

Commerce Commission

Proposal to launch study into Next Generation Network issues

1. Proposed commencement of study

The Telecommunications Act 2001 (“the Act”) as amended in December 2006 empowers the Commerce Commission (“the Commission”) to proactively conduct inquiries, reviews, and studies into any matter relating to the telecommunications industry or the long-term benefit of end-users of telecommunications services within New Zealand¹.

This new power enables the Commission to take a strategic view of any matter which relates to the telecommunications industry.

The Commission signalled in its Statement of Intent for 2007 to 2010, that it would consult with stakeholders over Next Generation Network (“NGN”) issues, commencing in April 2008. In the Statement of Intent the Commission also stated that it wished to increase the level of interaction with key industry stakeholders.

The Commission therefore proposes to commence a study, involving engagement with all stakeholders, into NGN issues. The focus will be on understanding key technological developments that will emerge during the next five years, and their impact on the commercial and competitive environment for telecommunications services..

The Commission will publish a report at the conclusion of the study.

This document outlines, and seeks comment on, the scope of this study.

2. Scope of study

Transition from a PSTN to an NGN environment gives rise to:

- opportunities for innovative services to be delivered to end users;
- opportunities for achieving greater efficiencies and cost savings
- significant technical and operational design, and implementation, issues;
- uncertainty for business plans and business models, including sustainable models for competitive entry;
- uncertainty for investors;
- regulatory and competition issues.
- concern for continuity of service for end users

¹ Section 9A(1)(b)

Some of these issues have recently been manifested in industry response to telecom's plans for cabinet deployment.

The term 'next generation networks' means different things to different people. With the convergence of technology and markets there is a high degree of uncertainty around the development path for the industry. There is a need for transparency and debate and consolidate the various views

The Commission wishes to hear from the industry on the scope of the study and interaction with other processes. The study may include discussion on:

- market and technology trends and developments, highlighting the effect these may have on industry structure
- interconnection requirements in an NGN environment;
- whether new access products and services are needed to provide and maintain competition in the access network; and
- other areas that may raise competition and regulatory issues in the future.

3. Aims of the study

The overall aim of the study is to work towards a strategic view on NGN issues bearing in mind the promotion of competition for the long term benefit of end users, with no particular bias for, or against, future regulation.

The Commission expects to:

- Provide a roadmap for industry and the market so that there is a common understanding of the issues
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- Develop a robust analytical framework for assessing the impact of NGN on competition issues
- Provide a strategic assessment of the likely impact of technological change on market structure and competition;
- Give increased certainty to end users and stakeholders by providing guidance as to likely regulatory responses to market developments – for example, to identify likely triggers for regulatory forbearance or intervention;
- Explore any joint industry processes which could provide ongoing transparency on NGN issues;

4. Interaction with key stakeholders and other processes

In preparing this proposal the Commission is mindful of the wide range of stakeholders and other processes that they may be engaged in. As the Commission proposes to carry out this study alongside those other processes, the Commission wishes to engage from the outset with stakeholders, and particularly industry, in an efficient way to avoid duplication and coordinate the processes.

There are two key processes considering NGN related issues.

First, in the pending operational separation process between the Minister and Telecom, it is currently proposed that:

- there will be further industry discussion on an approach to peering²; and
- the separation process must provide for a consultation process between Telecom and service providers about the approach to IP interconnection covering at least:
 - the transition for PSTN interconnection for voice services to IP interconnection for voice services; and
 - the introduction of IP interconnection for virtual private networks³.
- Telecom Wholesale establish a comprehensive industry-wide NGN consultation programme

The Commission's study would not affect these obligations. However, it would expect synergies to arise from sharing information, use of consultative forums for dual purposes, or from common membership of industry working parties. Any commercial proposals that are generated would also inform the Commission's study.

The second area is the work of the Telecommunications Carriers' Forum ("TCF") which plays an important role in the New Zealand telecommunications industry. The Commission has acknowledged the work of the industry in the TCF working parties that were established to consider technical and operational issues relating to unbundled local loop and unbundled bitstream access services. The reports of those working parties informed Telecom's standard terms proposals and the Commission's standard terms determination processes.

