

Heartland Connectivity Taskforce Ltd

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October 14 2016

Dr Robert Deuchars
*Commerce Commission
Chief Adviser
Regulation
44 The Terrace
PO Box 2351
Wellington 6140*

Re: Study of Telecommunications Backhaul Services - Cross submission

Dear Dr Deuchars,

Heartland Connectivity Taskforce Ltd ('HCT') is grateful for this opportunity to submit on some of the submissions to the review of telecommunications backhaul services.

HCT is currently working with a group of 'Wireless Internet Service Providers' ('WISP's') who are acutely aware of the realities of regional and rural backhaul services.

As such they are in favour of more detailed investigation of backhaul services and favour updating of the regulatory model and the method of calculating regulated prices for backhaul services where it is determined that competitive service is not available.

We agree with most submitters that where there are competitive backhaul services available that the market has proved to be an effective mechanism and is a dynamic and innovative market.

This backhaul market has been a key driver of the establishment of a number of successful and growing WISP's around New Zealand while others faced with expensive backhaul options have deployed their own extensive regional backhaul networks using both licensed and unlicensed radio networks. Some are even considering deploying their own fibre networks.

Collectively the WISP's are the second largest provider of internet access and telecommunications services to rural NZ behind Spark NZ Ltd and a number of them are also wholesale customers of the Vodafone 'RBI' 3G/4G fixed wireless network.

Specifically:

HCT and the WISP's broadly support the Spark, Vocus, Internet NZ, UFF, Trustpower, Kordia, Telco2 and Vodafone submissions in that:

1. Backhaul has evolved from the needs of access seekers at the time of the previous review and should now reflect the need to support the network architectures of modern access seekers (as in UFB RSP's, Cellular Networks and WISP's).
2. On routes where there is only a single provider there is a need for pricing to reflect the prices available on equivalent competitively served routes.
3. That there needs to be regular review of routes competitive status and pricing and
4. A simple process for deregulating routes when 'like for like' competition can be shown to exist.
5. And there needs to be a genuine 'open access' model for smaller access seekers on individual backhaul routes and an enforceable equivalence standard for these access seekers.

This is based on consulting a number of the WISP's and their experiences can be summarised as:

1. Chorus are unresponsive and uninterested in dealing with 'small' access seekers and are only interested in 2 customers! (ironic that both the Spark & Vodafone submissions reflect similar concerns)
2. A belief that in the absence of competition pricing is arbitrary and predatory and driven by a desire to stifle competition that takes customers of the Chorus copper access network
3. Many have become wholesale customers of Vocus and 2Degrees to specifically avoid having to deal with Chorus
4. Some WISP's are collaborating to aggregate national backhaul volumes and secure better pricing

5. WISP's require both national backhaul and backhaul to their own points of aggregation and handover points for upstream backhaul. Some are fortunate to be located in or on the periphery of UFB1 towns and use this to manage their handover requirements.

With regard to the Chorus submission whilst we agree with the benefits of competition we do not believe the whole backhaul market is competitive and thus ready for full deregulation.

1. We believe that the view that there are often 'indirect routes' covering the same 2 points and therefore can be regarded as equivalent to competition is simply untrue and there are plenty of smaller locations that are at the 'end of the line' locations (especially in the South Island)
2. We find that the argument about insufficient demand simply reflects the key role backhaul plays in pricing competitive retail offerings, the growth of the market following the expansion of the FX (now Vocus) network amply demonstrates this
3. By viewing non-fibre technologies (satellite, DMR and licensed and un-licensed point to point radio backhaul links) as being equivalent to fibre is equally disingenuous as whilst these technologies have headline speeds approaching those of older 1Gb/s fibre circuits but they cannot match the throughput capacity of fibre.
4. So there need for on-going regulation until competition comes to identified routes.

There is a feeling among the WISP's that Chorus use the pricing of backhaul on these routes to stifle retail competition and as a way to seek further investment for very expensive network upgrades from central and local government.

In conclusion we welcome the commission reviewing backhaul as it is a key component of all modern internet access products at a retail level and consumer demand is driving the WISP's to constantly update backhaul speeds, data caps and sharper prices - the New Zealanders who are missing out on these are those stuck on the uncompetitive backhaul routes.

We look forward to seeing where the commission's work on this important issue leads

Best regards,

A handwritten signature in blue ink, appearing to read 'C. O'Connell', written in a cursive style.

Chris O'Connell

Director

Heartland Connectivity Taskforce Ltd