REVIEW OF THE COMMERCE COMMISSION'S FUNDING FOR THE REGULATION OF 1 TELECOMMUNICATIONS AND FIBRE UNDER THE TELECOMMUNICATIONS ACT 2001

Submission to the Commerce Commission

PUBLIC VERSION

12 February 2021

INTRODUCTION

1. Vocus welcomes the opportunity to contribute to the review of funding for the regulation of telecommunications and fibre under the Telecommunications Act 2001.

2. If you would like any further information or have any queries about this submission, please contact:

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ESSENTIAL AND NON-DISCRETIONARY EXPENDITURE

3. We acknowledge further additional funding may be needed for the Commission to apply the new Part 6 fibre quality-regulation regime.

4. We also support the Commission having the budget and resources to implement robust regulation that will protect the interests of consumers and promote competition.

PRIORITISATION OF WORK AND BUDGET

5. We are supportive of increasing compliance activity/enforcement. Our concerns about provision of unbundled layer 1 fibre services have already been flagged with the Commission. Ensuring compliance or providing guidance on the 'Equivalence and Non-discrimination' Guidelines is critical for promotion of competition and better consumer outcomes and not something we consider should be categorised as part of the *"bridging the gap+"* option.

6. We are conscious, however, that the Commission is proposing an ongoing, substantial step change in its telecommunications budget and question the appropriateness of this at a time when many businesses are under tighter financial pressure because of COVID19.

RETAIL SERVICE QUALITY

7. The extent to which the Commission will need to allocate budget and resources to retail service quality remains to be seen. Like the Commission *"We start from a position of optimism about what the sector can achieve in the coming years"*.

8. We feel the comments *"the current outcomes for consumers of telecommunications services are not meeting expectations and consumer pain points need to be addressed"* and *"consumers are likely to continue to be frustrated by aspects of retail service quality and the levels of dissatisfaction with the industry are likely to remain"* are out of step with this optimism and appears to be unduly negative. It should be stressed that the

comments are likely premature as the TCF Retail Service Quality work is at an early stage.

9. Our preference is for the Commission to principally rely on promotion of more competitive outcomes to deliver positive price and service outcomes for consumers. We acknowledge there may be some areas where the industry needs to ‘lift its game’, and fully support the TCF initiatives in this space. The best approach would be to take a year-by-year ‘wait and see’ approach to determine what is needed.

UNIQUE ATTRIBUTES OF THE FIBRE REGIME

10. The Commission has suggested *“There are several unique attributes that mean this regime will have a level of complexity that has yet to be encountered in the Part 4 context: … The first price-quality of the Commerce Act reset is due in 2023. Therefore we will be rolling into starting the work for setting the second regulatory period shortly after the completion of setting the first price-quality path”*.

11. We are not sure this is substantially different to the transition to the Part 4 regime for electricity whereby the Commission undertook a mid-period reset, and then moved to the work on setting the second regulatory period. This time around, the Commission has the advantage of the experience with and precedent of the Part 4 regime to draw on.

CORPORATE OVERHEADS

12. The Commission has commented one of the key cost drivers it faces is *“Contribution of growth in our telecommunications responsibilities to cost pressures associated with growth in the overall size of the organization, including costs associated with corporate services and business management”*, *“in the last five years we have grown from an organisation of 180 staff to 250 staff and we expect to grow further as we manage and support new functions, powers and duties”* and *“there are increased costs associated with corporate services and business management”*.

13. The Commission hasn’t provided a granular breakdown of these costs. It is unclear the extent to which the proposed, sizeable, budget increase is specific to additional telecommunications work or (re)allocation of costs between different responsibilities. As a general expectation, we would expect that as the Commission’s role and capability expands there will be opportunity for efficiencies and for wider spreading (lower cost) of shared costs and corporate overheads etc.

14. We would like to better understand the extent to which the proposed budget increase is directly attributable to telecommunications and fibre (as opposed to shared costs and corporate overheads etc) in order to be able to fully comment.

CONCLUDING REMARKS

15. At this stage, we do not think it can be safely established a substantial, ongoing, step-change in the Commission’s telecommunications budget is warranted, beyond the needs to implement the new fibre Part 6 regime, and ensure robust compliance monitoring and enforcement.

16. We also consider it premature to assume the Commission will require substantial budget increase in relation to retail service quality, particularly given the TCF will be taking the lead on Code developments initiatives in this space.