



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

Dear Mr Bothwick,

Review of Telecommunications Network Unbundling

1. This letter is a submission from BayCity New Zealand Limited ("BayCity") on the reviews into telecommunications network unbundling which are being undertaken by the Commission in accordance with s.64 of the Telecommunications Act 2001.
2. The submission is made to ensure the Commission receives an informed rural perspective on unbundling.
3. BayCity New Zealand Limited is a privately owned company with its head office in provincial Timaru. BayCity Internet & Multimedia Limited is a wholly owned subsidiary.
4. The BayCity business is principally focused on data communication technologies appropriate to rural areas for which the wide-spread availability of "always-on" data connectivity is vital.
5. To this end BayCity has actively participated and invested its own financial resources to ensure rural broadband connectivity happens as rapidly as possible. Some key milestones in this journey include:
 - Conducting a study of the market for broadband services in all rural areas and assessing related investment criteria.
 - Developing and presenting a turn-key proposal to Telecom for the roll-out of IDSL technologies into rural exchanges.
 - Supplying, installing and supporting IDSL broadband technologies for Telecom Cook Islands.
 - Participating in a consortium with Broadcast Communications Limited (BCL) and Ericsson Communications Limited to develop and propose solutions appropriate to Fonterra's requirement for a ubiquitous broadband service to all dairy farms.
 - Providing field expertise to BCL for the deployment of broadband wireless trials in rural Taranaki and Southland.
 - Assisting Telecom to deploy and integrate a combined BCL wireless and ADSL broadband trial for Fonterra farms.
6. As a result of its rural focus and activities, BayCity possesses leading experience in the area of rural data communications and pertinent intellectual property. The company also has developed key relationships and support from rural businesses, cooperatives, organizations and individuals.

7. BayCity made both written and oral submissions to the Telecommunications Select Committee in respect to the Telecommunications Act 2001. The key tenant in those submissions was a vital need to ensure ubiquitous data connectivity across all rural areas. This remains the company's position today.
8. BayCity does not support unbundling for Telecom's local and fixed PDN services.
9. Closing the digital divide between rural and metropolitan and urban New Zealand, then ensuring the gap remains closed, is a challenge of significant proportions but one that is vitally important to the future economy as a whole.
10. The supply of ubiquitous data network services only to rural areas is financially challenging, and in the opinion of BayCity, can best be assured by aggregating the costs of providing services across a wider spectrum of users.
11. The alternative to ubiquity is where services are delivered only to "economic pockets" of users with the result that the digital divide will continue to exist for large areas of rural New Zealand.
12. BayCity holds grave concerns that a permanent rural digital divide will be the inevitable outcome of any unbundling of Telecom's local and fixed PDN services.
13. There are no perceived benefits to rural people and business from unbundling Telecom's local and fixed PDN services. On the contrary, BayCity can only see an outcome where investment that ought to be channeled into improving wide-area rural network technologies will instead be directed into wire-line enterprises competing for subscriber connections in the "economic pockets" of rural New Zealand.
14. Data connectivity to rural New Zealand is much more than just having a high speed internet connection. BayCity studies show conclusively that wide area VPN applications will ultimately provide the greatest benefits to farmers and rural businesses. Such applications and the tools and aggregated knowledge delivered by them will be the intelligence behind tomorrow's rural economy.
15. BayCity analysis points to content as the biggest driver of connectivity, and aside from Government subsidy, the element that will most likely determine commercial viability of rural network services and continued upgrading of technologies.
16. It can be incorrectly assumed that access networks operate independent of content. BayCity believes this is increasingly not the case and that proprietary content will become a significant factor in the future of telecommunications businesses.
17. Network content for farmers and rural businesses is certainly going to be quite different from the needs of other New Zealanders and the affects of unbundling for rural areas must be assessed against such considerations.
18. BayCity submits that the Commission currently does not have all of the information necessary to ensure that unbundling of Telecom's local and fixed PDN services would not be detrimental to rural New Zealand.
19. In the opinion of BayCity it would be wrong to impose unbundling on farmers and rural business based solely on perceived benefits for metropolitan and urban New Zealand.

20. Rural New Zealand is the power-house of the domestic economy and is likely to remain so for the foreseeable future. BayCity submits that as a priority any decision on unbundling must be considered against the actual and likely effects on the rural economy both in parts and as a whole.
21. Accordingly, BayCity submits that the Commission and Government should decide against unbundling of Telecom's local and fixed PDN services as this is unlikely to deliver any tangible benefits for the thousands of people and businesses operating in rural New Zealand.

Yours faithfully,

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