



TELECOMMUNICATIONS USERS ASSOCIATION OF NZ INC (TUANZ)
SUBMISSION ON THE
BROADBAND INVESTMENT INITIATIVE CABINET PAPER
27 April 2009

Introduction

TUANZ congratulates the Government, Minister, and officials on a visionary and well-considered set of proposals as set out in the Cabinet Paper. We believe this sets a very solid framework for the project to move forward.

We are highly supportive of almost all of the details. This Submission is confined to a small number of areas of comment.

Objective (Cabinet Paper paragraph 3-5)

TUANZ has strongly supported this government's commitment to ensure ultra-fast broadband to 75% of the population ever since the inception of the policy in April 2008. However, other countries with whom New Zealand competes as a good place to live and work have moved very rapidly over the ensuing year, to the point that both the percentage coverage and the envisaged time frame now have the look of rather soft targets. Australia, Singapore and the USA are examples of close trading partners which are moving rapidly to bring high speed connectivity to all citizens and who also compete significantly with New Zealand for markets and skills.

While appreciating that this proposal represents a huge commitment and leap forward, TUANZ urges the government, alongside the CFIC and LFCs, to seek creative ways to fast track these initiatives even further with a view to covering significantly more of the population, significantly faster, than provided for in this plan. This could be achieved through innovative approaches to deployment, or commitment of additional funding.

Wholesale-level only (para 14)

TUANZ acknowledges that the most open and competition-conducive form of access is delivered via dark fibre but notes that where there is likely to be limited competition due to low population density, lit fibre may be more appropriate. As a rule of thumb, in areas where it is likely that there will be multiple wholesale customers, then dark fibre should be offered. If limited competition appears likely, then providing lit fibre will provide a lower cost of entry to new entrants, thus stimulating competition.

Complimentary Measures (para 20/21)

There needs to be a coordinated effort to define national standards for all the complimentary measures which can be adopted by all territorial local authorities to be used whenever complimentary assets could be economically deployed. TUANZ considers this activity to be a high priority.

It is recommended that all new TLA capital expenditure associated with infrastructure build should be notified to their Local Fibre Company for the purpose of co-ordinating network deployment. The LFC will also be required to co-ordinate with the appropriate TLA with regard to fibre deployment to ensure that economic development and other initiatives can be aligned.

Cable “drops” from the kerb to the customer’s living room or office constitute a significant part of the total infrastructure cost. TUANZ suggests that the government take an early lead by encouraging home owners to start taking action to connect their homes to the kerb side with ducting. This could be promoted as a sensible action to take in conjunction with other works (for example, the re-asphalting of a driveway or reinstatement of a garden), a DIY project for the home owner, or a way to absorb surplus labour during the downturn. If householders are told exactly what ducting to use, how to obtain it, and the parameters around burying it, this could provide an excellent head start for communities, and also give guidance to service providers and LFCs as to which parts of their regions are likely to be fibre-ready.

Rural areas (outside 75%) Para 22

TUANZ has misgivings about the arbitrary split between urban and rural New Zealand and especially the linkage with reform of the TSO.

Given the difficulties and complexities associated with the TSO that are predominantly associated with legacy voice-related networks, TUANZ recommends that this be dealt with separately to the goal of improving standards of rural broadband delivery. Work on the reform of the TSO has been ongoing for several years. TUANZ urges that it be accelerated so as to avoid what may be the deepening of a rural/urban divide if the two are managed as discrete processes.

Further, by expressly focusing LICs on urban markets, the opportunity may be lost to ensure that they assume some responsibility for their rural hinterland if this is an economically-sensible outcome.

Dark Fibre versus Alternatives (para 34)

TUANZ agrees in general terms with the logic in this paragraph, but as noted under para 14, cautions that after detailed investigation there could be some projects or regions where the government's objectives might be better met by mandating open access at the service level through lit fibre or Ethernet. This could occur in areas of sparse population, where a more sensible outcome could arise through a single Ethernet service provided by the LFC with mandatory open access at that layer.

