

CHATHAM ISLAND ENTERPRISE TRUST

And

CHATHAM ISLANDS COUNCIL

**SUBMISSION TO THE TELECOMMUNICATIONS SERVICE
OBLIGATIONS (TSO) REVIEW**

October 2007

The Chatham Island Enterprise Trust and the Chatham Islands Council jointly present the following submission to the Ministry of Economic Development TSO Review.

1. Background

The Chatham Islands is in a very unique position in New Zealand with regard to telecommunications and broadband infrastructure. The Island is 800km east of Christchurch with a population of just over 600 people. Telecommunications services are provided by Telecom via a satellite bearer capacity between Warkworth and Waitangi. No broadband facility is available.

Project Probe provided ICONZ satellite to the schools on the Island. While this is understood to be working well on Pitt Island, Te One School (on Chatham Island) struggles to receive constant, reliable connection.

In recent months Farmside have installed a number of connections at the entry price of \$99 + GST/month. This amount is prohibitive for many businesses and most families on the Island.

Guiding Principles for consideration under the TSO

- i. A Unique Region - The Chatham Islands must be recognised as a uniquely separate region to the rest of New Zealand and given special consideration due to its isolated location and critical need for the most up-to-date telecommunications network to keep in touch with New Zealand and the rest of the world.
- ii. Future Proofed – As technology develops and the Islands uptake and use expands larger, faster volumes of data flow will be required. The Islands should have a modern telecommunications and broadband network that has the capacity to cater for future data requirements. It must be able to deliver a continuous uninterrupted high speed service.
- iii. Available – Given the geography of the Chatham Islands it is recognised that unfortunately not everyone on the Islands will be able to receive coverage. The TSO should aim to achieve broadband to as close to 100% coverage as is possible.
- iv. Affordable – The ability to uptake broadband is dependent on the cost to the customer. While businesses are willing to pay a reasonable monthly charge for data, households will not purchase if the price is seen as excessive. Broadband on the Chatham

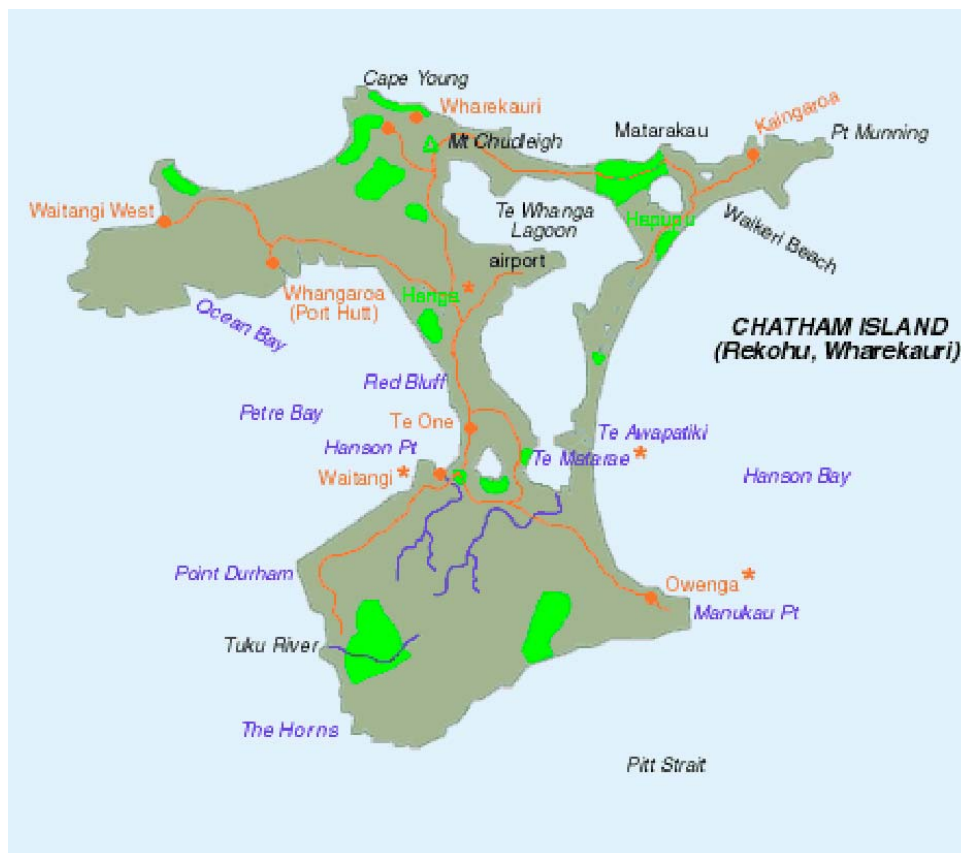
Islands should be delivered at a monthly price that is comparable to that competitively available on the mainland. For the remaining percentage a satellite service should be subsidised to a similar cost to the customer.

