

Telco Review team
Communications Policy
Ministry of Business, Innovation and Employment
PO Box 1473
WELLINGTON
Submitted via email: telcoreview@mbie.govt.nz

Rural Women New Zealand

Submission on Review of the Telecommunications Act 2001

Introduction to Rural Women New Zealand

1. Rural Women New Zealand (RWNZ) is a not-for-profit member based organisation that reaches into all rural communities and advocates on issues that impact on those communities.
2. We welcome the opportunity to provide a submission on the Ministry of Business, Innovation and Employment's ('MBIE') review of the Telecommunications Act 2001 (the Act). The outcome of this review is very important to our members, many of whom, live in rural areas where access to quality and affordable telecommunication services remains an ongoing concern with significant economic and social impacts. We think that New Zealand should aspire to the goal of making the rural connectivity experience the same as the urban connectivity experience, and that this should be a key objective of MBIE's review of the current regulatory framework.

Overview of our submission

3. RWNZ strongly support review of the Act. From a rural perspective the current regulatory framework is failing to deliver an affordable and acceptable level of telecommunication service for rural New Zealanders. We think that a key objective of this review should be to design a regulatory approach that better incentivises investment in rural internet networks, and that aspires towards the objective of making rural connectivity the same as urban connectivity.
4. We support MBIE's proposal for a building block methodology (BBM) for regulating wholesale telecommunication services, on the basis that this change is intended to constrain utility providers from making monopoly profits. However, as we are not economists or pricing modellers, the exact benefits and impacts for end-users from this change is not immediately clear to us. We think there needs to be greater discussion and thought given to ensuring this change does in fact translate into benefits for end-users by way of improvements in the affordability and quality of internet service. In particular, we are concerned about how changes to wholesale prices will be treated by Retail Service Providers and reflected in retail prices. Again, we also think that the specific impact for rural end-users in terms of improvements to the quality of internet service they currently receive deserves greater focus.

5. We strongly support MBIE's proposal to further explore options for promoting competition in the mobile market. We think that regulation that encourages greater infrastructure sharing and competition between mobile network operators could go some way towards addressing issues with mobile coverage in rural areas. In addition, there may also be a need for additional government stimulus to fund further investment in those parts of the rural network where the business case for further investment by MNOs, simply does not stack up.

Strongly support review of the Act – underinvestment in rural areas should be addressed as a priority

6. RWNZ strongly support the need for a review of the Telecommunications Act. The current regulatory framework is not supporting efficient investment in rural areas and is not achieving the Government's aspirations for all New Zealanders to access a high-quality and affordable broadband experience.
7. While significant progress has been made through the Government's UFB and RBI initiatives, the reality for rural and remote users is that the current state of the network remains poor. To inform our submission on this review, we surveyed over 172 of our members on the quality of their current telecommunication services, with the following results:
 - Over 85% of surveyed members stated that they still do not have access to the ultra-fast broadband network and are still reliant on more expensive and slower connectivity offered on Chorus' copper network. As we understand when the RBI finishes, about 34,000 people will not be served by the ultra-fast broadband network and will still be reliant on copper internet connectivity
 - 55% of surveyed members rated the quality of their existing fixed line telephone and internet service as 'poor – average'.
 - 12% of surveyed members reported that the quality of their existing broadband services appears to have 'gotten worse' over the last five years. 25% reported 'no change'. 43% said there had been some improvement.
 - Common issues reported with current services included significant drops in speed in the evenings, to the point that websites do not download, files take a long time to appear, or even fail to be delivered due to timeouts. Many of our members stated that they struggle to receive internet speeds capable of supporting basic websites like internet banking, online government services and online grocery shopping.
8. With so many everyday activities and services shifting online, the lack of a reliable, fast and affordable internet options in rural New Zealand is a major issue with significant economic and social impacts for the rural sector, as well as the New Zealand economy as a whole. These include:
 - Lost opportunities for productivity gains and growth in the agricultural sector - there has been significant technological investment into smarter online tools with the potential to greatly improve the productivity, efficiency and international competitiveness of NZ's rural sector. Yet, the Internet capability to support this technology simply is not there. At the farm level, farmers are increasingly dependent

on the Internet to satisfy business-reporting requirements, yet they are consistently being let down by slow and unreliable Internet. Many are penalised for this.