We agree that if one universal point of open access is required, then dark fibre is the best choice. However, our suggestion is that the CFC and LICs be allowed some flexibility in any circumstances where a compelling case can be made.

Technical and Commercial standards (Para 47)

TUANZ has long called for a standard national architecture that will enable such an inter-network national network to be achieved. Some of this work has been developed with those regional networks that have already been deployed. We urge the Minister to build on this rather than starting from scratch with a new and separate project.

CFIC Governance (para 52)

TUANZ agrees with the proposed structure of the CFIC. This body will carry enormous responsibility for New Zealand's communications future and will be spending very large sums.

For that reason we recommend that the government cast a wide net in searching for appropriate directors, including an open application process not necessarily restricted to New Zealand.

Selection Criteria (para 78)

To achieve the earliest benefit of the network effects, TUANZ suggests that the CFIC's selection criteria should also include the economic outcomes of the sequence in which the applicant proposes to roll out the network. Parts of a region that are likely to deliver an early economic benefit should be given priority over those that are less so.

Regulatory Regime (para 89)

TUANZ is acutely aware of the propensity of the electronic industries to leverage any natural monopoly into a position of dominance in adjacent markets.

Looking ahead, we foresee a danger of such a situation arising in relation to “triple play” services – voice, data and video.

We note that some countries in the Asia Pacific region have already pre-empted such a situation by “unbundling” such services – in other words, requiring that a user be entitled to choose a different service provider for each of their three triple play elements.

With the government not proceeding at present with the convergence of broadcasting and telecommunications regulation, there is a need to find some other way to deal with this issue. We are doubtful that the generic provisions of the Commerce Act go far enough, nor do they provide sufficient guidance to service providers or protection for users.

Demand side initiatives (para 90)

TUANZ generally supports the outline of the demand side initiatives the government is proposing. We especially commend the attention proposed for health, which appears likely to be the sector providing the greatest community welfare and efficiency benefits from this investment.

However, we commend the government also to add “small business” to the list of demand side initiatives. It is recognised internationally that SMEs are failing to grasp the opportunities of the digital age in the way large corporations and government entities do, creating a “digital divide” within business. This is due to their lack of specialist IT staff, lack of awareness, natural suspicion of technology, and the relative lack of interest in SMEs by software vendors due to the low critical mass in each company.

New Zealand is a nation of SMEs. Special attention to their needs and opportunities, well promoted and implemented, could pay a major dividend.

Rural Broadband (para 101)

Consistent with our opening observation, TUANZ urges the government to accelerate the development of a detailed proposal for rural New Zealand. We note that many countries are flagging away their universal service obligations for PSTN in favour of the concept of universal broadband. Detailed work by TUANZ over recent years has illustrated an enormous potential for efficiency gains in rural businesses including farms, as well as major social benefits in regions.

Clearly providing connectivity to farms is disproportionately expensive to such connectivity in densely populated areas. However, the benefits, likewise, are disproportionately high. Broadband displaces physical transportation, so the more remote and transport-intensive a location may be, the greater the cost savings that can be made.

Significant overbuild (para 107)

While there is significant fibre deployment throughout the country, this does not necessarily mean all of it is either available or suitable for the delivery of 10-100 Gb broadband services. Some fibre may be old, unsuitable for use, or of the wrong specification; yet fibre deployment might not have sufficient pairs available to deploy new network infrastructure. Overbuild may be the most cost effective and rapid deployment method in some cases.

Conclusion

TUANZ thanks the government for the opportunity to make this submission and again congratulates all those involved in bringing the proposal to this stage.

Ernie Newman
Chief Executive

NB Conflict of Interest

TUANZ notes that some members of its Board have declared an interest in one or more Proposals likely to be submitted for participation in the Broadband Investment Initiative. Accordingly the final form of this Submission has been authorized by a group of Board members who have no such interest, along with our Chief Executive.