



Draft report on whether Spark's Resale Voice Services should be omitted
from Schedule 1 of the Telecommunications Act 2001

Submission to Commerce Commission

17th October 2016

ABOUT VOCUS

1. Vocus (New Zealand) (**Vocus**) thanks the Commission for the opportunity to make this short submission the 'Draft report on whether Spark's Resale Voice Services should be omitted from Schedule 1 of the Telecommunications Act 2001'.
2. Vocus New Zealand is the third largest fixed line operator employing over 600 staff In New Zealand. Our retail operation includes a number of challenger brands - Slingshot, Orcon, Flip and 2Talk. We are also an active wholesaler of services including access, voice and broadband over both fibre and copper.
3. Vocus has made significant investments in New Zealand. We are the largest copper unbundler with a presence in over 200 exchanges throughout New Zealand. In addition we operate a 4,200km fibre optic network that transits between virtually all major towns and cities, and connects directly into all major peering exchanges.
4. Our customers in New Zealand range from government agencies, integrators, large corporates, SMEs and residential households. We are committed to New Zealand's fibre future.
5. Vocus Group is one of the fastest growing telecommunications companies in Australasia and a major provider of voice, broadband, domestic and international connectivity and data centres throughout New Zealand and Australia.
6. If you would like any further information about the topics in this submission or have any queries about the submission, please contact:
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Graham Walmsley
General Manager Commercial and Regulatory

graham.walmsley@vocus.co.nz

BACKGROUND

8. Vocus as previously submitted are not seeking to prolong existence of legacy PSTN or encourage inefficient investment by Spark in legacy technology, If Spark were seeking to withdraw service then there would be different issues and considerations.
9. Vocus acknowledged that Baseband IP has the potential to be a substitute for Spark's Resale Voice Service and our comments focussed on this as a substitute service. We were however less convinced that, at this point in time, it is a competitive constraint on Sparks Resale Voice Service.
10. Our concerns at a practical level were that:-
 - (a) The opportunity costs to RSP's, at a time when UFB migrations are taking off, of having the additional challenge of migrating to Baseband should not be underestimated.
 - (b) Vocus were concerned about whether Chorus would:
 - (i) extend the coverage of Baseband IP and IP Extend from the current 60% [Commissions draft report Attachment B 41.2].) to a more ubiquitous service - 90%+
 - (ii) be able to cope with several RSPs migrating to Baseband IP. At 380,000 resold voice lines, this remains a one of the cornerstone services for the industry. Vocus were concerned that Chorus had the capacity to undertake migrations, at a time when they are under considerable pressure with UFB migrations.
 - (c) Our practical experience is that a significant number, an estimated 20%, of customers opt out of migrations (for reasons outlined in Vocus' submission 23rd May 2016 Review of Designated and Specified Services under Sch 1 para 8-10).

COMMENTS ON THE DRAFT REPORT

TRANSITION PERIOD

11. On reviewing the draft report we would like to reiterate that we agree that the Commission has identified the correct trends. Vocus is, however, less convinced that at a practical level the benefits of an early withdrawal, or omission, from the Act have been identified.
12. That said Vocus is pleased that the Commission has given consideration to a transition period. Vocus would still suggest a longer period, as many RSP's may want to migrate, and based on our experiences to date this is not a trivial exercise, particularly in parallel with UFB ramp up.

COVERAGE LIMITATION

13. The Commission states [Attachment B 41] that "*Our view is that coverage is not a limitation*". However there is a big gap between the 60% coverage currently and the 97% "*where Baseband IP or IP extend is **possible***" (emphasis added) [Attachment B 41.2].

14. Vocus would be significantly less concerned if Chorus had a 97% actual coverage. However if the Commission is correct that coverage is not a limitation it would be reasonable to expect to see a significant increase in actual coverage during the transition period, particularly considering several RSP's, including ourselves are highly motivated to migrate to Baseband.
15. Vocus suggest that the Commission consider a condition to the effect that the transition period ending could be made conditional on achieving a trigger for actual coverage in combination with some form of commitment to extend the coverage further, in a timely manner, up to the 97% coverage, as required by an RSP.

LIMITATIONS TO BEING A SUBSTITUTE

16. As we have said our practical experience is that a significant number, estimated 20% of customers, opt out of migrations (for reasons outlined in Vocus' submission 23rd May 2016 Review of Designated and Specified Services under Sch 1 para 8-10).
17. The Commission [Appendix B 42.1 to B42.3] points to
 - (a) Chorus' Service Provider Guide with respect to 'lab testing' of devices
 - (b) Sparks residential experience of UFB where customers have retained copper lines.
18. In response Vocus' view would be that:
 - (a) Vocus acknowledge Chorus has tested in the lab but that is a very different challenge to actual deployment with actual users.
 - (b) Sparks residential experience of UFB customers who order an additional copper line is not a meaningful indication of the extent of the problem. The customers who are hard to migrate are the very ones that will be slow to adopt fibre so Spark sample likely only represents the tip of the iceberg.
19. Vocus is not suggesting that the entire 20% of opt out customers is driven by equipment, around half of those are simply customer inertia – however we would estimate that 5-8% will be driven by customer site considerations. In business that number increases.
20. This issue should be factored into the Commissions thinking in our view. Our point is that "it just isn't as simple as it looks on paper or in the lab".