



29 October 2003

Osmond Borthwick  
Manager  
Network Access Group  
Commerce Commission  
PO Box 2351  
WELLINGTON

Dear Mr Bothwick,

**Submission to the Draft Report on Telecommunications Network Unbundling**

Rural communities need to receive the most up to date technology and services to not only drive productivity on the farm but to also enable their children to keep up their education standards to that of their city peers. We believe that access to future technologies is only achievable through truly competing telecommunication infrastructures.

Although LLU may provide short term pricing benefits for customers of unbundled exchanges we would note that it would not be cost effective for competing companies to invest in the hundred's of small exchanges that service significant areas of rural New Zealand and provide data services equivalent to those available in metropolitan areas. Unbundling in our view, therefore, is a regulatory measure that has no measurable short or long-term benefits for rural New Zealand.

Farming is a high-tech business. If New Zealand's rural community is to remain internationally competitive they have to have continued access to new technologies. To this end rural communities are reliant on continued network investment and development. Closing the digital divide between rural and urban New Zealand is vitally important to the future of New Zealand's economy. The only way of truly managing this divide is through the continued attraction of investment in alternate technologies, such as wireless and satellite, and through continued alternate infrastructure roll out. We would urge the Commission to carefully consider the investment incentives for alternate technologies for rural regions if a decision to unbundle was made.

We note that the submissions of those players in the marketplace who are in the business of providing alternate infrastructure into rural NZ, e.g. BCL, Walker Wireless and Counties Power, are firmly against any decision to unbundle. These are the network investors along with Telecom that BayCity looks to for future innovation and to deliver the improved data services for rural communities across the nation that will be so vital for the convergent applications destined to drive tomorrow's rural production and supply-chain processes.

BayCity asserts that unbundling will make it harder for these investors. Logic says, however, that if you make it easier through regulatory intervention for players to utilise the copper network then those players will see that network as the only way to deliver services. This will only blunt the incentives to find a business case for the rollout of alternate networks.

We would therefore recommend that the Commission place a great deal of emphasis on the submissions of those players who are leading the charge to build new networks that will provide services for rural communities and for regional economies as a whole.

We would also recommend to the Commission that at the very least a decision on unbundling should be deferred until the governments own PROBE process has been finalised and the winners of the tenders have had a chance to rollout their alternate infrastructures before a decision on LLU is made. If a decision is made prematurely it may have a detrimental impact on those companies' abilities to attract continued investment.

Yours faithfully,

Barry Payne  
Managing Director  
**BayCity New Zealand Ltd**

E-mail: [barry@baycity.co.nz](mailto:barry@baycity.co.nz)