

Geoff Lawson, Managing Director of BCL, Submission to the Commerce Commission, Thursday 13 November.

1. Good afternoon Commissioners. My name is Geoff Lawson. I am Managing Director of BCL, a position I have held for 7 years
2. BCL welcomes this opportunity to address the Commission on its Draft Report concerning its investigation into Unbundling the Local Loop Network and the fixed Public Data Network.

Move to next slide - Introduction

3. I would first like to introduce the rest of the BCL team on my (right/ left) is Philippa Bowron, BCL's Government Relations Manager, Michael Jameson BCL's internal Legal Counsel, Susie Stone BCL Consultant and John Benson, Manager Design and Build Engineering Team.
4. The format for today's oral submission is that I will provide background information on BCL, where we've come from, how that has influenced our business model and investment decisions, why we chose Airspan technology and what that technology does. I will also address the likely effect of regulation on BCL.
5. Philippa will discuss alternative technologies, the implications of these on the unbundling debate and the implications of the draft report on the establishment and further development of these in New Zealand.
6. Susie will address further key points of our submission

7. Michael will cover BCL's submission with respect to definitions and legal interpretation.
8. We also have John Benson here to provide backup support for the team on any technical questions the Commissioners and its staff may have.
9. I would like to stress that we are here to talk about the impacts on our business and what we perceive will be the consequent impacts on consumers. We will not be presenting detailed economic analysis.

Move to next slide – History of BCL

10. BCL has a long and successful history of providing radio based technology solutions to the New Zealand broadcast and telecommunications markets.
11. Our clients in the broadcast area include all the major television and radio organisations as well as a significant number of community television and FM broadcasters and Iwi radio stations.
12. BCL's broadcast business is steady, although we are currently undertaking infrastructure upgrades to enable the upper FM band expansion and PRIME television's coverage extensions.
13. BCL's history in the Telecommunications market is equally as important.
14. BCL was instrumental in the establishment of "The Alternative Telephone Company". Later known as CLEAR and now TelstraClear.
15. BCL also undertook most of BellSouth's network rollout (now, of course, Vodafone) when it was established in New Zealand.

16. BCL provides wholesale linking to most New Zealand Telco's and ISP's. As an example TelstraClear utilises BCL's wholesale services in areas to provide redundancy to its own network.
17. BCL's ability to provide quality radio based network services is well established.
18. The network reliability required by our customers is extremely high. TV1 and TV3 do not expect network failure during the 6pm news, believe me!
19. BCL's telecommunications networks are no different. They are engineered to provide Telco grade reliability to all our retailers.

Move to next slide - BCL Business strategy

20. •BCL aims to be a world-class, agile, customer-intimate wireless solutions company. I am particularly proud of our world-class spectrum and RF engineers.
21. •BCL is a long established service provider to the radio and television broadcasting market. We are seeking to draw on that experience and our engineering strengths in wireless with our expansion in the telecommunications market.
22. •BCL aims to grow its value by expanding into the broader telecommunications market by leveraging its core competencies.
23. •BCL seeks to identify niche telecommunication opportunities that are profitable and sustainable.

•Move to next slide – BCL Investment Strategy

- 24. •As an SOE, BCL is expected to generate a commercial return for its shareholders.
- 25. •BCL has adopted a predominantly 'sell then build' investment strategy which means that we seek to acquire customers where we can before investment is made.
- 26. •BCL is expanding into the 'access' segment of the telecommunications market, from its starting position in the backbone and spur business. We have also invested in our backbone through the implementation of an IP and MPLS (MultiProtocol Layer Switching) Core.
- 27. •BCL will be a 'wholesaler' not a 'retailer' – this is a key point of difference for us. We will not compete with retail customers.

Move to next slide – Wholesale business model

- 28. BCL's wholesale business model is nothing new for us. BCL has been operating this model in the broadcast market since its inception.
- 29. The idea of a single network supporting multiple service providers is exactly what BCL has done in with Television and FM radio.
- 30. New Zealand's FM radio market is something to be proud of and something that we should look to emulate in telecommunications.

31. It is both highly competitive in its own right and it competes aggressively with other mediums in the overall advertising market.

Move to next slide - the wholesale model diagram

32. I'd like to show this diagram depicting BCL's wholesale model and the competition between service providers delivering products and services to consumers.

33. I won't explain in detail, as there is a lot of detail in both BCL's submission and overview document. This is a pictorial representation – for those of us that are right brained!

