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Broadband Investment Fund submission  
ICT Regulatory Team  
Ministry of Economic Development  
PO Box 1473  
Wellington

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To whom it may concern:

**Submission on the Broadband Investment Fund: Draft Criteria and proposed Process.**

**Introduction**

1. This submission is from InternetNZ – the Internet Society of New Zealand (Inc). InternetNZ is a membership-based not-for-profit organisation. It has management responsibility for the administration of the .nz domain name registry, a critical component of the Internet infrastructure in New Zealand.
2. Our mission is to protect and promote the Internet for New Zealand. We advocate the ongoing development of an open and uncaptureable Internet, available to all New Zealanders. The Society is non-partisan and is an advocate for Internet and related telecommunications, public and technical policy issues on behalf of the Internet Community in New Zealand – both users and the industry as a whole.
3. In this submission we canvass the major points of the Broadband Investment Fund, including the criteria and a broader assessment of the Fund's use for New Zealand over the coming years.
4. InternetNZ offers strong support for the concept of a Fund. It is consistent with the general approach we have argued for over several years: a more competitive market in telecommunications with a technology neutral approach, and public investment that facilitates rollout.
5. We have some concerns with the funding mechanism, criteria and timing of the application process. Most of these we have covered by responding to the

questions set out in the Ministry's document, but these are preceded by some comments around a need to speed the application process.

## **Application Process**

6. The process set out in the document for making applications appears to be a development of the process used for the earlier Broadband Challenge Fund applications.
7. Many earlier applicants to the Broadband Challenge fund will either have completed applications that were not funded or prepared business cases and other plans but not submitted applications.
8. As a consequence there may be many who are ready to submit a well-developed application to the Broadband Investment Fund as soon as the applications can be accepted. For them, it simply adds unnecessary delay to have a two-stage process.
9. InternetNZ proposes an expedited process for applicants who wish to make use of it, involving a single lodgement of the full application instead of the separate EOI stage. This application to be lodged by the end of August.
10. To preserve fairness to applicants who have not reached this stage of preparation, the amount of the funds (rural and urban both) allocated by means of such a fast-track process could be limited, perhaps to 10%.
11. The remaining parts of this submission respond to the questions set out in the consultation document.

## **Questions – Urban**

1. **Will the proposed timeframes provide Applicants with sufficient time to fully complete the application requirements?**
  - InternetNZ accepts that one of the key reasons applications to the earlier Broadband Challenge Fund were declined was that they were not well enough prepared – lack of time for applicants being frequently cited.
  - The timeframes do probably provide adequate time. The challenge is that some applicants will need much less time due to advanced business cases already being prepared. The process needs to take this into account, as discussed above in paragraphs 6-11 of this submission.
  - InternetNZ suggests that publication of a value assessment tool would allow applicants to provide information in their applications that assisted in fair, comparable evaluation of proposals, and would also make the application process simpler. However given the difficulty of comparing elements of proposals that build different sorts of infrastructure, an open textured approach is required – proposals which do not use any such tools must be assessed on their merits.
  - InternetNZ asks the Ministry to clarify the operation of the process – whether it will be based on one annual round of applications and decisions,

or rounds over different time periods, or continuous assessment of applications.

- A further clarification required is whether applicants apply for all the funding they are seeking for a given project in a single application, or whether they make repeat applications in whatever rounds-based system is adopted. InternetNZ prefers a single application.
- InternetNZ questions whether the process as set out provides enough time for the government's assessment stage. A month for evaluation appears to be a very tight timeframe especially if a large number of applications are under consideration.

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

- In demonstrating the project's benefits, it would be useful to require the applicant to show how their project relates to a broader Broadband plan for the region in which the project will be located. This would help ensure that public funds are only used to build networks that are explicitly being designed to collaborate with other such investments, maximising the leverage and benefit of those funds spent by the Crown. This could be effected by strengthening the language in 6.2 (f) on page 18 of the document.
- InternetNZ strongly supports the priority placed on the leveraging aspect of the criteria, but notes a caveat that urban investment is required in all New Zealand cities. It would not be suitable, for example, for the entire Fund to be spent in one city where the leveraging of public funds was at the highest possible ratio, and for all other urban areas to miss out.
- There needs to be a much clearer definition of "open access" provided in the application pack (it is referred to in the document but a sound definition is not provided).
- In addition, InternetNZ believes that there should be a requirement in the criteria and in any funding agreements signed with applicants that any future network build by the Applicant, which extends or enhances networks that have been built with BIF funding, must also be open access.

