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GROSSLY INADEQUATE INVESTMENT THE MAJOR CAUSE OF TELECOMMUNICATIONS SHORTCOMINGS

New Zealand spends a greater percentage of its national income on telecommunications than any other developed country and Telecom is one of the world's most profitable phone companies, yet the proportion of revenue our telecommunications sector invests is barely half the OECD average and services are sub standard.

That's a key conclusion TUANZ, the Telecommunications Users Association, has reached after further analysis of the OECD telecommunications update published this week.

"According to the OECD, telecommunications revenue in New Zealand is 5.39 percent of GDP, the highest of any of the 30 OECD countries," TUANZ Chief Executive Ernie Newman said. "The OECD average is around 3%.

"Meanwhile Telecom NZ is among the world's most profitable telecommunications companies with its dividend having traditionally been around four times the industry average. These facts show that the industry in New Zealand is anything but struggling.

"But despite all that, the same OECD report shows an extremely low level of investment. Across the developed world the sector reinvests 15.3% of revenue, but New Zealand is third lowest at just 8.7%. By comparison in Australia, Canada and the USA the industry invests around twice as much in proportion to its revenue as in New Zealand, and in Britain three times as much.

"Given that major investments have been made in mobile services over recent years it is clear that the big difference is in the failure to maintain appropriate re-investment levels for fixed line services.

"It is no wonder our telecommunications infrastructure is creaking at the seams and New Zealanders are being denied the basic services required to be full participants in a modern day economy."

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Further information from Ernie Newman 021 488 188

References:

OECD Communications Outlook 2007 tables 3.2 and 4.14

International Herald Tribune 16 May 2006 re Telecom relative profit