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Speech to Broadband at the Crossroads Conference

Since becoming Minister for Communications and Information Technology some three months ago, I have met with a wide range of telcos, ISPs, user groups, industry groups and other parties who are taking a keen interest in the government's approach to broadband.

All have offered me the benefit of their experience and wisdom. With the public release of the Castalia report the other day I now believe I have the full 360 degrees of advice.

Speculation is rife that today, in this speech, I will detail the government's plan for ultra fast broadband and how we will roll out our pre-election commitment of fibre to the home.

If you are here today to learn the detail of these plans then I am afraid you will be disappointed. However, I do plan to tell you a little more about our thinking.

During the election campaign our Prime Minister John Key committed to the roll out of ultra fast broadband to 75% of New Zealanders - where they live, work and study - within ten years.

We've set aside up to \$1.5 billion for this and we expect that to be matched by private sector investment.

We remain committed to this goal in government and we have no doubt that it's achievable.

When the broadband plan was initially announced, we gave ourselves the first year in government to consult and get the process right.

Within six years, we will have rolled out ultra fast broadband to schools, hospitals, businesses and the first tranche of homes.

In the last four years we'll complete the roll out.

Our political opponents have criticised the government for the time we are taking with this but I make no apologies for being cautious.

This is a big investment and we cannot afford to get it wrong.

It's big in terms of the money we have committed to it, and in terms of the benefits it will bring.

Today I am going to address some of the questions that I am asked on a regular basis:

- Why is the rollout of ultra fast broadband so important?

- Why is the government involved?
- Can we still afford it?
- How are we going to do it?

Why widespread access to ultra fast broadband is critical

I want to spend a few moments talking about why ultra fast broadband is critical to New Zealand's future and what role the government has in delivering it.

It's almost cliché to talk about the tyranny of distance we are up against as a nation, but in terms of this debate it's highly relevant.

Our geographic isolation and the distance between us and our competitors has become even more significant as people think twice about the costs of travel and begin to think about carbon footprints.

Ultra fast broadband removes these obstacles.

Ultra fast broadband will put our businesses in meeting rooms around the globe.

Fibre to schools will greatly enhance teaching and learning and will ensure our kids have access to the same information at the same time as their peers around the world.

It will boost productivity in hospitals and aid medical research.

Another major driver for the use of fibre to the home services will be the opportunities for home businesses and for people to telecommute.

Wearing my other hat in Transport the capability for more people to work from home in a true "at work" environment will take the pressure off our roads and public transport systems.

In addition, ultra fast broadband will provide the ability for SMEs, using software as a service, to have large company IT support without anybody being on the premise. That means huge productivity advances.

There is also a strong likelihood of new applications being developed in the future that will require residential users to have fibre broadband connections in order to operate them effectively, particularly as increasing numbers of services are delivered digitally.

This is likely to follow the trend seen in the last ten to fifteen years, where applications have evolved on the back of incremental increases in the available bandwidth.

For example, ten years ago broadband speeds of up to 256 Kbps were required for basic Web 1.0 applications today we are talking about broadband speeds of up to multiple Mbps and we are seeing the development of Web 2.0 applications.

In ten years' time it is likely we'll be talking about ultra fast broadband at speeds of 100 Mbps or more and there are very likely to be applications that will demand this bandwidth.

It will ensure we have the competitive edge we need to prosper.

But the push for universal access to better broadband is not unique to New Zealand.

Governments around the world are promoting strategies to improve broadband infrastructure, in recognition of the important role broadband has to play in the delivery of economic and social gains.

The New Zealand Government believes there is a significant gap between what the market here is currently providing and what we will need it to provide if we are to remain relevant and competitive into the future.

Our policy is about bridging that gap.

Most of us are still reliant on copper to link us up with the main fibre network. While copper was cutting edge ten years ago, it's a Morris minor compared with the Ferrari fibre we need to compete.

Copper has done very well, but it can't carry the amount of data at the right speed to service the internet applications that we will come to rely on.

Meanwhile, internet technologies are becoming more and more bandwidth hungry. In fact, the growth in global demand for bandwidth has been exponential, growing at a rate of between 50% and 100% each year

Ultra fast broadband should not be a luxury - it's not about online gaming or allowing the kids to download movies quicker (although they will be able to do those things).

The development of an ultra fast broadband network will be critically important to New Zealand's growth prospects. It will provide New Zealanders with the base infrastructure that will support advanced broadband services, including high-speed, real-time Internet connections to the world.

We are convinced that access to ultra fast broadband will give rise to new enterprise and innovation and spur increased productivity.

By ultra fast, I mean network access capability of at least 100 Mbps without contention and in both directions. In general, only fibre will be able to provide this capability.

The volumes of data and the speed that copper can carry it at are just not even comparable to fibre.

There is no doubt in my mind that the future for broadband will involve replacing copper with fibre.

