

20 June 2016

Dr Stephen Gale
 Telecommunications Commissioner
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By Email: Stephen.Gale@comcom.govt.nz

Dear Stephen

Submissions on Draft decision Review of Schedule 1 services

Submissions on the Schedule 1 review draft decision raise two factual matters relating to the availability of Chorus’ Baseband IP service and the constraint this places on Spark’s resale service.

First, submitters appear to agree that Baseband IP is one of the competitive alternatives to our resale service, but there are differing views relating to geographic availability of the service. For example, Vodafone submit that Chorus Baseband IP coverage will be limited to 68% of copper connections in the next twelve months.

In practice, however, Chorus is able to support baseband IP from any of its widely deployed ethernet DSLAMs (ISAMs). Chorus’ Broadband Coverage report indicates that over 5700 ISAM sites are capable of supporting baseband IP services, and this represents around 97% of all baseband lines¹.

Baseband IP capability	Baseband lines at site	Percent
Available/Capable	1,530,264	96%
Capable after planned DSLAM upgrade	13,846	1%
No planned upgrade	43,112	3%
	1,587,222	100%

Baseband IP already has significant coverage and we should expect Chorus to act on incentives to offer baseband IP services from sites where there is demand. Chorus has already indicated that it intends to grow the service and make it available to meet service provider demand. For example, the Chorus baseband operations manual provides a process by which service providers can request service from a particular exchange or cabinet².

¹ From Broadband Coverage 4 May 2016 and Baseband Availability report downloaded 24 May 2016. Count includes broadband sites identified as BBIP Available, Capable and Post upgrade (predominantly RBI deployed sites). We expect coverage to increase as legacy DSLAMs are retired and with possible RBI2 investment.

² CSA Service Appendix - Schedule 4 Operations Manual for the Baseband (non FTTH) Service, clause 15.4

Chorus is able to wholesale baseband IP to the overwhelming proportion of voice lines and, even for residual lines, other wholesale options such as UCLF and wireless remain.

Further, a number of service providers suggested that wholesale alternatives are not a substitute for, or effective competitive constraint on, resale services and it is too soon to consider omitting access and calling from the Act. This is contrary to the commercial pressures we face from those same service providers, where the threat of migrating customers to wholesale alternatives is frequently raised and has resulted in []SPKCI.

For example, []SPKCI.

On the face of it, there is a disconnect between the commercial conversations we are having with resale customers, and the more limited nature of competition reported in submissions to the Commission. The suggestion seems to be that, in the absence of a regulatory backstop, service providers will see price increases from Spark. If the backstop was the only thing stopping Spark from increasing price, this would imply we continue to hold market power in the relevant market. In that context we would not expect the party with market power to []SPKCI.

While the widespread capability of Chorus' baseband IP service and resale market experience are not definitive on their own, they clearly indicate that this is a market which warrants further investigation by the Commission to determine whether resale access and calling services should be omitted from the Act.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'JWS', written over a light blue rectangular background.

John Wesley-Smith
General Manager
Regulatory Affairs