



PUBLIC AFFAIRS

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Douglas Webb
Telecommunications Commissioner
Commerce Commission
PO Box 2351
WELLINGTON

Dear Douglas

Interim spectrum management proposal for approval

As discussed with the Commission and the industry, Telecom believes that it would be prudent to launch the regulated unconstrained service with an interim spectrum management plan to mitigate any potential risks for end users.

We are aware of course that the Commission and Telecom may well have differing views on the risks involved in providing an unconstrained service. Telecom is not at all opposed to delivering an unconstrained service. Our principal concern is to ensure that such a service appropriately manages the potential cross impacts on other customers. We will of course respect any decision by the Commission should you reach a different view on the risks involved and will implement the unconstrained service in the prescribed timeframe.

The advice of Alcatel and Telecom's own internal network advisers is that there is a real risk of adverse impacts for end users if unconstrained services are introduced without a spectrum management plan. While we appreciate there may be some debate between experts as to the degree of the impact, Telecom's view is that it is prudent to put forward a proposal for your consideration which is aimed to ensure that such risks for the end users of retail and wholesale customers are mitigated.

After discussion with the industry and Commission staff, we now submit to you a proposal for approval. This is in line with the Commission's statements in Decision 582 that it seeks to approve any proposed spectrum management plan and that Telecom or the industry is unable to put such a plan in place without such approval. Please note the proposal or plan is interim only and consists of a set of Service Delivery Rules (interim SDRs) that will be applied to all current and new full speed lines. The interim SDRs would affect retail and wholesale services equally. They would only remain in place until the industry has completed its work on a permanent spectrum management plan.

Proposed interim SDRs

Telecom's proposed interim SDRs are:

To reduce the maximum ADSL power by 10dB (and a maximum spectral density of less than 46.5 dBm/Hz) on lines with attenuation of less than 25dB @ 160 KHz, when those lines are

- *in a binder of lines of mixed length (i.e. the binder also contains lines with attenuation of more than 21db), or*
- *in binders where legacy symmetric technologies are used.*

We enclose the following supporting documents:

- *Copper Loop Frequency Management Plan, 1 September 2006* – This document contains the technical detail that underlies the interim SDRs proposed to be implemented for the period until an industry plan is agreed.
- *Copper Spectrum Management: Cross technology impacts, 1 September 2006, Version 1.0* – This document is a new document produced to assist the Commission by summarising the proposed interim SDRs, explaining why Telecom proposes to implement interim SDRs and explaining the basis for the proposed interim SDRs settings.

Conklin DSLAMs

In relation to its Conklin DSLAMs Telecom proposes to take a different approach to that set out in the interim SDRs. Conklin DSLAMs have a limited bearer capacity typically comprising one or two E1 bearers shared between both broadband and committed rate business services. On these Conklin DSLAMs the bearer capacity is the limiting factor (typically 1.8Mbps for broadband). In these cases an unconstrained line rate would have no beneficial impact on the peak customer data throughput rate available and may in fact have a negative impact by raising the level of interference in the cable. Also Conklin DSLAMs do not allow the provision of a reduced power profile unless it is applied to all lines of any length. Telecom therefore proposes to provision a fixed rate in the downstream direction of 4.288Mbps (3.5Mbps IP rate) on Conklin DSLAMs with bearer capacity of less than 4.288Mbps.

Our approach

The Commission noted, in its letter of 12 July 2006 and its media release issued 2 August 2006, that it did not accept the need for spectrum management of interference between ADSL based services.

We believe that the various reports are not conclusive and that a decision to implement interim service management rules should be based on an assessment of overall risk to customer service.

In any case, based on the feedback from the Commission as outlined above, our proposed SDRs are intended to primarily protect committed rate, business data services utilising technologies other than ADSL. The rules are based on the simulations set out in the Cross Technology Impacts paper (attached). In protecting those services, however, there will be some consequential benefits for some ADSL users.

We are in the process of compiling some actual test results relating to ADSL on ADSL impacts. We intend to provide this information to the Commission as soon as possible. At this point in time, the preliminary test results have not altered our view on the need for interim spectrum management.

Why now?

Interim SDRs are required now to cover the period until an industry plan is agreed. This is because the timeframe for the expected agreed industry plan is unclear and because Telecom considers there exists some risk to committed rate services on other technologies such as HDB3 and HDSL.

As the Commission is aware we believe that likely growth in ADSL delivered services, and customer migration to full speed plans, means that there is a real risk to these committed rate services that should be mitigated by appropriate SDRs for the intervening period.

Timing

At present Telecom is working towards rolling out the regulated service by or before 26 October being the implementation date set by Decision 582. If the interim SDRs are to mitigate the risks they are aimed at, they need to be implemented at the same time as the unconstrained services are released into the market. We have commenced development of the unconstrained service in line with the interim SDRs. If the Commission does not approve the interim SDRs we need to know by 26 September (at the latest) in order to remove them in entirety from the development.

Furthermore, we would urge the Commission to provide its view sooner rather than later and that it not wait until 26 September. If the Commission were minded to support the interim SDRs but amend them in some way, as each day passes, there is an increased risk that we would not be able to implement the plan by 26 October – ie: in these circumstances, 26 September will almost certainly be too late.

Process

Given the timing pressures we seek advice from the Commission as to its proposed process to make a decision whether to approve the interim SDRs. We are mindful that the Commission and industry have been substantially consulted to date already and thus hopeful that the Commission will be able to provide an expedited process.

We are very happy to discuss the plan with the Commission or its experts at your convenience. If it would assist Alcatel could also be available for discussions or meetings. Otherwise we would be grateful to hear from you on timing and process for your consideration of this matter.

I appreciate that this general issue has been one that has been well traversed and it may well be an issue where the Commission and Telecom have differing perceptions of the risks involved. We have put forward what we believe is a prudent approach. We accept that the Commission may have a different view. If this is the case then Telecom will of course comply with this decision.

I can confirm that this letter and the attachments will be publicly available on Telecom Wholesale's website.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'BP', with a stylized flourish at the end.

Bruce Parkes
General Manager
Public Affairs