Fibre will deliver huge economic benefits for our country in terms of enhanced productivity, improved global connectivity, and enhanced capacity for innovation.

Independent experts estimate these benefits will be worth between \$2.4 billion and \$4.4 billion a year.

Why is the government involved?

Some commentators have suggested that it's out of character for a National Government to get involved in an area traditionally dominated by private investment; others have said we don't need to get involved.

I dispute that.

There is no doubt that the future of broadband is in fibre and that taking it right to the home will bring significant gains for productivity, innovation and global reach.

The fact that private sector companies have decided, on behalf of their shareholders, not to invest in a nationwide network of fibre to the home at this point in time is a purely commercial decision.

While that's regrettable, especially from the Finance Minister's perspective, as someone with experience in business I completely understand their approach.

Left to the market the replacement of the bulk of the copper access network with fibre could take a long time, possibly more than thirty years.

As a country, we can't afford to wait that long.

The government believes that we need to use ultra fast broadband as a way of getting a competitive advantage over the rest of the world.

That's why we're stepping in to achieve a step change in our communications services.

How we'll do it - guiding principles

Having explained what we're doing and why we're doing it, the \$1.5 billion dollar question is exactly *how* we'll do it.

While I can't tell you exact details yet, I want to spend a little time underlining the five principles that will underpin and guide our broadband investment.

1. That this investment does not line the pockets or give undue advantage to existing broadband network providers.
2. That the network is open-access so that many service providers can compete to provide broadband services over it.

We believe this level of competition will provide better and cheaper services for consumers.

3. That excessive duplication of the network is avoided.
4. That everyday Kiwis get affordable world-class broadband services.
5. That this public-private partnership remains focussed on New Zealand's economic future and not the legacy of our economic past.

Delivering on these principles will require a carefully constructed and negotiated investment and regulatory model. I will have more to say on this front in the next few weeks.

However, I can tell you today that it's our intention to invest at the infrastructure level - i.e. that is the provision of dark fibre infrastructure.

We anticipate that that is the level that the market will not provide at this point. And government investment at that level will facilitate the competitive commercial provision of ultra fast broadband services over fibre, with the minimum regulatory intervention.

Can we still afford it?

One of the most common questions I get is: are we still doing this in view of the global financial crisis?

The answer is a resounding yes.

If anything, the situation we are faced with makes it even more important.

New Zealand got off to a very slow start with broadband and we need to leap ahead if we're serious about competing.

This investment in our telecommunications infrastructure will be an important part of sparking economic growth in the medium term.

It will play a key role in improving the productivity of the New Zealand economy as we begin to move out of the recession and into a period of growth.

Increasing infrastructure investment is a critical way in which the Crown can use its balance sheet to provide New Zealanders with jobs and security in the midst of domestic and global recession.

This government is not alone in thinking that accelerated investment in next generation broadband infrastructure is significant in the current economic climate.

In the US, the economic stimulus package being debated in Congress includes plans to spend \$8.2 billion on fast Internet connections in urban and rural areas.

In the UK, the government's Interim Digital Britain Report floats the following objectives:

- Achievement of universal connectivity: through delivery of a universal service commitment
 - and world-leading participation rates
- A set of digital networks (wired and wireless): that are delivering next generation access
 - services to businesses and homes
- A digital economy: that has become one of the leading destinations for inward investment in
 - the digital and knowledge economy

The European Commission presented proposals in January, as part of the EU's Recovery Plan, to invest in key Internet broadband infrastructure projects to build a stronger Europe for the long

term.

And the reality is, some of our competitor countries are already well ahead of us in the race for universal, or near universal, access to ultra fast broadband but they're showing no sign of slowing down.

New Zealand's historically slow deployment of fast and now ultra-fast broadband has placed a brake on our ability to take up the opportunities the Internet has to offer. We are missing out on the real promise of this century's leading technology.

We're going to fix that.

Closing remarks

I want to stress today that fibre infrastructure is not the only way in which the government will support the roll out of ultra fast broadband.

That's of course the headline story of our approach to broadband, but there are many other initiatives that we can and will be taking.

- The provision of rural broadband services is crucial;
- The expansion of the ICT workforce;
 - The expansion of fast broadband services in government-dominated services like health and education;
- And of course, developing digital literacy among adult New Zealanders who have not yet been exposed to a way of working which is now as important as being able to read and write was 30 years ago.

In closing I want to stress that while the fibre to the home initiative is government led and driven, this is very much a partnership with the industry.

There is an opportunity for every organisation that wants one in our initiative.

The roll out of ultra fast broadband to the home, the school, the hospital and the business presents real challenges and a massive opportunity for an economic and social step change.

I look forward to continuing to work with you towards this common goal over the coming months and years. And I look forward to providing the detail of our plan to you very soon, so that the wider industry can provide us with feedback on it before we proceed.

Thank you.

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