



**GOVERNMENT & INDUSTRY RELATIONS**

**Telecom New Zealand**

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Douglas Webb  
Telecommunications Commissioner  
Commerce Commission  
PO Box 2351  
WELLINGTON

Dear Douglas

**Broadband monitoring – wholesale target**

In the Commission's media releases of 5 November 2004 and 4 February 2005 on broadband monitoring, the Commission references "Telecom's announcement earlier that year that it will have no fewer than 250,000 residential broadband connections by the end of 2005, of which more than a third (approximately 83,000) will be resold JetStream products or wholesaled bitstreamed services". While broadly true, this is not a completely accurate summary of Telecom's announcements.

In Theresa Gattung's 5 May 2004 letter to the Minister of Communications (released under the Official Information Act) Theresa stated "Together with the existing wholesaling initiatives of the Telecommunications Act, we forecast that more than a third of our projected growth in broadband will come from other players who will be wholesalers or resellers of Telecom's products". A copy of the letter is attached.

The important point here is that our comments on the proportion of broadband sales coming from third parties was our estimate of the effect of changes to the regulatory environment. Our suggestion was therefore that a third or more of the growth in residential connections will come from third parties. In other words, the existing customer base at the start of the monitoring exercise should be excluded.'

For illustrative purposes, if we assume a residential broadband base of 100,000 on the start date of the monitoring exercise, then our statements to the Minister would mean that a third (i.e. 50,000) or more of the forecast growth of 150,000 to reach our 250,000 target would be through third parties.

In respect of the start point for the monitoring exercise, given our focus was on the effect on third party sales from changes to the regulatory environment then the start point should be related to those changes in the regulatory environment. That would suggest the date of when Telecom's commercial UBS went live on 5 November 2004.

Telecom regards Theresa's letter to the Minister of 5 May 2004 as its definitive statement on this issue. There are other more generalised statements in other Telecom documents. However the 5 May letter is an extensive letter from Telecom's Chief Executive to the Minister of Communications which summarises our position and was our comprehensive input into the Minister's unbundling decisions.

The above is a subtle but important point in terms of the Commission's monitoring of the statements made by Telecom. I would appreciate if you would confirm that the statements made by Theresa in the 5 May letter to the Minister will be the basis for your monitoring going forward.

We would be happy to discuss both these issues further with you.

Yours sincerely



**Bruce Parkes**  
**General Manager**  
**Government & Industry Relations**