

Friday February 12, 2021

Review of the Commerce Commission's funding for the regulation of Telecommunications and Fibre under the Telecommunications Act 2001

Response to December 10, 2020 Discussion Paper

2degrees is a longstanding supporter of the Commerce Commission having the resources required to support a sustainable and competitive telecommunications market.

We acknowledge that the Commission's efforts have enabled companies like 2degrees to enter the market, become established operators and invest with confidence. The resulting product innovation and pricing have led to long term consumer benefits.

Historically, Commission funding has been tailored to work programmes focused on defined issues. The approach promoted in this review appears exploratory in nature, seeking a broad funding envelope instead of targeted delivery of the Commission's specific statutory obligations.

2degrees supports the TCF's submission opposing the proposed funding increase. We also submit the following comments.

The impact of Covid 19 - The Review proposes a 48% increase (2019/20 \$6.4m, 2020/21 \$9.5m) in non-fibre levy costs at a time when telecommunications retailers have been forced to reduce costs to offset the impact of the pandemic.

In 2020 at 2degrees, staff numbers were reduced by 10%, projects deferred, and operating costs reduced to ensure our business could continue to invest in new networks and deliver for customers beyond the pandemic. Despite this, we provided financial assistance to customers by removing data caps for broadband users, deferring late payment fees, and promised not to disconnect customers who couldn't pay their bills due to Covid-related financial impacts.

More people will create more work - Beyond the levy increase, we are concerned about the impact of new activity created by an expanded staff. The proposed team of 24 Commission staff (42 including fibre regime staffing) will significantly exceed the regulatory resources of the telecommunications industry.

An expanded team can be expected to create an expanded workload and demonstrate value by creating new workstreams the industry will be expected to participate in. The Commission has acknowledged the importance of industry input, however given business constraints, already strained regulatory and operational teams will struggle to do so.

A new regime with new impacts, especially for smaller retailers - Until now, regulation has focused largely on access issues that have a broadly generic impact on providers. Smaller operators have been able to engage effectively with the Commission via the TCF, resulting in workable and cost effective codes and guidelines that benefit consumers.




Under the new Retail Service Quality regime, individual operators face potential changes to their bespoke customer facing systems and processes. Mobile operators are already doing so in response to the Commission's mobile billing review and fibre retailers are focused on delivering to the requirements of the 111 Contact Code.

2degrees encourages the Commission to reconsider its levy increase given industry realities and the already significant increase in operator costs to meet new Retail Service Quality requirements.

The proposal is at odds with the reality of a highly competitive industry that dug deep to look after its customers when Covid-19 arrived. To ensure the industry can continue to do so and maintain investment in new technologies that will support the economic recovery, we recommend the Commission works within its existing budget.

Yours faithfully,



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