

## **Statement to the Commerce Commission Concerning Incentives for Businesses to Invest in Ultra-fast Broadband Infrastructure**

*To:* The Commerce Commission

Pursuant to section 19A of the Telecommunications Act 2001, I hereby transmit to the Commerce Commission (“Commission”) the following statement of the economic policy of the Government in relation to the incentives of businesses to invest in ultra-fast broadband infrastructure.

### **Government Policy Statement**

#### **Incentives for businesses to invest in ultra-fast broadband infrastructure**

This statement sets out the Government’s economic policy on ultra-fast broadband infrastructure investment in the context of businesses (including Local Fibre Companies) that are or may be regulated under Part 2 of the Telecommunications Act 2001.

Ultra-fast broadband infrastructure is optical fibre infrastructure that supports broadband connections at speeds of at least 100 Mbps downstream and 50 Mbps upstream.

#### **Introduction and background**

The Government believes that faster and better broadband services are critical to improving productivity in the economy, New Zealand’s global competitiveness and the lives of New Zealanders.

To this end it has put in place the Ultra-fast Broadband Initiative to assist and encourage the private sector to invest in early deployment of fibre, with a particular focus on sectors that are expected to yield the greatest productivity benefits.

The Government has the following objective for ultra-fast broadband:

“To accelerate the roll-out of ultra-fast broadband to 75 percent of New Zealanders over 10 years, concentrating in the first six years on priority broadband users such as businesses, schools and health services, plus greenfield developments and certain tranches of residential areas.”

The UFB Objective will be supported by a Government investment of up to \$1.35 billion, which will be at least matched by private sector investment and will be **directed to open-access infrastructure (UFB Initiative)**.

Through the Rural Broadband Initiative (**RBI**), the Government has also subsidised ultra-fast broadband infrastructure in the rural sector. This subsidy complements investment by RBI Partners. The RBI will provide fibre connections to schools and hospitals, as well as business and households that are located on new fibre routes.

The provision of efficient ultra-fast broadband infrastructure requires that businesses have the confidence and incentives to make investments in new or upgraded ultra-fast broadband infrastructure.

Particular issues arise in the way services are or may be regulated under Part 2 of the Telecommunications Act 2001. The way in which the prices, revenues and/or quality of goods and services produced by these businesses is regulated or controlled can affect their incentives to invest in new or upgraded ultra-fast broadband infrastructure.

#### *Economic Policy Objectives*

The Government’s economic policy objective is that businesses have incentives to innovate and invest in new or upgraded ultra-fast broadband infrastructure for the long term benefit of end users.

The Government considers that this objective will be achieved by:

1. regulatory stability, transparency and predictability giving businesses the confidence to make long-life investments;
2. regulation taking full account of the long-term risks to consumers of under-investment in new or upgraded ultra-fast broadband infrastructure.
3. ensuring that any price regulation proposed under Schedule 3 of the Telecommunications Act 2001, that may occur in the future, recognises that revenues, over the life of the assets, are sufficient to cover efficient operating costs and a normal return on, and recovery of, capital invested; and
4. ensuring any price regulation proposed under Schedule 3 of the Telecommunications Act 2001 takes into account the start-up risks associated with introduction of new technology.