



30 June 2008

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Broadband Investment Fund Submission
ICT Regulatory Team
Ministry of Economic Development
PO Box 1473
WELLINGTON

BROADBAND INVESTMENT FUND – DRAFT CRITERIA AND PROPOSED PROCESS FOR CONSULTATION

Thank you for the opportunity to make a submission on the process and timing of the Broadband Investment Fund.

Environment Canterbury has engaged a consultant, Merv Altmants, to co-ordinate a response on behalf of local authorities within the Canterbury region. The attached submission reflects the contributions of the Canterbury Regional Councils' Group consisting of Environment Canterbury and the territorial authorities as listed within the submission.

All correspondence and queries concerning this submission should be directed through Merv in the first instance, his contact details are contained in the submission.

Yours sincerely

Jackie Curtis
DIRECTOR EXTERNAL RELATIONS

Our Ref:
Your Ref:
Contact:

CANTERBURY REGIONAL COUNCILS' GROUP

Submission on the Broadband Investment Fund (BIF)

30 June, 2008

Introduction

The Canterbury Regional Councils' Group welcomes the opportunity to contribute to the development of the Broadband Investment Fund process and application criteria, as outlined in *"New Zealand's Digital Pathway: A Fast Broadband Future – Broadband Investment Fund: Draft Criteria and Proposed Process for Consultation"*.

The Canterbury Regional Councils' Group consists of the following Local Authorities:

- Ashburton District Council
- Environment Canterbury
- Hurunui District Council
- Kaikoura District Council
- Mackenzie District Council
- Selwyn District Council
- Timaru District Council
- Waimakariri District Council
- Waimate District Council
- Waitaki District Council

It is expected that these authorities as a group, severally or individually will be preparing funding application proposals to the BIF. The comments which follow are based on this premise and while in many cases such comments and suggestions will be similar to those of other submitters (in particular the Local Government NZ submission), they address specific issues identified by one or more of the Councils that could impact on their ability to submit a timely, quality submission to the process both at the Expression of Interest stage and at the Full Submission Stage.

Please note that, while Christchurch City Council is within the Canterbury Region it was considered that, as a large urban authority with ownership of a well resourced Council Controlled Organisation (Christchurch City Networks Ltd.) through which their projects would likely be initiated, together with the significant differences in the issues faced and solutions available to them, a separate submission highlighting issues specific to the regional Canterbury councils as listed above was warranted.

Responses to Questions in Annex One and General Comments

We will address the specific questions further in our submission. There are however a number of general comments which we wish to raise and have included as additional matters for consideration in the final design of the BIF.

“Mixed” Projects

Given the role and nature of District Councils it is possible, and indeed likely that components of a specific project will meet the criteria for both Urban and Rural within the same project. As there is no “mixed” fund criteria this will create issues with applications for such projects either in determining the most appropriate criteria to use (Urban or Rural) or being required to make an artificial split which, in addition to creating a cumbersome process and additional project overhead, would need to be supported by a series of “top of the head” assumptions. An example could be the rollout of a district wide project that benefits both urban and rural customers and is substantially based around the synergies of a single project. There would seem to be little advantage and indeed a significant project overhead for all parties involved in creating an artificial split into two projects, even if that were easily done, solely for the purposes of applying for funds under (BIF). It is therefore suggested that an additional category of Mixed be added to cover this type of project and criteria be drawn up for assessing such applications. We would be happy to work with the ICT Regulatory Team of the Ministry of Economic Development (MED) in drawing up the assessment criteria around these.

Timing and Process Timeline

In general the timeline favours the well resourced larger players, who would be “first up best dressed” by requiring a preparedness to act quickly with the alternative being to wait for 12 months if the July 2008 deadline is missed.

As you may be aware Local Authorities (LA) are required by the Local Government Act to prepare a Long Term Council Community Plan (LTCCP). Such plans cover the next 10 years with the first 3 years being set out in detail for that period and alterations to that 3 year plan requiring a public consultation with the ratepayers of the LA usually as part of an Annual Plan process. A project of this scale would almost definitely meet the significance test and therefore need to be included in the LTCCP for each council covered by a particular project. Particularly given that LAs have completed their 2008 planning and consultation process, this process would be difficult if not impossible to fit within the proposed BIF timeline. Furthermore it would be crucial to have the funding process outcomes known prior to feeding into the annual planning and consultation process meaning that ideally advice of a funding decision

would be required no later than February in any year. This would allow for the appropriate level of public consultation to occur within the LTCCP process.

This could be resolved by altering the frequency and/or the timing of applications as well as a significant shortening of the process timeline. In most cases 11 months would be an unnecessarily long period for the process and some flexibility needs to be built into it. For example, it may be possible in many cases for applicants to progress straight to a full application, effectively bypassing the Expression of Interest (EOI) process. Alternately where an applicant goes through the EOI process they may be able to complete a full application in less than 7 months as envisaged in the process. In those cases, where this is possible, provision should be made for such variation and the subsequent decision making process made a more continuous one.

Combined with a quarterly or six-monthly (rather than solely an annual) call for EOIs this would encourage greater support from potential applicants and enable a more even flow of work for the BIF administrators and decision makers.

Open Access

No definition of open access is provided although there is a requirement for provision of open access within the eligibility criteria. This needs to be defined in more than general terms and should take into account the layer at which it applies, the topology (in the case of fibre networks) of the network and the minimum standards expected. There are grey areas in this – for example, due to the difficulty in unbundling individual customers in a normal GPON topology fibre network this may not be seen as open access when compared to home run topology, but on its own GPON may be considered open access depending on the ability of competitors to get equivalent access to customers.

