

24 April 2009

Broadband investment Submissions
ICT Regulatory Group
Energy and Communications Branch
Ministry of Economic Development
PO Box 1473
WELLINGTON

Broadband Investment Submission from Network Waitaki Ltd.

Network Waitaki is a 100% consumer trust owned electricity line company operating from Oamaru in the Waitaki District. We are very pleased that Oamaru is to be included in the Governments broadband initiative and wish to register an interest in the possibility of being a Local Fibre Company operator and/or investment partner.

We represent one of the only locally owned businesses, with an established local operational capability, independent of the existing broadband providers, that is capable of meeting all Broadband Investment Initiative key principles.

We share the same customer base of 12,681 Oamaru residents and already supply every installation where broadband will connect.

We make the following comments about the proposal:

Network Waitaki has very little expertise and capability to investigate the technical and commercial issues associated with broadband or to develop investment decision quality proposals. This is a hurdle to our participation because the investment in developing a proposal is relatively high for us and risks of not being selected via the competitive tender process proposed are higher than we are likely to risk. We are a regulated monopoly business closely scrutinised over taking commercial risks at the expense of electricity consumers.

Therefore we seek technical and financial support to “level the playing field” with respect to the other larger players that already operate in the industry. Failure to do so may result in the existing industry capturing the opportunity by default to the detriment of locally owned, locally focused infrastructure providers.

It also occurs to us that this opportunity must be a possibility for all 29 electricity line companies. They will share the same issues and it would seem to be a more efficient process for the government’s proposal to be little more developed in terms of the specifics they envisage and key standards/specifications that must be met rather than 29 companies trying to guess. To develop these via the proposed consultation and RFP process is costly for those involved.

Our preferred process would be for the CFIC to select a preferred partner for each location and then work with it to develop a local solution. That is we favour a cooperative approach over a competitive approach.

Network Waitaki's 1800km distribution network is predominantly overhead. We have concerns with regard to our ownership rights of pole line assets, and the potential detriment to the existing electricity supply that these asset service. Accordingly we request the opportunity to be involved in the investigations with respect to access of other infrastructures.

There are a lot of issues that need resolving on a consistent national level before proposals can be progressed. For example, District Plan requirements for putting new infrastructure underground.

It is very likely that in a town like Oamaru, where the population has an average income of only \$19,000 p.a., that affordability, and therefore uptake of services, will be an issue. We are concerned that the process will disadvantage the smaller communities and fail to facilitate locally provided solutions.

The electricity industry's experience with regard to regulatory control is not something we would consider "investment friendly" if a similar regime is to be imposed on this initiative. We are capable of delivering infrastructure in low economic, non-commercial environments where we perceive local economic development and community well-being interests are at stake but do not wish to be penalised for it by the Commerce Commission which has a different idealology.

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