

## COMMERCE COMMISSION HEARING ON LOCAL LOOP UNBUNDLING

### SUMMARY:

1. Woosh is a viable alternative to DSL and provides significant additional benefits for consumers
2. Unbundling will be to the long term detriment of consumers, with less choice and no reduction in prices

### PART 1: WOOSH IS A VIABLE COMPETITOR

Who is Woosh and what benefits does it deliver for New Zealand:

- through competition
- for the economy and
- most importantly, for consumers.

Why Woosh is viable – because it delivers these benefits.

Before we address the benefits in details, it is useful to describe our technology:

- White board showing:
  - evolution of technology
  - Voice
  - Capacity
  - The problems with old standards

Woosh's new (IPWireless) technology solves these problems and offers features DSL can not match:

- Low cost
- Standards based
- Portable
- Everywhere
- Easy to install
- Mobile broadband
- Not a DSL replacement
- Voice will be available shortly

Summary – low cost mobile broadband

IPWireless networks are being deployed around the world:

- Woosh has had 30 visitors in the past week looking at its operations

Woosh is backed by investors who are in a position to assess challenger opportunities:

- Todd Capital and Craig Heatlie have taken on and been successful against incumbents in the past
- Clarity Partners

What Woosh offers is low cost mobile broadband. As Woosh said in its submissions, benefits to date of our offering are:

- PROBE regions
  - low cost portable broadband
  - Toll free calling – Southland estimate this has a value of \$30m per year for the region
  - Student campus initiative
  - Province-wide coverage
  
- Woosh's goal is to stimulate these benefits across the whole country:
  - National coverage
  - Lower prices
  - Bigger toll-free regions
  - Voice and data
  
- To bring about the best results for consumers, the Commerce Commission should not introduce unbundling. It should focus on interoperability of networks:
  - Lower interconnect prices
  - Speed up number portability
  - Email portability
  - Technical interoperability

#### CONCLUSION:

- Woosh's vision – personal, portable broadband
- Nationwide

## **PART 2: DO NOT UNBUNDLE THE LOCAL LOOP - IT WILL PREVENT THE BENEFITS WOOSH OFFERS TO CONSUMERS**

The impact of unbundling on Woosh's offer

What has happened in other markets

- US
- Europe
- Australia
- \$30 billion capital destroyed
- short term impact for long term value destruction

Regulation should not skew the market:

- it is not for the Commerce Commission to pick the "winning technology"
- if unbundling is introduced, the impact will be:
  - flurry of activity
  - short term gain – lower prices for 3-4 years
  - artificially lower prices will deter investment in alternate technologies
  - change to the ground rules on which Woosh attracted investment
  - increased uncertainty
  - slower roll-out and less innovation in other networks
  - RESULT
    - unbundling provides short term artificial competition:
    - quashes a long term truly competitive environment based on innovation

If regulation is to be imposed, there should be clear benefits which will result.

Where are those benefits?

- Reed Hunt, ex-Chairman of the FCC, says that unbundling in the USA was "a mistake".
- The impact today on markets which have unbundled the local loop:
  - after the carnage everything is back to where it began
  - non-viable businesses were created and then destroyed
  - prices have gone back to the previous levels
  - competition is provided by alternate technologies in most instances
  - the result of unbundling is to raise network costs

Why wireless has not been a viable competitor until now:

- refer to previous explanation of evolution of technologies
- now can deliver low cost mobile broadband

Woosh is not the only competition:

- BCL
- Wired country
- The pacific.net

- A number of others

Regulation should not be imposed unless:

- there is a market failure AND
- benefits will result from the regulation.

The Commission doesn't have to take Woosh's word on how the markets will develop without intervention

- If the Commission is not convinced as to the long term viability and effect of wireless, we suggest that the new generation of wireless is given the chance to prove itself.
- Allow Woosh (and others) 12-18 months to assess the impact of wireless.
- This will be enough to see whether wireless performs as we believe it will.

Woosh's experience to date:

- We currently provide coverage to around 30% of Auckland
- Coverage will include 75% of Auckland by January
- Woosh has invested \$80m so far
- including foreign investment
- questions have been raised by Woosh's American investors on the introduction of unbundling
- the take up rate in coverage has met or exceeded Telecom's take-up.
- Therefore Woosh has doubled the rate of broadband uptake
- Telecom's response has been:
  - Lower prices
  - Advertise more
  - Compete more aggressively

RESULT: The benefits of competition are clear

So why regulate:

- Market disruption / mayhem
- Unbundling is not a long term sustainable model
- Pushes consumers to DSL
- Against the best interest of true innovative competition
- Denies customers choice of service provider and service offering
- Not in the best long term interests of consumers

## **CONCLUSION**

If there is to be regulation, it needs to be in the best long term interests of consumers.

Woosh is now providing an alternative to Telecom and DSL. That challenge will grow over time.

Unbundling the local loop will stifle competition among networks and result in DSL being pushed on consumers.