

COMMERCE COMMISSION

Please refer to:

4.3/7821
489668-1

12 July 2006

Bruce Parkes
General Manager
Government and Industry Relations
Telecom New Zealand Ltd
PO Box 570
Wellington

Dear Bruce

Cable Loop Spectrum Management Plan

Telecom has sought feedback from the Commission on its approach to spectrum management planning for copper cable technologies.

Interim plan for the introduction of unconstrained services

Telecom has announced¹ that it is to introduce unconstrained ADSL services later in 2006. I understand that it is Telecom's view that an interim spectrum management plan is required to ensure that these services do not adversely impact other services in the same cable.

As noted in the recent ihug and Callplus UBS decision, the Commission does not expect that there will be dramatic impacts on ADSL services, such as loss of service, from the introduction of unconstrained ADSL services into the network. The Commission did not consider that its purpose of promoting competition required it to impose a regime to manage the more modest impacts of the introduction of unconstrained ADSL services on other ADSL services.

The attached report prepared for the Commission by its consultant, Paul Brooks, provides an analysis of Telecom's approach to "spectrum management". Given the contents of the report, the Commission does not consider that unconstrained ADSL services will have an impact on other ADSL services which is materially different from the impact of the constrained services that Telecom already offers. Accordingly, there should be no need to introduce an interim plan specifically to cater for the introduction of these unconstrained ADSL services.

¹ Telecom's Broadband Delivery Programme meeting, 7 July 2006

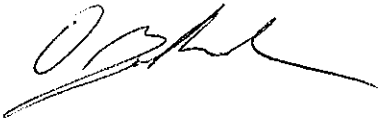
Spectrum management plan

The Commission is very supportive of the industry developing a plan covering all of the relevant copper cable technologies as a matter of urgency. This would ensure that the interaction between different technologies is understood and will allow all operators, including Telecom, to plan their technology deployment.

New Zealand is well placed to make use of work already done in other countries, especially those that have a greater DSL penetration and a spectrum management plan which has proven to be effective in practice. New Zealand should adopt such a plan, perhaps with minor modifications, rather than develop its own unique plan.

In this plan, it will be necessary to accommodate legacy systems (e.g. HDB3 systems) and different DSL technologies, but the Commission does not consider it necessary or useful to differentiate between the types of retail services being delivered over each technology. For example, if ADSL is being used to deliver services to both business and mass market customers with different retail performance guarantees, the plan should not take into account these performance guarantees.

Yours sincerely



Osmond Borthwick
Manager
Network Access