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

Dear Sir,

Submission on the Broadband Investment Fund Draft Criteria and Proposed Process for Consultation

The following are the key points of Vodafone's submission:

1. Vodafone strongly supports the approach taken with the Broadband Investment Fund (**the Fund**) draft criteria, and the objectives outlined in the Fund document.
2. Central to the Fund draft criteria is the concept of promoting services based competition and facilitating industry cooperation in sharing broadband infrastructure on an open access basis. It is clearly important to carefully define what open access means.
3. The draft criteria to some extent clarifies this in stating the requirement that the Applicant (or Network Entity) will make access to Passive Infrastructure available to all Third Party Service Providers on a fair and non-discriminatory basis. 'Passive Infrastructure' is defined to include, where available, one or more of passive duct and/or micro-duct services, the supply of aerial pole access way services, or the supply of passive dark fibre optic services. Vodafone accepts that there may be situations in which this scope could be expanded to cover optical wavelengths, or capacity in a transmission system, or a combination of the above with a range of different pricing options.
4. Where public money is being invested, Vodafone supports the objective of promoting competition through open wholesale access on a fair and non-discriminatory basis and clearly wholesale access pricing is a key component of this.

5. Vodafone has a 10 year history of significant investment in telecommunications infrastructure in New Zealand. This investment has focused on our core mobile infrastructure rather than building our own fixed line infrastructure, even though backhaul capacity is a critical component of our business. Our practice has been to be an anchor tenant in fixed line infrastructure builds that complement our business, such as the recent Vector fibre build in Auckland. We are prepared to contribute capital expenditure to similar initiatives in return for a long term right to use.
6. Vodafone believes that the Fund should be technology neutral. While fibre is the obvious choice for backhaul, there are other choices for “last mile” access and in many cases wireless technologies may well be the most appropriate option, especially in rural areas. We intend to continue our investment in rural wireless broadband. If the Fund was to contribute to significantly improve backhaul into rural communities then Vodafone could more readily expand our wireless broadband capabilities to accelerate the benefits to these rural communities.
7. As part of this initiative, Vodafone strongly suggests that the Government should revisit the current Resource Management Act processes to ensure the maximum benefits of the Fund are obtained. Any infrastructure (e.g. roadside cabinets and towers) built under the terms of this initiative should be processed in a unified and consistent way by councils to reduce cost and time. It is suggested that something similar to the “General Development Order” as used in the United Kingdom be adopted for structures that fit within defined criteria.
8. We note the Government has made progress in this regard through the development of a proposed National Environmental Standard for telecommunication equipment located in roads and through encouragement and resources for increasing coordination of local authorities. However, the greater the efficiencies that can be achieved in this regard the better the economics of network rollout become.
9. Vodafone believes that the assessment criteria must give significant weighting to the capability of the Applicant, in particular their competence, efficiency and sustainability.
10. While Vodafone is happy with the proposed timeframe for Expressions of Interest, we believe that the greatest opportunities for the Fund are likely to come from partnerships. We suspect that there may not be enough time for newly formed partnerships to submit full applications by March 2009.

Key Consultation Questions on Broadband Investment Fund

Questions on Urban Criteria	Vodafone NZ Response
<p>1. Will the proposed timeframes provide Applicants with sufficient time to fully complete the application requirements?</p>	<p>Vodafone believes the process should allow time for the formation of partnerships. While the EOI timing is acceptable, the proposed timeframe for full applications may well prove too tight for effective participation by newly formed partnerships.</p> <p>In addition, clarification is required as to whether a project spanning more than one year will require a single application (preferred) or separate applications for each year, or alternatively by sub-project.</p>
<p>2. Are any amendments needed to the draft criteria to improve the outcome of the Urban Fund?</p>	<p>In general the criteria are adequate. However specific criteria regarding open access require further clarification .</p>
<p>3. Should successful Applicants be prevented from offering Application Services across the supported broadband infrastructure?</p>	<p>No. Applicants should be allowed to offer Application services. However strict open access rules must still apply to the underlying infrastructure.</p>
<p>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?</p>	<p>None of these criteria are too onerous so no changes required.</p>
<p>5. Do you agree with the percentage weightings in the urban criteria?</p>	<p>We recommend some minor adjustments as follows:</p> <ul style="list-style-type: none"> • 30% - Demonstration of the Project's Benefits • 25% - Commitment of the Applicant, including any partners (reduced from 30%) • 30% - The Capability of the Applicant (increased from 25%) • 15% - The Network Entity's Sustainability and Potential for Expansion <p>The reason for these changes is that we believe capability to deliver is both more important and more easily assessed, than commitment.</p>
<p>6. What do you consider to be an appropriate level of applicant assistance (e.g. a list of relevant experts, funding, case management)?</p>	<p>If the \$50k does not come out of the total pool, then it is acceptable. The danger is that a large number of applicants can deplete the total pool very quickly, so we suggest this is reduced to \$30k.</p>
<p>7. Does the proposed timing raise any issues for your planning processes?</p>	<p>Yes this process does not fit well with our March Financial Year end, but there is no easy way around that.</p>

Questions on Rural Criteria	Vodafone NZ Response
1. Do you agree with the proposed outcome of the Rural Fund?	Yes, although we believe that the Government should more clearly define which areas qualify as rural, perhaps by publishing a map.
2. Do you consider that there should be a secondary outcome that relates to improving rural voice services?	Yes, improvement to rural voice services is a likely outcome. However the Fund should focus on improving rural broadband.
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?	Yes it may be necessary for lower speed criteria in remote rural areas. Perhaps also a lower speed service can be viewed as an interim stepping stone in a broader range of rural areas.
4. Do you think that mobile/wireless solutions would provide the required level of broadband service?	Yes for residential users and business users for whom mobile broadband is an important business tool.
5. Do you agree that rural applicants should be required to offer open access to their infrastructure, bearer and/or application services?	Yes for infrastructure and backhaul bearers funded through the Fund, but not for application services, as they are a service differentiator for the operator.
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?	We agree with the current proposal that flexibility is important.
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?	We disagree that there should be a limit. Certainly a \$500k ceiling is too limiting for rural telecommunications investment.
8. What do you consider to be an appropriate level of applicant assistance (e.g. list of relevant experts, funding, case management)?	This should be limited to the lesser of 5% of total amount applied for or \$30k.
9. Will the proposed timeline provide applicants with sufficient time to fully complete the application requirements?	See Q1 in Urban response.

10. Does the proposed timing raise any issues for your planning processes?	See Q7 in Urban response.
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Yours sincerely

Vodafone New Zealand Limited



David Diprose

Head of Mobile Plus Regulatory