



COMMERCE COMMISSION

Please refer to:

4.3/J6700
378279-2

21 February 2005

Bruce Parkes
General Manager, Government
and Industry Relations
Telecom New Zealand
PO Box 570
Wellington

Dear Bruce,

Broadband Uptake Monitoring – Wholesale Target

Thank you for your letter of 8 February 2005. At the outset, it is important to note that the Commission is undertaking the monitoring of Telecom's broadband uptake at the request of the Ministry of Economic Development. The scope of that monitoring has been agreed between the Ministry and the Commission, and in turn has been the subject of full consultation between the Commission and Telecom.

I am therefore surprised to hear that there is any suggestion that the broadband targets as described by the Commission in its media releases are not an accurate reflection of the target for competitor sales.

Without traversing the entire history of the various public and private statements that have been made on this topic, I would point out that the Commission wrote to Telecom on 30 June 2004, in order to outline the basic framework of the planned regime. In this letter the Commission wrote:

"...The monitoring reports will assess outcomes against the following targets:

- *not less than 250,000 Telecom residential broadband customers by the end of 2005,*
- *of which more than a third will be represented by resold Jetstream products or wholesaled bitstream services..."*

The Commission and Telecom negotiated extensively on the proposed regime. Neither of the two main targets (paragraph 5 of the letter) were identified by Telecom as problematic

through the negotiations, although Telecom commented and sought clarification on many details of the proposed regime.

In its letter of 7 October 2004, Telecom accepted the regime and the targets. The letter states that:

"...I can confirm that we are happy with the proposed regime..."

The Commission subsequently issued its first media release on 5 November 2004. In that release, the Commission referred to the competitor sales target, which it quantified as approximately 83,000 broadband connections. At that time, Telecom did not question that statement in any way.

The Commission does not therefore consider that there is any uncertainty as to the competitor sales target and intends to continue monitoring accordingly.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Douglas Webb', with a long horizontal flourish extending to the right.

Douglas Webb
Telecommunications Commissioner

cc: David Smol
MED