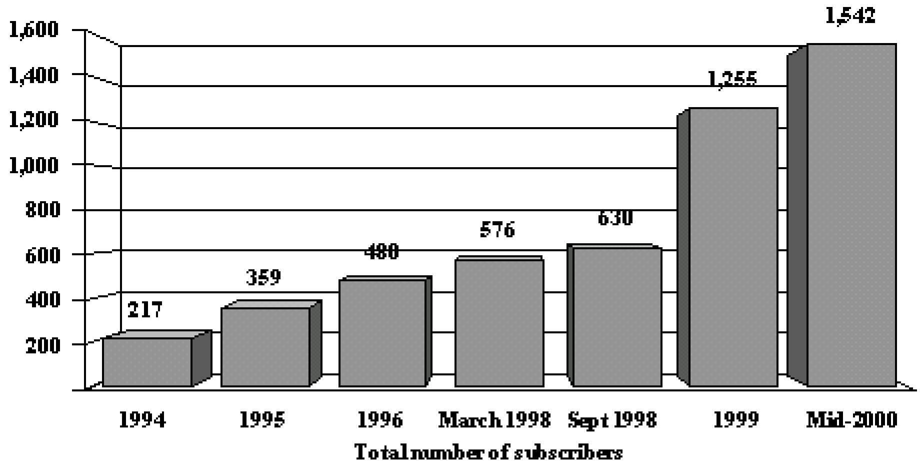
Mobile telephony

Operator	**Network**	**Launch date**	**Subscribers (000)**		**% change**	**% pre-paid**	**WAP/ GPRS launched?**
			December 1999	**June 2000**			
Telecom New Zealand	AMPS/ D-AMPS	1987	857.9	980.0	14.2%	52.3%	WAP trial
VodafoneNew Zealand	GSM-900	1993	397.0	561.9	41.5%	na	WAP GPRS trial
Cellular penetration			32.9%	40.2%			
Total mobile subscribers:			1,254,900	1,541,973			

Mobile telephone market share



Growth of cellular services (000s)



Source: operators

Last updated: September 2000