- Problems attracting and growing new business innovation in rural areas: 23% of New Zealand businesses are rural-based, but many do not have access to reliable or fast internet, putting them at a major competitive disadvantage. The reality is that internet speeds are simply not fast enough to support data heavy activities like streaming and content development, making the prospect of setting up a business in rural New Zealand a hard sell.
 - Social exclusion/lack of connectedness: Over 13% of our rural population has no internet access at all. Families and households miss out on the benefits of staying connected via social media and communication platforms like Skype and Facebook. This type of connectivity has huge potential to prevent social exclusion in rural areas, particularly for those who are geographically isolated and/or elderly.
 - Reduced health and education outcomes due to lack of access to government online services: Government public services, health and education resources are increasingly moving online. While the digitalisation of government services has huge potential to bridge geographical barriers of access in rural and remote areas, again the level of internet capability to support these services is not there. Being able to access these services in the same way as their urban counterparts, should be considered a basic right for those living in rural New Zealand. These services are paid for by all New Zealanders through taxation, and should be reasonably accessible and available.
 - Difficulties retaining and attracting youth: lack of connectivity is a huge issue that drives rural youth to urban areas for education, employment and entertainment.
9. RWNZ feel strongly that there is a need for a new regulatory approach that better incentivises utility investment in rural areas and aspires towards the objective of bringing rural broadband speeds up to the same standard as urban speeds. We feel strongly that this should be a key goal of MBIE's review, and are disappointed that the issue of underinvestment in rural areas has not been specifically addressed in the options paper.
10. In addition, we think it is very concerning that whereas the Government is directly funding UFB deployment in urban areas, it is not actually putting any Government funding into rural areas as part of the RBI. The only money being spent there is the industry's -the funds the industry pays into the Telecommunication Development Levy. We think it is time the Government acknowledge the importance of connectivity to rural New Zealand and the economy as a whole and makes a commitment towards directly funding rural telecommunications infrastructure.

Support BBM pricing in principle, but uncertainty remains over rural impact and benefit for end users

11. We agree in principle to a regulatory pricing approach that constrains Chorus and the other UFB providers from making monopoly profits and that ensures end users are charged a fair price to access quality internet services. However, as we are not economists, we are not in a position to comment on whether a building block methodology (BBM) is the best way to

achieve this. We think there is a case for further discussion on the end-user impacts of a BBM approach.

12. From our perspective, the most important thing is that the method of calculating wholesale prices should:

- Ensure that all New Zealanders pay a fair and appropriate price for accessing basic phone and broadband services. From this perspective, we are concerned about how any changes to wholesale prices from a BBM will be treated by Retail Service Providers and reflected in retail prices. We think that MBIE needs to give further consideration to how the government can ensure that consumers, as opposed to retailers, benefit from profit constraints placed on Chorus and the other regulated UFB providers.
- Continue to be based on nationally averaged prices for rural and urban end-users. RWNZ would oppose any change that resulted in rural end-users having to pay more than urban end-users.
- Encourage utility providers to invest appropriately in improving the network in rural areas. As already stated, the current regulatory approach is not incentivising an appropriate level of investment into rural infrastructure and is failing to deliver an acceptable level of service to rural New Zealanders.

Strongly support goal of promoting more competition in the mobile market.

13. RWNZ strongly support MBIE's proposal to further explore options for promoting competition in the mobile market. Mobile coverage is seriously lacking in rural areas, despite the fact that in today's day mobile service is considered a basic lifeline in emergency situations.

14. While the quality and choice of mobile services has improved in the past decade, 18% of all RWNZ members surveyed, state that they still do not have access to mobile coverage in their area. 60% of those who do have mobile coverage, rate the quality of their existing service as poor to average. Further, around 70% of all surveyed members feel that they are paying too much for the quality of mobile service they are receiving.

15. We think the lack of an adequate mobile service in rural areas, is indicative of the need for more competition in the market, and regulation to encourage more competition between Mobile Network Operators (MNOs). The fact that New Zealand only has three Mobile Network Operators could be preventing innovation and solutions to addressing mobile coverage issues in rural areas. Regulation that encourages greater infrastructure sharing between MNOs could lead to significant improvements in rural mobile coverage.

16. In addition to taking a regulatory approach to this issue, we think the Government may need to provide some form of economic stimulus in those areas, where the business case for further investment by MNOs simply does not stack up.

Conclusion

17. RWNZ thank MBIE for the opportunity to submit on this review. Please do not hesitate to contact me using the contact details below if you would like to discuss our submission further.

Penelope England
Chief Executive Officer
Rural Women New Zealand
penelope.english@ruralwomen.org.nz