(Wilson, A.C., 2010c)

1987
1990

Telecom

Corporatisation and breakup of the Post Office

In the 1980s pressure to change the management and regulation of New Zealand's telecommunications system was increasing. The Post Office did achieve near-total subscriber coverage for automatic exchanges, and provided a solid digital platform. But business customers in particular wanted more sophisticated telephone services which were available internationally, and households were often frustrated by the time it took to get a telephone. The industry itself was driven by huge international corporations like GEC, Ericsson, Phillips, Siemens and NEC.

The economic theory prevailing at the time argued that a government department was not the best institution to foster efficiency or innovation. These ideas shaped the fourth Labour government's 1987 decision to replace the New Zealand Post Office with three separate state-owned enterprises; New Zealand Post, Telecom New Zealand and Postbank were to be run as profit-driven businesses.

> ### Hot under the collar
>
> Delays in the installation of new telephones affected more than residential customers. In 1984 Treasury, at the forefront of the push for re-organisation of the Post Office, waited two months for existing telephone jacks to be shifted. Senior officials exchanged angry letters. Treasury argued that it was inefficiency, and the Post Office insisted it was pressure of work.
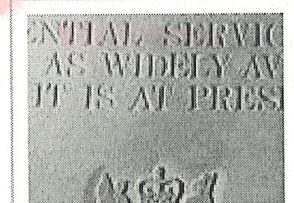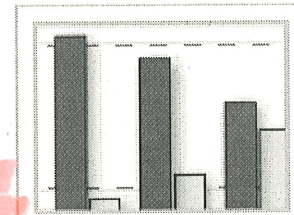
Telecom

Telecom introduced new services in the 1990s, which were already available overseas: telephone calling cards, 0800/0900 numbers, voicemail, and telebanking. Toll prices came down by 60% between 1987 and 1992. After 1987 anyone in New Zealand could wire up, repair or sell telecommunications equipment, though Telecom New Zealand maintained firm control over access to the network.

Privatising Telecom

In 1990 the government sold Telecom for $4.25 billion to a consortium consisting of two US companies (Ameritech and Bell Atlantic) and two New Zealand partners (Fay Richwhite Holdings and Freightways Holdings).

Public apprehension about the implications of private ownership were eased by sale conditions that included retention of free local calling, nationwide rentals and price increases tied in to the Cost Price Index. Despite these constraints, in

Big break-up

Telecom commercial

Telecom sale

Telecom redundancies

Internet connection, 2005

3rd
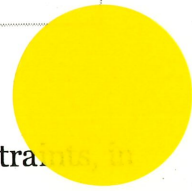
the five years to March 1992 Telecom's annual profits grew from $69 million to $403 million. Contributing to this was a drastic reduction in staff. Numbers dropped from a peak of 25,000 in 1987 to under 8,000 by 1997.

Competition in telecommunications

By the early 2000s Telecom faced two very strong competitors, TelstraClear and Vodafone. Telecom's control of the telecommunications network was being widely criticised by lobbies like the Telecommunications Users' Association of New Zealand and Internet New Zealand.

They pointed to the high prices, the Telecom–Vodafone duopoly in the retail mobile phone market, and limited mobile internet coverage. They cited International Telecommunications Union statistics showing low per-capita telecommunications investment in New Zealand (41st out of 42 developed nations). The country also had a low OECD ranking in broadband uptake (22nd out of 30 in 2005). They noted low download speeds, and high prices for (not very) high-speed internet.

Responding to these criticisms, government passed legislation in 2006 requiring local loop unbundling (LLU). LLU meant that the local telecommunications network – the telephone lines and exchanges, sometimes known as the local loop – were opened to rival companies. They could operate their own equipment within Telecom exchanges or in special 'cabinets' nearby, and set their own internet speeds. As part of this re-regulation of New Zealand telecommunications, Telecom's network services, retail, and wholesale operations became three separate entities.