



20. 11. 2003

## REPORT OF THE MAYOR

### 1. SUBMISSION TO THE COMMERCE COMMISSION

The purpose of this report is to seek approval from the Council to permit the Commerce Commission to accept the Mayor's letter as a formal submission from the Christchurch City Council.

Section 64 of the Telecommunications Act 2001 requires the Commerce Commission to investigate whether or not each of the following services should be regulated:

- Access to the unbundled elements of Telecom's local loop network; and
- Access to the unbundled elements of, and interconnection with, Telecom's fixed Public Data Network.

The Commission commenced its investigations on 10 April 2003 with the publication of an Issues Paper. It then published its draft report on both investigations on 18 September 2003. On 14 October 2003, the Commission released an amended draft report which includes amendments to certain input figures in the cost-benefit analysis. The Commission's preliminary view is to designate the full unbundling of Telecom's local loop network and its fixed Public Data Network. Written submissions on the amended report were called for with a closing date of 31 October 2003. Between 10 and 14 November the Commission carried out a series of conferences at which a number of submitters made further verbal presentations on their written submissions. The Commission will give its final recommendations in a report to the Minister of Communications in December 2003.

The Telecommunications Act defines the local loop network as *"all lines, including cables and aerial lines, between a residential or business telecommunications services user's distribution point where it enters the user's building (or in the case of commercial buildings, the building distribution frames) and the local telephone exchange distribution frame or optical fibre distribution frame or equivalent facility."* The Act defines a public data network (PDN) as *"a data network used, or intended for use, in whole or in part by the public."*

The effect of unbundling the local loop would mean that approved access providers would pay a rental for the use of the loop and could then provide their own range of services over this network using their own equipment in competition with Telecom. Thus while Telecom still owns the network and is recompensed for the use of it by access providers, Telecom would no longer have the same level of control over the range of services provided and the prices charged for those services that they currently have. Other providers could therefore, for example, offer broadband services that are different, cheaper, faster, better marketed or all of these. This will have a significant impact in the more competitive delivery and hence uptake of broadband services. (According to a September 2003 Report from the International Telecommunications Union New Zealand had the lowest uptake of broadband of the 30 countries that they surveyed.) Local loop unbundling differs from wholesaling which is limited to the resale of only those services provided by Telecom.

Telecom wrote to local authorities across the country asking them to oppose unbundling. To date only one local authority (North Shore City) has made a submission strongly supporting the Commission's case for unbundling.

The Mayor wrote to the Commissioner supporting the Commission's view and was subsequently asked for permission to incorporate this into their considerations as a submission from the Christchurch City Council.

**Recommendation:** That the Council confirm the Mayor's letter as an official submission from Christchurch City Council to the Commerce Commission's inquiry into Local Loop and Public Data Network Unbundling.

CONSIDERED THIS 20TH DAY OF NOVEMBER 2003

MAYOR