

- 8 OCT 2003

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5/10/3

Dear Alex,

This is a response to the Draft Report for LLU. I welcome the principle of removing some of Telecom's monopolies through LLU as described in the Draft Report, but I would like to see that principle extended to Telecom's remaining monopolies. I am gratified by the Commerce Commission's staunch rebuttal of Telecom's arguments against LLU. Telecom continues to abuse the privileges of its monopolies, and through the Commerce Commission's diligence in expediting the LLU, I hope that users of telecommunications will be better protected in the future. I know from experience how difficult it is to get inequities corrected when appropriate legal mechanisms are not in place.

I declare a vested interest in the removal of Telecom's monopolies. My neighbours and I have paid for lines to be laid from Telecom's network to and into my property. All that is required is for Telecom to take 10 minutes or so to make the connection. Recently the charge for this was about \$60 then it went up to \$1,500 and now it stands at \$500. I have lobbied Telecom and members of parliament to 'see reason' but have met with intransigence. The Commerce Commission has an opportunity through LLU to start a process that should erode Telecom's ability to create inequities like the pricing of line connections. Telecom's privileges of being capitalised at the taxpayers' expense through the Kiwi Share, as well as the monopolies it holds, comes with responsibilities to its existing and potential customers. Telecom has failed in its responsibilities and now is the time to do something about it.

Now I would like to deal with issues raised in the Draft Report.

The definition of 'end-user' should be expanded to include potential customers who only require a connection to join the network. That is, where all infrastructure is in place and where Telecom suffers little or no extra cost in effecting a connection.

The definition of 'access' should be expanded to include end-users as defined above.

Either Telecom should be obliged to make a connection for an end-user and provide access for the previous and more reasonable price of \$60, or Telecom's monopoly on connections should be removed, allowing Telstra or its contractors for example to do the work.

The Draft Report doesn't appear to address Telecom's responsibility to provide new infrastructure at a reasonable price. Telecom is sitting on large profits, has the Kiwi Share and various monopolies. Even if LLU opens up the network, Telecom still has a responsibility to add new lines to the network at a reasonable price, and the Draft Report should make that clear. The addition of new lines to the network should not discriminate against those who do not live in large urban areas.

Various well-costed economic arguments for LLU are offered in the Draft Report but there are other less tangible benefits to the removal of some monopolies. It is easier to de-monopolise other services having de-monopolised some. Disgruntled customers can finally exercise their right of freedom of choice by switching to other suppliers. Telecom's 'churn' may force it to become more efficient, for it has had little incentive to do so in the past.

Ihug's satellite based Ultra service requires a connection to a line. More competition for Telecom in non-metropolitan areas would result if Telecom's line connection prices were more reasonable. Potential customers are deterred by unfair connection charges.

Telecom claim that the market is at saturation point and neither wholesale nor unbundling will stimulate further growth in access lines. Telecom has conveniently ignored all those who are not in large urban areas and who are unwilling to pay unfair connection charges. Increasing migration away from large urban areas, and existing rural dwellers without access to the network mean that the market is not saturated at all. Telecom simply do not want to spend their profits providing infrastructure and making reasonably priced connections outside large urban areas.

Yours faithfully

*S. Massey*