- v. Maintained – Given the dependency of businesses on the telecommunications and broadband network efficient, prompt maintenance is essential.

2. Future Proofing the Chatham Islands Network

To 'future proof' the Islands telecommunications network and provide an affordable service, a Telecom terrestrial network with prices capped to mainland levels is required.

A fibre network between Waitangi, Kopinga Marae and through Te One to the Air Chathams headquarters should be considered as this would incorporate the main government, business and community users.



3. What the TSO Should Include

The TSO provision from government should include an annual payment of the price for the backhaul between the mainland and Chatham Island. It is this cost component that presents the differential between mainland provision and that currently existing on Chatham Island. This cost is one of the main inhibitors to Telecom supplying broadband to the Chatham Islands at present.

The rationale is based on the following:

- Payment of this component to Telecom should, in return, place the requirement on Telecom that the service is provided at New Zealand mainland national pricing for all tolls and broadband use. Telecom should then be responsible for the service and maintenance of the network.
- Government departments have the main demand for broadband on the Island (see section 5 below).
- Every other regional centre in New Zealand has a primary broadband connection that the local community has not had to fund. The Chatham Islands should be no different.

4. Funding the Infrastructure

The infrastructure to deliver broadband on the Islands, including the fibre network, should be funded by the government's Digital Strategy Broadband Challenge fund in conjunction with Telecom.

5. Demand for Broadband

The demand for broadband on Chatham Islands is extensively covered in Appendix 1. The following table provides a summary of demand as at May 2007.

Table 1: Summary of Broadband Demand

Government Related	Department of Conservation (VPN 2 Meg)
	Chatham Islands Health Centre Hawkes Bay District Health Board
	Ministry of Education: 2-3 school sites
	Police, Justice, Customs (VPN 512kbps)
	Chatham Islands District Council
	Community Focus
	Services: MSD, IRD, DOL, WINZ, TPK, ACC
	Meteorological Service
	New Zealand Fire Service
Trusts - Enterprise	Chatham Islands Enterprise Trust
Iwi	Hokotehi Moriori Trust
	Ngati Mutunga o Wharekauri Trust
Infrastructure	Works Infrastructure
Tourism	10 Accommodation & Tour Operations
Fishing	6 fishing enterprises – up to 70 fishermen
Farming	Up to 66 farmers
Businesses	ANZ Bank
	Black Robin Freighters
	Chatham Fuels
	Waitangi Hardware
	Sharon Pirika – Photographer
	Air Chathams
Households	Potentially in excess of 150
Total Connections	30+ Government/Business 150+ households

Since this list was prepared some entities have purchased a satellite connection. It is important to recognise the satellite connection, if operating effectively, still doesn't provide a network that is affordable

to the majority of businesses and households. It also does not 'future proof' the Islands network for future telephone or for broadband given the increases in volume and speeds forecast and new technologies – and potential cellphone coverage.

6. The Chatham Islands Economic Need and Value to the New Zealand Economy

Coupled with the rationale in Section 3 above there is also a strong economic and community case that also supports this investment.

The Islands economy faces many challenges. Most people are self employed as farmers, fishermen or involved in local tourism businesses. Due to the lack of scale there are no accountants, lawyers or even computer technicians based on the Island and contact with the mainland is important. The current communication network is inhibiting people from using the technology. Many find it is frustrating to access and find it simpler and quicker to use traditional phone, mail and fax systems. This limits the productivity of staff, the efficiency of businesses and the ability of the Islands to keep up-to-date and in touch with the latest developments within business, government and community sectors. The 2006 Census revealed the largest decline in population of any region in New Zealand at 15%. The number of local primary school age children has declined by 32% in the last six years. These trends must be reversed and the Islands need to be a place where residents have equal opportunities to all that technology can enable. The need for broadband is comprehensively documented in Appendix 1.

The Islands contribute \$72m per annum port price value and \$128m total export value to the New Zealand fishing industry. It contributes an estimated 2600 jobs to the total New Zealand labour force, 1050 as FTE's. This has been calculated based on MAF records of catch within the waters by which the Chatham Islands extends the New Zealand Exclusive Economic Zone. The calculation of these figures is attached as Appendix 2.

If the Islands are to be able to continue to do business in the global environment a future proofed telecommunication network for these remote islands is essential.

7. Conclusion

The Chatham Islands would like the following to be included in the TSO Review:

- i. The Chatham Islands are considered separately as a special case being such a unique region and having critical dependency on the telecommunications network.
- ii. The TSO ensures a continuous, reliable, affordable, maintained network that has the capacity to cater for the data speeds and size and telecommunication technology into the future.