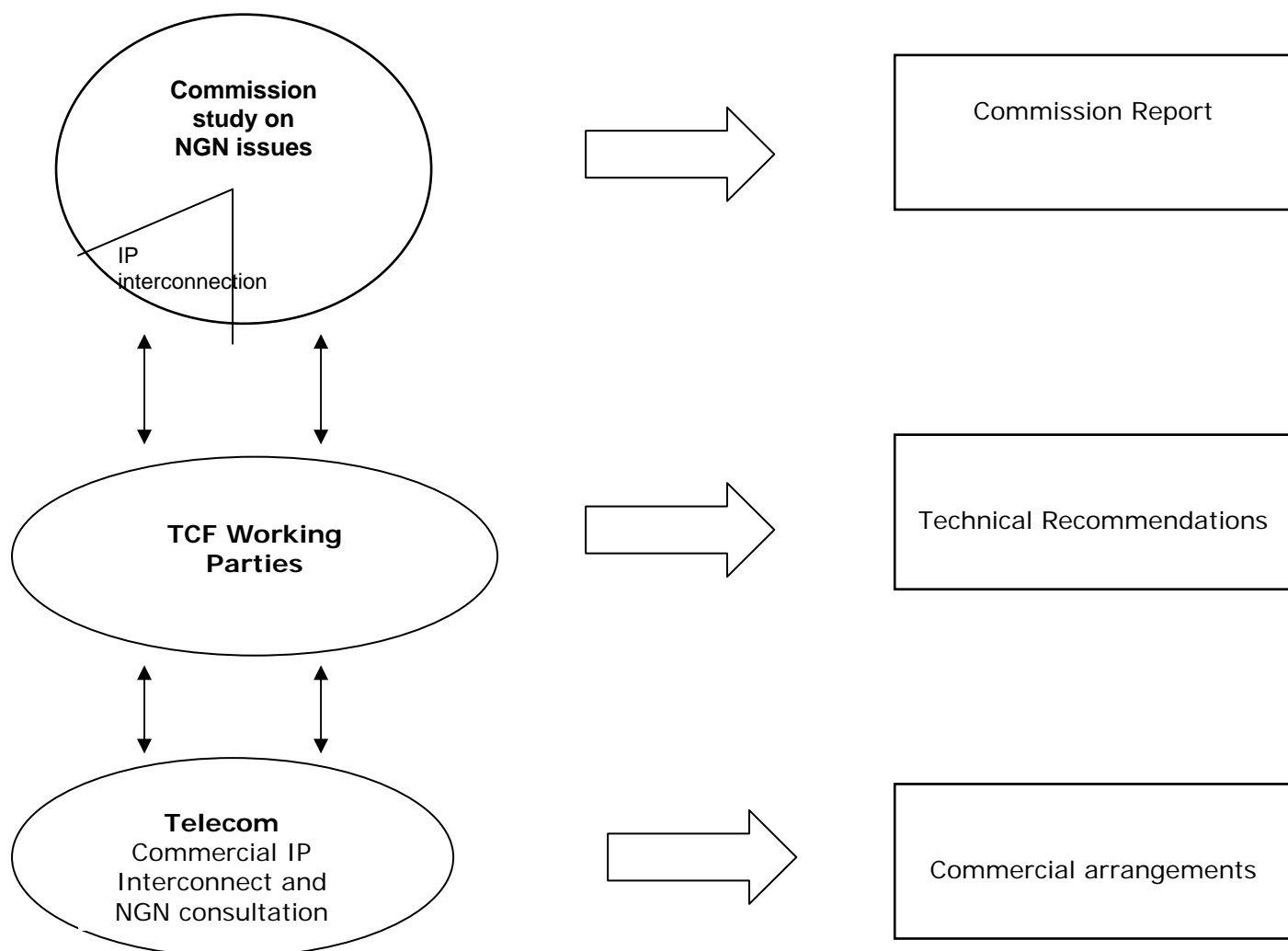
² Clause 49(4) of the Minister's determination dated 27 September 2007

³ *ibid*, clause 49A as inserted by clause 8 of the Minister's amending determination dated 24 December 2007

At this stage, the Forum has yet to develop a work program for dealing with NGN issues, but the Commission understands that this is likely to be an important work stream during the coming year. The efficiency of that process will be enhanced by Commission participation in any TCF working parties that are set up to deal with NGN issues. The output of such working parties would be taken into account in the Commission's processes. As with the Telecom process there may be opportunities for sharing information and other consultative opportunities.

The Commission's study will take a broader view of NGN developments than may occur in any Telecom or TCF process. In addition, there may be other interested stakeholders who are not involved in Telecom initiated consultations and TCF processes. The Commission's study will ensure that the full range of views and issues are taken into account in assessing NGN issues.

The diagram below shows how the three processes are likely to relate to each other in a way that will create efficiencies and avoid duplication.



4. Proposed phases

The Commission proposes the following phases to its study and indicative timelines:

Proposed Phase	Activity	Outcome	Timelines
Phase One	Terms of Reference (scoping of issues): <ul style="list-style-type: none"> ▪ Written responses to this proposal; ▪ Release of draft Terms of Reference 	Release of Commission's final terms of reference	29 March 2008 Mid April 2008

	<ul style="list-style-type: none"> ▪ Public scoping workshop 		May 2008
Phase Two	Set up <ul style="list-style-type: none"> ▪ Commission process which is likely to include workshops ▪ Consultation, research and information gathering, 		June to Sept 2008
Phase Three	Draft report, consultation		Oct 2008
Phase Four	Preparation of Commission report		Nov 2008
Phase Five	Release of Commission report	Public report	December 2008

Dated: 6 March 2008

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