

2 March 2017

Telecommunications Review Team
Communications Policy
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140
New Zealand

Dear Sir/Madam

**Auckland Council's Submission on the Telecommunication Act Review:
Post-2020 Regulatory Framework for Fixed Line Services**

Auckland Council appreciates the opportunity to comment on the Telecommunication Act Review:
Post-2020 Regulatory Framework for Fixed Line Services.

The submission prepared by Council staff is attached. It highlights risks and proposes additional
criteria to be taken into consideration.

If you require any clarification or assistance in regard to this submission please contact Jacques
Victor, General Manager – Auckland Plan, Strategy and Research by email at
jacques.victor@aucklandcouncil.govt.nz.

Yours sincerely,



Jim Quinn
Chief of Strategy

Auckland Council Staff submission to the Telecommunication Act Review: Post-2020 Regulatory Framework for Fixed Line Services

Preamble

1. This is a staff technical submission rather than a formal submission from Auckland Council. The central government consultation timeline was insufficient when considered in the context of the time required to prepare a draft paper for placement in front of the appropriate Auckland Council committee. A copy of this staff submission has been circulated to the relevant committee members for their next meeting as part of their information pack.

Introduction

2. Auckland Council wishes to comment on the amendments proposed in the paper entitled '*Telecommunications Act Review: Post-2020 Regulatory Framework for Fixed Line Services*'. The paper outlines proposals that are the final approach for how UFB fibre and copper services are regulated in future to ensure that New Zealand communications networks meet the future needs of consumers and businesses.
3. The review also assesses whether the current regulatory framework for telecommunications in New Zealand is the optimal one for completion, investment and innovation after 2020.
4. Under the Registration of Interest for the Expansion of Rural Broadband process in 2015, Auckland Council supported the Rural Broadband Initiative 2 (RBI2) and provided a prioritised list of areas that would benefit from an upgrade and maintenance of the copper network to ensure communities have access to a reliable and affordable service. In its registration of interest, Auckland Council expressed support for infrastructure deployment planning once the allocation of funding had been decided. This support could be through resource consenting, road corridor access, investigation and planning of infrastructure deployment, and community engagement.
5. In reviewing the current proposal relating to regulation of copper services in areas outside UFB or other fibre services, Auckland Council has identified a

particular risk of copper price caps and the implementation of the Building Block Model (BBM).

6. Auckland Council is of the view that using these regulatory tools increases the likelihood that there will be less emphasis or priority on maintaining existing copper services and infrastructure. This is a key concern for rural communities in Auckland and could occur naturally due to increased pressure on fibre and copper service providers to keep their costs down.

Discussion

7. Rural Auckland's low density means that many communities do not meet the threshold for UFB or other fibre services. Therefore they are reliant on copper services with varying levels of quality.
8. The consultation document outlines the decision that Chorus will be subject to information disclosure and price-quality regulation for UFB and will continue to *“supply regulated copper services at prices capped at 2019 levels, without ongoing adjustment for inflation”* (page 5). Auckland Council is concerned that this may have unintended consequences whereby Chorus will have less incentive, or ability, to maintain and upgrade infrastructure in rural areas which are solely dependent on copper service as it is not financially viable.
9. There has been a rapid increase in dependency on online services over the past 15 years and networks that used to provide adequate services (basic internet) are no longer fit for purpose and struggle with local demand. This is particularly a concern for areas in which the copper infrastructure is not being adequately maintained and the local internet connection is poorer than it should be – for example in Bethells Beach/Te Henga, on Auckland's west coast. In this area, local residents must commute to areas where fibre or faster copper services are available so that they can undertake their basic work and study requirements. Residents from this area have reported the reluctance of Chorus upgrading and maintaining the existing copper network.

10. A survey published by Auckland Council in December 2016¹ showed that 81 per cent of participants who live in areas outside the government's UFB programme felt that their internet connection was inadequate. The same survey found that almost half of the respondents experienced very slow internet connection and frequent drop outs when they were connected.
11. This particular issue is rapidly expanding the digital divide between urban Auckland with access to internet speeds in excess of 100 Mbps through fibre, while many of these rural residents struggle with extremely slow internet connections. Increasingly, services are moving to online platforms and over time more physical services will be replaced by digital platforms, reducing basic access to services in rural communities with low qualities of copper services.
12. The challenge in Auckland's rural areas is providing residents' access to internet enabled services they need to participate equitably in society, particularly as services move online.
13. Auckland Council notes that there is a possibility to investigate the expansion of internet services through 4G cellular technology. The area discussed above on Auckland's west coast is a 'mobile black spot' and therefore has no means of accessing standard quality internet services. However, speeds on 4G wireless broadband are comparable to those achieved by fibre. If a reliable 4G service can be made available in these areas, this gives opportunity for copper services to be deregulated and removed by Chorus. This could be far less financially onerous on ratepayers than the possibility of having to financially support Chorus in cases where they find it impossible to viably provide the required level of internet service over the copper network.

Recommendation

14. Auckland Council:
 - a) seeks assurance that in addition to capping copper prices at 2019 levels, the Ministry of Business Innovation and Employment investigates including minimum

¹ Auckland Council, 2016. *Auckland Rural Broadband Survey Findings 2016*.

performance criteria of the copper network and its infrastructure, especially in areas solely dependent on copper. This would provide residents with access to standard internet quality / speed and value for money. This matter is currently not addressed in the public consultation document.

- b) looks forward to central government's initiatives in RBI2 and Mobile Black Spot Fund which will enable rural residents to access quality internet services.
- c) encourages further investigation of expansion of 4G cellular technology in areas which are solely dependent on copper services as this may be a less financially onerous approach.