Move to the next slide – Airspan Wireless Technology

34. I'd like to say a few words about Airspan. Having just been to Geneva to the ITU conference, I'd note that the most dominant radio providers there were Airspan and Alvarion.

35. Aside from Airspan's proven technology which we are proud to be deploying, the organisation has a robust product development path that has given us comfort that we are using a technology that will develop with future needs and will continue to provide our retailers with the ability to deliver the services their customers want.

36. In making our decision to use the Airspan product we undertook an exhaustive investigation into the different wireless products available and factored into that investigation a number of criteria.

37. We not only wanted a product that is robust, reliable and multi functional and capable of supporting both voice and data today, we

also needed to be comfortable that the organisation behind the product was also robust and likely to be around for the foreseeable future.

38. I understand that yesterday Woosh Wireless made some comments about the relative merits of TDD technology (that they use) versus FDD technology (that we use).

39. I do not wish to enter into debate on this in this forum, but I would like to state for the record that BCL does not accept the assertions made by Woosh Wireless in that respect. (i.e. that WW TDD is more suitable to data and BCL FDD is more suited to voice) --→ ITU '1098' FDD

Move to next slide – Extend rollout

40. We were proud to officially launch our EXTEND network on Tuesday.

41. In anyone's language it is a major achievement launching a 28-site network covering a large portion of New Zealand.

42. The fact that the network build commenced in March and was completed on time – 31 October, and went live on that date with full operation systems in place, is both testament to BCL's ability to deliver and also to the flexibility and relative ease of this technology.

43. It is difficult to imagine that the establishment of such an extensive wireline network covering multiple regions of New Zealand could have been done in anything like this timeframe.

44. We don't want to stop there. We are already in negotiation for further extensions to provide farmers and their surrounding communities with services and we are also working on a business case to cover high-density metropolitan areas.

Move to next slide – capability of Extend relative to Copper

45. We know that the functionality of BCL's EXTEND network is at least as good as copper. We believe that in the next five years our network capability will continue to deliver functionality that will match copper based services.
46. Considering that our network went live just two weeks ago, we strongly desire the chance to prove its capabilities in an unregulated environment over the next five years.
47. We believe that this is of benefit to end users in terms of access to broadband service and access to multiple competing retailers.
48. We believe that the end result of allowing BCL's network to develop will outweigh potential advantages of unbundling due to the cost of entry.
49. Philippa will expand on this further, but the driving point of the Telecommunications Act is that the review be done in light of the long term benefit to end users. This is something that we believe our network will deliver to a greater extent than unbundled Local Loop and fixed PDN.

Move to next slide – Effect of Regulation

50. We have stated in our submission that we strongly oppose unbundling.
51. BCL believes that unbundling in the form recommended in the draft report could have a detrimental effect on BCL's business.
52. We have stated that the PDN definition as it stands could impact BCL's business to the point that we would exit the telecommunications market.

53. Just to explain this point, this statement comes from the possibility that Telecom may have to sell unbundled BCL's services at a price that is less than what they purchase from BCL.
54. The ability of this to impact BCL to the extent that we would restructure our business and exit the market is dependent on a number of factors.
55. These factors will be addressed in detail over the course of the following presentations, but in summary they are:
- a. The application of TSLRIC pricing and whether it would be applied in a way that effects BCL's ability to compete [i.e. inclusion or not of Telecom's 'non-economic ESA's (Exchange Service Area) would impact the end price].
 - b. The definition of 'Control' and whether the Commission deemed Telecom to have any element of control over BCL's service.
56. It has to be said that this is BCL's primary concern and that the issue regarding PDN definition has the most potential impact on BCL's business.
57. In saying that, however, and putting aside the PDN definition, BCL opposes unbundling per se.
58. We believe in our network and we believe that it is going to be something quite special.
59. We believe that in the course of the next five years BCL's network will develop to not only compete with current wireline networks, but also to support retail services in excess of those supported by them.
60. BCL will not only provide service to areas that can get broadband over copper, but will also provide a large number of New Zealanders with

technology choice and therefore a choice of competing services and service providers.

61. BCL is concerned that 'assessment in context of application' could mean that the areas of New Zealand will face uncertainty in the telecommunications market for a number of years to come.
62. We would most certainly take this into account in decisions relating to investment.
63. The prospect of significant change in a given area at any point in time would make investment decisions difficult and could delay or defer rollout plans.
64. This of course would again be subject to the decisions around application of TSLRIC and the form in which unbundling would be applied, but uncertainty about firstly application itself and secondly the elements applied for would need to be factored into the decision making process.

65. Thank you for the opportunity to present and I will now hand over to Philippa