

**SUBMISSION TO THE MINISTRY OF ECONOMIC  
DEVELOPMENT**

**on the**

**TELECOMMUNICATIONS SERVICE OBLIGATIONS  
REGULATORY FRAMEWORK DISCUSSION  
DOCUMENT**

**By**

**RURAL WOMEN NEW ZEALAND**

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## **Introduction**

- 1.1. Rural Women New Zealand (“RWNZ”) is the leading rural women's organisation in New Zealand. RWNZ represents the interests of over 4000 members from more than 300 branches from North Cape to the Bluff. Since 1925 we have been providing rural women with a national voice on rural issues and a local framework for social and educational opportunities.
- 1.2. RWNZ provides the following submissions to the Ministry of Economic Development (“the Ministry”) on the Telecommunications Service Obligations Regulatory Framework Discussion Document (“the Discussion Document”). The headings below are entitled with reference to the Discussion Document.

## **The TSO Framework**

- 1.3. RWNZ supports the basic features of the TSO Framework.
- 1.4. We recognise that there is subsidy to existing and potential users in certain geographic locations. However, because of rural New Zealand’s disproportionately large contribution to New Zealand’s economic growth and development over the last 50 years, it is reasonable to extrapolate that there has been a disproportionately large contribution to existing telecommunications infrastructures.
- 1.5. The rural sector, with it’s approximately 78% contribution to foreign currency returns, is likely to continue to contribute disproportionately to New Zealand’s future economic wellbeing and general infrastructural growth. Industry and location specific cross subsidisation should be seen in the context of this contribution. It is vital to all New Zealanders that the future growth and progress of the rural sector is not compromised by inadequate provision of basic telecommunications services.
- 1.6. RWNZ regards the provision of broadband capability to rural New Zealanders as a basic service.
- 1.7. Certainty of basic telecommunications to rural New Zealanders is critical for enabling economic growth, as well as providing essential social benefits. Given New Zealand’s high dependence on its rural sector for economic growth and productivity improvements, the benefits of providing basic communications is crucial, not only to rural New Zealanders, but to the overall welfare of the nation.

## **Purpose and Market Impact of the Local Service TSO**

- 1.8. RWNZ would support a structure whereby competition was encouraged by stepping up the rate of price rebalancing so that supply of service in all areas becomes commercially viable to Telecom's potential competitors.

## **Standards for TSO Local Service**

- 1.9. RWNZ strongly encourages competition where it will benefit rural users. Therefore, RWNZ recommends that regulation under the Framework does not hinder competitive activity that could enhance service availability and performance, such as that set out at paragraph 92 of the discussion document.
- 1.10. RWNZ supports basic assessment of performance but cautions against any unnecessary growth of administrative and reporting costs.
- 1.11. RWNZ strongly supports a Framework which will encourage a transition to NGN technologies, particularly where this means increased access to broadband for rural users.

## **Compensation for the Local Service TSO Provider**

- 1.12. Based on the reasoning at 1.3 – 1.7 above, RWNZ supports the option set out at 6.3 of the discussion document, of abolishing the TSO charge. RWNZ agrees that customers in commercially viable areas should offset customers in commercially non-viable areas.

## **Eligibility and Charging for TSO Local Service**

- 1.13. RWNZ recognises that it may be prudent to realign home based business line rental rates, where business tax deductions are being claimed, to those of other comparable business users. RWNZ expects that this "comparable business users group" should not pay a full business rental.
- 1.14. RWNZ is of the view that a half-way formula should be applied to this home business users group. A suggested formula might be domestic line rental, plus an adjustment for tax deductions claimed.
- 1.15. However, the adjusted business line rental should be charged if, and only if, the quality of service provided is comparable to that expected in any home business setting. This, of course, means access to broadband capability. Therefore, if a home based business is claiming a business tax deduction *and* receiving a broadband capable service, then its line rental could be realigned to that of other comparable businesses, applying something in the nature of the suggested formula above.
- 1.16. RWNZ would support a price capping mechanism that maximised an overall cross subsidy between commercially viable areas and non-commercially viable areas.

- 1.17. RWNZ strongly supports the maintenance of free local calling.
- 1.18. RWNZ is opposed to the realigning of retail line rentals for local telephone services to the de-averaging applied for pricing regulated wholesale services.
- 1.19. RWNZ is of the view that the upfront charges for establishing telephone access connections be covered by the TSO requirements.

### **TSO Local Service and Emergency Call Service**

- 1.20. RWNZ does not have a strong view as to whether the gatekeeper role should be performed by a governmental or non-governmental organisation.
- 1.21. However, RWNZ is very strongly of the view that whoever does perform this role should be subject to clear and enforceable obligations with regard to the universal provision, reliability and quality of the service.
- 1.22. Clearly, part of this obligation should be to establish and maintain the capability to identify caller location.
- 1.23. RWNZ cannot stress enough, the importance of providing emergency call services to all New Zealanders. Rural New Zealanders are an especially vulnerable group with regard to this issue. They do not have universal access to alternatives such as cell phones and they are usually at much greater distances from emergency services. This means that the emergency call service provided to them needs to be efficient, thus minimising further delay in an emergency situation.
- 1.24. RWNZ submits that even where services are relinquished, either due to subscriber cancelling or non-payment of bills, the emergency call service capacity remains active on that line.

### **TSO Requirements for Subscriber Access Connectivity**

- 1.25. RWNZ agrees with the statement in the discussion document at paragraph 198 that “New Zealand’s fixed telephone network has been built up over many years”. As stated at 1.3 – 1.7 of this submission, rural New Zealanders have contributed disproportionately to infrastructure. Telecommunications service providers have gained the benefit of the existing infrastructures. Claims for depreciation alone, on this infrastructure, must be very substantial. RWNZ is not aware of any commensurate reinvestment in infrastructural improvements to rural New Zealanders. Infrastructure has not been maintained at a pace that allows access to basic telecommunications for rural New Zealanders, as defined at 1.6 above. RWNZ is of the view that this is regrettable.
- 1.26. RWNZ strongly supports the view that broadband access for rural New Zealanders should be part of the TSO requirements, with providers selected on a contestable basis.