A more detailed and specific definition of “open access” needs to be made available to potential applicants as changes required to meet a different interpretation during the process may be difficult and may require significant and costly redesign of the project.

Financial Viability of Rural Initiatives

It needs to be recognized that in the case of marginally viable rural initiatives there is likely to be a strong reluctance on the part of private organizations to, not only initiate a venture, but also provide ongoing operational support. This puts those areas at a significant disadvantage in attracting well resourced (both financially and technically) organizations necessary for the successful delivery of effective and useful services to them even where there may be a strong national or regional economic,

social, environmental, cultural, health, educational or other intangible benefit deriving from such an initiative. This could further translate into a reluctance to even partake in a contestable process for delivery of services. This may require significantly greater government funding component than the 1:1 ratio referred to in 7.1(a) of the Draft BIF document (Page 19) for urban projects. This is also noted in the Digital Strategy 2.0 objective as Page 27 of the document.

We believe that, in determining the level of funding for such marginally viable rural initiatives, these intangible benefits need to be given considerably greater weight in determining an appropriate funding ratio for such a project. Therefore with reference to the principles noted on Page 29 of the document outlining the weighting that would be applied to the criteria we recommend that C2, C3 and particularly C4 should be more heavily weighted than the other criteria with the least emphasis being placed on C1.

Questions on Urban Criteria

- 1. Will the proposed timeframes provide Applicants with sufficient time to fully complete the application requirements?***

Refer to our comments in the "*Timing and Process Timeline*" clause above.

- 2. Are any amendments needed to the draft criteria to improve the outcome of the Urban Fund?***

No

- 3. Should successful Applicants be prevented from offering Application Services across the supported broadband infrastructure?***

No, as long as equivalent access to the infrastructure is made available to other potential Application Services providers.

- 4. The draft urban criteria include absolute criteria and weighted criteria. Are there any absolute criteria that you consider are too onerous and should instead be classed as percentage weighted criteria?***

With regard to the 50% threshold as noted in clause 5.1, some leeway should be allowed beyond 50%. The footnote to clause 5 states that the relative proportion of the Total Cost will be a key consideration for assessing whether a project will be allocated

funding. This percentage should therefore be treated as a guideline, beyond which a more robust case will be needed for it to succeed rather than being an absolute criterion. On this basis this should be classed as percentage weighted criteria and marked accordingly, particularly if the 50% guideline is exceeded.

5. Do you agree with the percentage weightings in the urban criteria?

No comment

6. What do you consider to be an appropriate level of applicant assistance (e.g. a list of relevant experts, funding, case management)?

As a minimum, assistance in identifying a non-exclusive list of relevant experts if required. Funding assistance up to 20% of the amount of the funding applied for at the EOI stage

7. Does the proposed timing raise any issues for your planning processes?

Significant issues as per our comments in the "*Timing and Process Timeline*" clause above is likely to mean that this group would not be able to make an application to the fund by the end of July 2008.

Questions on Rural Criteria

1. Do you agree with the proposed outcome of the Rural Fund?

Yes, provided that the focus on communities and businesses can be taken to be wider than just the health, education and wider government sectors. Any rural initiative needs to recognize the potential contribution of other sectors in the rural economy, in particular the farming and tourism sectors.

2. Do you consider that there should be a secondary outcome that relates to improving rural voice services?

Yes, provided that the services are cost effective, particularly if there is a major change to the likely price of such services as a result of the TSO review.

- 3. Given the significant cost increases to deploy high-speed broadband in rural and remote areas and the better potential coverage that may be provided at a lower cost but also at lower speeds (including potentially by wireless rather than fibre) should the rural criteria be set at a lower speed than urban?**

This assumes significant cost increases which may not necessarily be the case. If a location can be reached by copper then there is no reason why a fibre replacement should not be considered (possibly as an extension to Chorus's cabinetisation plans). On balance there is little reason to presume that similar speeds could not be achieved in a cost effective way. If the rural criteria are set at a lower speed than urban then a higher weighting should be applied to those solutions offering a faster speed.

- 4. Do you think that mobile/wireless solutions would provide the required level of broadband service?**

Yes, but pricing may affect uptake and long term viability of such a solution.

- 5. Do you agree that rural applicants should be required to offer open access to their infrastructure, bearer and/or application services?**

Yes, if only to avoid overbuild in areas where there may already be a small customer base anyway

- 6. The rural criteria do not specify percentage weightings but rather are ranked in order of priority. This has been proposed in order to retain the greater level of flexibility that is required in rural areas. Do you consider that percentage weightings should be specified at the expense of flexibility?**

Comfortable with the proposed approach.

- 7. Consideration is being given to limiting interim seed funding for a rural project to a maximum of \$500,000, with a proviso that neighbouring communities would be permitted to apply for a greater funding amount where a combined solution leads to a lower overall cost per new broadband access connection. Do you agree with this approach?**

No comment

8. What do you consider to be an appropriate level of applicant assistance (e.g. list of relevant experts, funding, case management)?

As a minimum, assistance in identifying a non-exclusive list of relevant experts if required. Funding assistance up to 20% of the amount of the funding applied for at the EOI stage

9. Will the proposed timeline provide applicants with sufficient time to fully complete the application requirements?

Refer to our comments in the "*Timing and Process Timeline*" clause above.

10. Does the proposed timing raise any issues for your planning processes?

Significant issues as per our comments in the "*Timing and Process Timeline*" clause above is likely to mean that this group would not be able to make an application to the fund by the end of July 2008.

Contact Details

We have retained a consultant to coordinate this submission on behalf of the Canterbury Regional Councils' Group and all correspondence and queries concerning this submission should be directed through him in the first instance.

His contact details are

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