



Andrew Murray
Cisco Systems
Capital Tower, Level 25
168 Robinson Rd
ZIP 068912
Singapore



4 December 2003

Douglas Webb
Telecommunications Commissioner
Commerce Commission
PO Box 2351
WELLINGTON

Dear Douglas,

MAKING THE RIGHT INVESTMENT DECISION – UNBUNDLING THE COPPER NETWORK

As one of the world's largest providers of equipment used in the creation of information networks, Cisco has witnessed many OECD nations face the issue of whether to allow competitors to buy or lease access to the incumbent's copper network.

Why is unbundling important to New Zealand?

1. The telecommunications infrastructure can be likened to the road, water and electricity networks. These are some of the essential building blocks on which society and commerce can build successfully. In fact, the better the infrastructure, the more effectively businesses, communities and countries can grow and compete with others around the globe. We have seen that a cost effective and readily available broadband network can help business, government and community be more productive. Productivity improves competitiveness, which leads to growth. For broadband to be cost effective and broadly available there must be competitive local access options for incumbents and alternate carriers alike.

2. There is no pervasive alternative broadband offering, such as cable in New Zealand (recognising the limited coverage in Wellington and Christchurch of cable network infrastructures). Overseas, the competition between cable providers and incumbent's with xDSL has helped to increase the coverage and reduce the cost of broadband communications. Cisco has also worked extensively with New Zealand alternative Radio Access providers and although there has been rapid technology development in this area, to date, no competitor has been able to provide a cost effective competitive alternative, especially to the residential market. Without this competition in New Zealand, broadband penetration will be slow, reducing the ability for business and government to compete globally and limiting advanced services to the general public.

Given New Zealand's "open" "Free Market" approach the relative competitive positioning of New Zealand businesses and industries in international markets is directly and immediately felt. It is Cisco's view that Broadband adoption rates (along with adoption of internet technologies and applications within a business) have direct relationship to that businesses productivity and therefore competitiveness. A key

influencer in the relative competitive position of businesses and therefore countries over the next five years will be these adoption rates.

Therefore, it is even more important for New Zealand to unbundle the local loop.

In the countries where unbundling has been implemented effectively (the wholesale price allows for a margin to be made between wholesale and retail), broadband growth has accelerated, and the cost per bit of information has reduced. This has allowed Denmark, Italy, France, Japan and the Netherlands to dramatically increase the penetration of broadband networks.

Cisco takes a long-term view of the telecommunications industry. In the interests of sustainable business, participants must invest based on consumer demand, not because access options have been curtailed.

In New Zealand, additional investment on the one truly nationwide copper network would ensure our relatively small population had competitive access over a single, well-funded system.

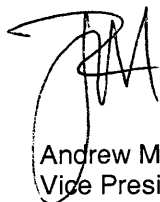
Cisco has expertise in the development of next generation Internet Protocol networks. These are providing consumers with the ability to reduce business costs and improve productivity. We have now witnessed the changes in the way we work, live, play and learn due to broad adoption of internet technologies and applications. Broadband networking helps to accelerate these improvements in our personal lives and businesses.

All of this can be achieved by adding new equipment on top of underlying networks. As such, existing copper networks will continue to provide the base for new and innovative services well into the future.

Investment in service level applications is providing consumers overseas with a range of different services and prices over one network. Given New Zealand's size, network duplication is both inefficient and unnecessary.

The government has expressed a desire to promote regulatory change that supports competition, improved services, improved global competitiveness and choice. Cisco supports local loop unbundling as a step towards that aim.

Yours faithfully

A handwritten signature in black ink, appearing to be 'AM' with a large, sweeping flourish on the left side.

Andrew Murray
Vice President SP Asia Pacific