

Computerland House
154 Featherston Street
PO Box 715, Wellington
New Zealand
Tel (04) 473-7269
Fax (04) 473-1081
Email: receptionwgt@fedfarm.org.nz
Website: <http://www.fedfarm.org.nz>



TelstraClear Bitstream Application – Statement for Consultation
Commerce Commission
PO Box 2351
WELLINGTON
Chris.Abbott@comcom.govt.nz

27 October 2005

Dear Chris

Submission on the TelstraClear Bitstream Application - Statement for Consultation

Federated Farmers is an industry organisation representing approximately 17,000 farmers across New Zealand. Federated Farmers has a long history of representing the interests of the farming and surrounding communities across a wide spectrum of issues, including those of communications.

As raised in our previous submission on ‘Bitstream Access’, access to broadband services is widely recognised by both the Government and the Rural Community as a critical element in improving the productivity and the international competitiveness of New Zealand farmers. The Federation has publicly applauded the government on its Project Probe initiative, which has seen broadband rolled out to rural New Zealand schools, and subsequently to a vast majority of the surrounding areas.

In the continued drive for efficiency and increased productivity farmers are more and more looking at I.T solutions and are now beginning to embrace and recognise the benefits of having access to broadband services and the content that is now available to assist them and their businesses.

Whilst the Federation naturally encourages and supports the Commerce Commission in any measures that will improve the appeal and price of broadband services to rural New Zealanders, the Federation does have significant concerns with any measures that could, as a by-product, compromise the ability of our members to access quality broadband services at all and we are disappointed that upon consideration the Commission has concluded that the potential benefits to competition of an unconstrained bitstream service outweigh the detriments it will have on some end users – those ‘some end users’ being our members who are typically those that are furthest from exchanges and cabinets in lightly populated areas.

The Federated Farmers would urge the Commission to reconsider two aspects of its Statement for Consultation as they are likely to have a detrimental impact on our member base and their businesses now and going into the future:

- Unconstrained Download Speeds /Reach

It is our understanding that there is a strong relationship between the offering up of unconstrained bitstream services and the resulting increase in noise/interference on the line, and that this resulting noise will reduce the overall reach that can be managed for the delivery of broadband service.

It is our understanding that Telecom is strongly of the view that the Commission's Statement for Consultation will compromise the reach of Telecom's DSL network and that the Commission's proposed possible longer term solution of Dynamic Spectrum Management will not alleviate these effects. It is of grave concern that the network owner, and clearly the most experienced and knowledgeable party on these issues, holds such views. The obvious customers affected by any reduced reach will be those customers on the boundaries of Telecom's broadband enabled exchanges, largely our members. Many thousands of our members could either be left without service, receive compromised service performance or for those already on the fringes, be left with a potential loss of existing service. The Federation do not see the loss of both current and potential service for its members as the Commission providing overall benefit to the end user.

The Commission's earlier position of a maximum speed of 3.5 mb/sec would seem to be a fair position. This level of speed is a good one (e.g. higher than the comparable speed in Australia) and improves the speed for all customers while not negatively affecting any one. It is not clear to the Federation how the Commission has reached the view that making some customers better off (those on short lines) is worth that cost of making some other customers (long line customers) worse off. We would expect the Commission to put some empirical analysis around this vital trade off. How many customers are made worse off? To what extent are they affected? How does the Commission value the benefit of a city dweller getting a bit more speed versus a farmer being no longer able to receive service at all?

Federated Farmers understands that many telecommunication industry forums are addressing the problem of reach through the development of spectrum management plans. The Federated Farmers would urge the Commission to let the industry continue to do this for the benefit of our members and their future requirements.

- Pricing

Federated Farmers acknowledge that the economics of providing broadband services to rural New Zealand can often be difficult, however, it is concerning that the Commission now considers that there is no justification for maintaining a differential wholesale price between bitstream for supply to residential and business end-users. It is the Federation's belief that flattening out the wholesale pricing structure will make the economics of providing broadband services to lightly populated areas much harder to justify.

The concern for Federated Farmers is that the logical downstream effects of a single regulated price point is to reduce the available revenue for Telecom from broadband, this in turn must make it harder to justify any further extension of Broadband services into rural New Zealand which require revenue targets to be met off limited capacity infrastructure. This will leave a large number of our members either without prospect of service or paying significantly more for the likes of satellite broadband services.

The Federation strongly urges the Commission to contemplate more broadly the effects its Statement for Consultation will have outside of heavily populated urban areas. It is widely recognised that there is a desire for more speed but it must be weighed against the loss to those on long lines in the rural community who provide the backbone for this country. In a quest to satisfy the few the Commission must be very careful that its final determination does not create regulation that undoes so much of the recent gains for our farmer base as far as broadband reach is concerned. It is of little comfort that broadband appeal and speed may be improved for some if our member base can no longer access broadband services or receive a much reduced service quality.

Yours sincerely

A handwritten signature in blue ink, reading "Catherine Petrey". The signature is fluid and cursive, with a long horizontal stroke under the first name.

Catherine Petrey
GM Policy and Advocacy