

## Tricia Jennings

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**From:** Steve Breen <steve@activatetairawhiti.co.nz>  
**Sent:** Friday, 29 May 2015 3:32 p.m.  
**To:** telco  
**Cc:** John Rae  
**Subject:** Submission to the Commerce Commission on increases to broadband and phone line wholesale charges

Dear Commissioners,

Activate Tairāwhiti is the Economic Development Agency for Gisborne and the Tairāwhiti Region. Our primary purpose is to grow our region by retaining existing wealth, creating new wealth and attracting wealth from elsewhere for the betterment of our community.

It is fundamental to the long term prosperity of our region that our businesses and residents have affordable telecommunications that allow them to access and benefit from internet, on-line digital technology and services and are able to develop the digital skills required to make a positive contribution to today's modern society.

In the wider community sense access to affordable and reliable telecommunications services holds high importance in our everyday lives. Living in a remote regional location, while having some great advantages also has some great disadvantages, principal among these being the high cost of travel to get in and out of the region. The promise of modern telecommunications systems is that the tyranny of distance is dissolved and we can all fully participate in the so-called global village.

Telecommunications is, both metaphorically and literally, our lifeline.

The reality of the situation is, that given the economic status of the Tairāwhiti region, the uptake rate of UFB based services is going to be lower and slower than in other parts of New Zealand and the reliance on copper based services will persist. This is evidenced by the May results of national UFB uptake that show the **UFB uptake in the region is nearly 3 times as low as the uptake across the country** (4.9% locally compared to 13.8% across the country). The significant majority of businesses in the Tairāwhiti region are micro SMEs employing 1-2 people and do not have the resources to afford expensive telecommunications services.

Due to the importance of telecommunications to both the businesses and the residents of the Tairāwhiti region, we would like you to reduce the proposed wholesale charges for broadband and phone services. **Significant changes in wholesale rates for such services will hit hardest on those who need it most and can least afford it.**

Because Chorus is a monopoly, it is up to the Commerce Commission to protect end-users from unfair charges. Yet we note that the Commerce Commission's proposed charges are almost 80 percent higher than the median of 14 comparable countries and is almost 60 percent higher than the second-most expensive country. This is grossly unfair and cannot simply be explained away by the differences between countries.

The Commission needs to justify to New Zealanders why this price is so far out-of-line with other countries. The outcome of having a higher price simply harms New Zealand internet and phone users and transfers benefits to the Chorus monopoly.

Activate Tairāwhiti also notes that prices for internet services have been coming down over the past few years and the same time as we are seeing increases in data allowances. This has been of huge benefit to individual consumers and the country as a whole. It would be disappointing if upward pressure on prices came from the Commerce Commission's incorrect interpretation of legislative requirements.

We support Spark New Zealand's submission, specifically the work they commissioned from

international experts to review the Commerce Commission's cost modelling for UCLL and UBA and we note that specific concerns raised by the experts include that the Commission's model:

- a) Does not use modern FWA technology and incorrectly models potential FWA coverage and so overstates the cost of serving non-urban New Zealand by 37 percent;
- b) Compensates Chorus for lead-in costs (which make up 26 percent of overall network costs) that are actually separately funded by end-users;
- c) Makes unrealistic assumptions that an efficient operator building a modern network today would not re-use any existing ducts and trenches, or seek to share the cost of trenching with any other utilities in order to save costs – even though both practices are used by operators in our market today. This is evidenced by the fact that Chorus themselves are seeking to use our above ground electricity distribution assets to carry fibre as part of the UFB rollout in order to lower costs; and
- d) Assumes no population growth in New Zealand over the next five years, and no further high or medium density housing projects – despite policies being put in place by central and local Government to drive exactly this sort of urbanisation in Auckland and other areas. Correcting for those two assumptions alone reduces the wholesale charges in the Commission's model by almost 10 percent.

This means that industry input costs may be at least \$12 a month more per line than they should be if the Commerce Commission goes ahead with proposed new charges for access to the Chorus copper wholesale network.

We are also concerned that the Commission may decide on backdating the new Chorus charges to 1 December 2014, even though it will not finalise charges until at least the second half of 2015. This decision has placed a lot of uncertainty into the market, with Spark Digital and other service providers increasing their prices in response – and could entail substantial cost impositions in the future. We request that you make a public declaration against backdating.

The Commerce Commission's primary duty is to protect consumers against monopolies like Chorus where there is no competition. It is supposed to do this by regulating Chorus charges based on what it would cost to replace the Chorus copper network today, using the most efficient combination of modern technologies. Yet the Commission's draft decision will make broadband less affordable for New Zealanders.

It also does not make sense that the charges for last-century copper broadband are increasing at a time when ultra-fast broadband (UFB) over fibre is being rolled out to three quarters of New Zealanders. The Commerce Commission needs to make it clear why any increase in wholesale charges for copper access would be justified.

Activate Tairāwhiti firmly believes the large increases in wholesale charges proposed by the Commission in a draft decision published last December were unnecessary and should be reversed when the Commission sets the final charges.

Thank you for the opportunity to submit on this matter.

Kind regards,

Steve Breen  
Chief Executive Officer



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