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

- InternetNZ supports the open access thrust of the Fund's ambitions. Allowing infrastructure providers to also provide services may cause problems in maintaining open access in the medium or long term, as the experience of regulating existing telecommunications networks has shown. As a result, InternetNZ's in principle view is that application services should not be provided by successful applicants.
- On the other hand, one of the clear aims of the Fund is to maximise the leveraging of private investment in broadband infrastructure. If a strict no-

service provision is required of applicants, then it is likely that less private funding will be leveraged and that overall investment will therefore be lower.

- InternetNZ suggests that if applicants intend to offer application services, they should be strongly encouraged to develop the network infrastructure funded by the BIF within a structurally separated business unit, which is independent in its operations from the application service provider business.

**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?**

- InternetNZ supports the approach taken in the draft Criteria. It does not regard any of the absolute criteria as being too onerous, and does not believe any should be classed as percentage weighted criteria instead.

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

- InternetNZ believes that the weightings proposed are acceptable.

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

- The most useful assistance to applicants that the Ministry could provide would be a common toolkit of assessment tools and business models, to speed up the application process and inform and educate prospective applicants. This would provide for a common quality of application and ensure that there is less “corrective” work for officials to do after expressions of interest are lodged.
- In addition to such tools, the proposed funding to be made available to applicants would help them develop quality applications. InternetNZ believes that the \$50k support provided as part of the Broadband Challenge application process was not adequate. \$100k might be more suitable.
- In addition to models and resources, the Ministry should provide some personnel availability to work through the applications process with prospective applicants, and assist them to make the best possible applications.
- The Ministry should also undertake an outreach programme so that as many potential applicants as possible know about the Fund and how to apply.

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

- InternetNZ is not an applicant, so no issues are raised for our planning processes.

## **Question – Rural**

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

- InternetNZ supports the broad proposed outcome, while wishing to stress that the outcome needs to be clearly linked to the capacity to deliver true broadband access to households as well, even if such services are not included in the rollout.
- The requirement that funds will only be available in areas with “no” terrestrial-based broadband gives rise to a question about the definition of “terrestrial”. If the intention is that the funds are available in areas where mobile, satellite and wireless service is available but where physical fixed access broadband is not, then it does not fit within the requirements for technology-neutrality that are a feature of the criteria. InternetNZ recommends that technology neutrality be prioritised, and that it be clear that the main focus is on unserved areas but building some flexibility into the process for unforeseen circumstances to be able to be addressed. The availability of service may not mean the service is adequate or accessible.
- The government should publish a map of areas that it expects will qualify for the rural fund, to ensure applications are focused on those areas where funding will be available and so that non-relevant applications are not lodged by accident.

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

- Yes, InternetNZ would support a secondary outcome being improvements to the range and quality of voice services available in remote rural areas. This outcome should be driven by services-based competition on any new infrastructure – for instance, the new availability of VoIP services that would come with new broadband infrastructure.
- In some areas, the proposed seed-funding may be usefully spent on service development and availability, an option the rural fund should hold open to applicants.

### **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?**

- For deeply remote areas this may be the only feasible option. Such lower-capacity services may be a stepping stone to later higher-speed access networks in other areas.
- InternetNZ's participation in the Rural Broadband Working Party has shown that there is a broad acceptance that rural services may lag urban services, though they must be fit for purpose and accessible to rural communities even if this is at a slower speed than some urban deployments.

- Fibre equivalent access should be the end goal regardless in almost all cases.

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

- For residential users mobile/wireless will provide a basic level of service, but for institutions such as schools, libraries and health providers more advanced services are required, offering fibre-speed connectivity.
- In any event, rolling out fixed access networks such as fibre networks will improve the availability of backhaul connectivity for the installation of mobile or wireless network services.

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

- If public money is being invested then open access needs to be required, at least to the infrastructure.
- The question of whether bearer or application services should be required to be open access is one that InternetNZ has not addressed.

**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?**

- No. Flexibility is important because of the likely diversity of the solutions, with local solutions perhaps being conceived which are right for local communities but that do not fit rigidly applied criteria.
- The order of priority seems illogical. The timeliness of build is too high up the priority list while the community benefit is too low. The main objective should be to deliver useable infrastructure. Either this should be reconsidered, or left open.

**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?**

- InternetNZ does not accept that there should be a set limit. If there is a worthy proposal that costs more than any arbitrary limit, then it should be considered.

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

- See answer to question six in the Urban criteria.
- It may be necessary to provide more intensive support to some rural applicants, due to the typically smaller size of rural stakeholder organisations compared with urban ones (e.g. local authorities).

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

- InternetNZ looks forward to the input of direct stakeholders from rural areas in addressing this question.

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

- InternetNZ is not an applicant and therefore this raises no issues.

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