



**SUBMISSION TO**

**Ministry of Economic Development**

**On the**

**TELECOMMUNICATIONS SERVICE OBLIGATIONS  
REGULATORY FRAMEWORK DISCUSSION DOCUMENT**

**By**

**FEDERATED FARMERS OF NEW ZEALAND (INC)**

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Contact: Jacob Haronga  
Senior Policy Advisor  
PO Box 715 WELLINGTON  
Phone: 04 494 9194  
Fax: 04 473 1081  
E-mail: [jharonga@fedfarm.org.nz](mailto:jharonga@fedfarm.org.nz)

## **1. INTRODUCTION**

- 1.1 Federated Farmers of New Zealand (Inc) welcomes the opportunity to comment to the Ministry of Economic Development on its Telecommunications Service Obligations Regulatory Framework discussion document.
- 1.2 Federated Farmers is a primary sector organisation that represents approximately 17,000 farmers and other rural businesses. Federated Farmers has a long and proud history of representing the needs and interests of New Zealand's farming communities, primary producers and agricultural exporters.
- 1.3 The Federation aims to add value to its members' business. Our key strategic outcomes include the need for New Zealand to provide an economic and social environment within which:
  - Our members may operate their business in a fair and flexible commercial environment;
  - Our members' families and their staff have access to services essential to the needs of the rural community; and
  - Our members adopt responsible management and environmental practices.
- 1.4 The farming community has a vital interest in ensuring reliable supplies of telecommunications and other utility services demanded by rural consumers at prices that protect their competitiveness. Federated Farmers' interest in telecommunications is reflected by the large number of submissions made to select committees and government agencies.

## **2. GENERAL COMMENT: TELECOMMUNICATIONS IN RURAL AREAS**

- 2.1 The reality for rural and remote users is that the state of the network in many rural areas is poor. The costs of extending the fibre network yet further into remote and rural areas are such that companies are exploring newer technologies like wireless and satellite broadband.
- 2.2 It is clear that TSO instruments have failed to deliver even basic voice service, let alone affordable broadband connections to many in remote and rural areas. Federated Farmers is concerned to see that this review goes far enough to avoid further widening of the urban-rural digital divide, especially when people in remote and rural areas arguably stand to benefit most from the roll-out of more affordable and accessible voice and data services with broadband technologies.
- 2.3 Existing TSO instruments have failed to deliver adequate telecommunications services to many remote and rural users. The standard of services provided under the instruments has been much lower than those experienced by users in more densely-populated urban centres. If this review is to achieve an improvement in the quality and quantity of services provided to all consumers, then it is appropriate that a universal standard of service is considered, a standard that would see the same minimum quality of service for all New Zealanders (Universal Service Obligation). Federated Farmers considers this an area worth further exploration by the Ministry.

- 2.4 The Federation is concerned those in remote and rural areas will continue to wait for improvements to occur while newer and more affordable telecommunications services open up for urban users.

### **3. GENERAL COMMENT: IMPORTANCE OF TELECOMMUNICATIONS SERVICES FOR RURAL CONSUMERS**

- 3.1 The Federation relies heavily on phone and electronic means to communicate with its members. Consequently we have first hand experience of the quality and reliability of service in rural New Zealand.

- 3.2 Rural communities tend to be sparsely populated with isolated pockets being the norm. The delivery of efficient and reliable telecommunications services for basic health and safety is a fundamental requirement, let alone for active participation in the “knowledge economy”. Without adequate and updated technologies, participants in the rural community will continue to suffer lack of service or a lower level of service compared to individuals and families in urban areas.

- 3.3 The gulf between the “haves” and “have nots” will continue to increase as technologies and competition result in significant improvement for urban dwellers, while the rural community is left to languish. The “digital divide” (the term used to describe the widening gap between the highly skilled who are competitive in global terms and those whose economic value is purely local) is already impacting adversely on rural communities as evidenced by a number of our members who are simply not getting an adequate voice service.

- 3.4 It is against this background that serious concern is mounting as rural New Zealand slips further behind urban areas and metropolitan centres in deploying the advanced technologies needed to realise the opportunities provided by the global communications reality. For some, basic voice service is not available unless at very high capital cost. Satellite broadband is the only telecommunications medium available for these people but at a price three times the cost to the average urban resident.

- 3.5 Fast and reliable data transfer is becoming increasingly important as central government, local government, banks and other service and supply business rely on electronic means to deal with farm business.

- 3.6 Federated Farmers is aware that there is limited investment that can be made in telecommunications infrastructure. The Federation considers recent reforms risk directing what limited investment there is towards high-value consumers in densely-populated areas. This raises questions around the government’s ability to help those in remote and rural areas see investment that will deliver broadband to their homes and businesses.

- 3.7 There is no simple solution to seeing the needs of rural and remote users are met or this would not continue to be an ever-present problem.

### **4 SPECIFIC COMMENTS: TSO FRAMEWORK REVIEW**

- 4.1 Federated Farmers considers it essential that the TSO framework continue, so as to address the obvious market failures in the delivery of telecommunications services to people in remote and rural areas.
- 4.2 That the TSO framework has not satisfactorily-delivered on the government's telecommunications objective of cost efficient, timely, and innovative telecommunications services on an ongoing, fair and equitable basis to all existing and potential users is something that this review needs to address.
- 4.3 The review will also need to take into account the significant and substantive reforms of recent times that have occurred in the telecommunications space. Unbundling of the copper local loop and bitstream service, the structural separation of Telecom, and the strengthening position enjoyed by Telecom's competitors.
- 4.4 The changing marketplace, altered positions of service providers and inadequacies of existing TSO instruments is such that there are compelling reasons to consider introducing an element of contestability to the provision of TSO services. Whether this is further broken down to a regional basis so as to enable smaller-scale service providers to fulfil TSO objectives, is something that is worth the ministry considering further.
- 4.5 Additional investment in telecommunications infrastructure that is occurring in remote and rural areas is centring more and more around the bundling of voice and data services through wireless and satellite broadband technologies. This is a reflection of the increasingly prohibitive costs of extending the fibre network further and further into remote and rural areas.
- 4.6 The opportunities presented from wireless and satellite broadband technologies to address both voice and data aspects of TSO objectives is such that consideration ought to be given to the development of an instrument for improving broadband connectivity.
- 4.7 Wireless and satellite broadband technologies in remote and rural areas are provided by a number of different service providers, many of whom operate in specific geographical areas. Any instrument for improving broadband connectivity would ideally have sufficient contestability to enable as many service providers as possible to satisfy TSO objectives.

## **5. RECOMMENDATIONS**

- 5.1 Federated Farmers recommends:
  1. That the TSO framework be retained with improvements that reflect the significant and substantive changes in the way telecommunications services to remote and rural users can and ought to be supported.
  2. That the TSO framework allow for contestability in the provision of telecommunications services that support government objectives for the framework.
  3. That the TSO framework includes an instrument for improving broadband connectivity.

4. That the TSO framework recognises the role of broadband technologies that bundle voice and data services.