

Auckland Regional Broadband Advisory (ARBA)

Submission to Broadband Investment Fund – 30 June 2008

ARBA welcomes the announcement of the Broadband Investment Fund (BIF) as a further initiative to accelerate broadband infrastructure investment and services across New Zealand. ARBA is working to accelerate broadband outcomes in Auckland thru the following strategic framework:

Long Term Goal

Accelerated delivery of unconstrained access to broadband services to enhance business and enrich people's lives in the Auckland region.

Significant Initiative:

To augment the committed private sector investment in broadband infrastructure by driving the delivery of open access loops to underserved public sector and key business entities by 2012

Connected Initiatives:

- 1. Extend open access loops to other businesses and urban residents by 2015*
- 2. Facilitate the delivery of high-speed broadband to rural business communities by 2017*
- 3. Facilitate the delivery of high-speed broadband to rural residents by 2019*

As discussed below the BIF is welcomed as an initiative that will assist in the achievement of the region's long-term goal for broadband. ARBA is committed to working with the Ministry of Economic Development to maximise this opportunity for the Auckland region.

With regard to the BIF program criteria, ARBA proposes:

1. That the proposed criteria to cap funding allocations, at a maximum of no more than 30% of the total BIF in any one year, be removed or lifted significantly. As it stands this criteria appears to preclude the submission of an Auckland scale unified project over multiple years.
2. That a minimum \$100M be ring-fenced for the Auckland region, subject to project request(s) meeting all the criteria established by MED. The deployment of fibre loops in the region has by far the largest potential to drive New Zealand's economic transformation¹. Investing in Auckland is investing in New Zealand's future success.
3. That the approval process be run on a continuous or at least quarterly basis. The proposed annual process is seen as too rigid and doesn't provide enough flexibility to reflect the dynamics of the broadband infrastructure market.
4. That the initial allocation process be accelerated to enable funding to be released by January 1, 2009 for approved projects.

¹ See New Zealand Institute

5. That mechanisms are provided to provide for and encourage the leverage of funds and resources from other related public sector agencies such as the Ministries of Education and Health, KAREN and the GSN.

However, ARBA believes the current BIF funding provision remains insufficient. With reference to the strategic framework above ARBA estimates a total investment of \$1-2Billion will be required from the public and private sectors to secure the targeted broadband outcomes for Auckland businesses and residents. A rule of thumb used overseas for FTTH investment is \$3-5k per household passed. The Auckland region has approximately 450k households and if we assume provision of fibre to the kerb as an objective for 80% of these households (the kerb to household connection being a separate exercise), at an average cost of \$4k, then the 'last mile' fibre network investment is of the order of \$1.44B.

As such the probable allocation of approximately \$100+M of the BIF to Auckland (on a straight urban population basis), and assuming at least 1:1 matching funding from other sources, will drive something like \$200-\$300M of investment over the 5 year period of the BIF allocations. Independent private sector investment will augment this investment but at this stage there have been no private sector last mile fibre announcements with the exception of some specific greenfield projects that represent no more than 2-3% of the regional household total.

Against the ARBA strategic goals the impact of the BIF initiative is a valuable and important contribution but equally there remains a very significant investment funding gap. ARBA would welcome further opportunity to engage with MED and other government agencies to explore the further options to bridge this gap and deliver world class broadband services to the Auckland region.