

Report 08.570
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Committee Wellington Regional Strategy
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Broadband Update and Funding Application Process

1. Purpose

To provide the WRS Committee with an update on the Regional Broadband Project and outline a process for developing a regional application to the Government's Broadband Investment Fund (the BIF).

2. Significance of the decision

The matters in this report **do not** trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Background

The Wellington Regional Strategy singles out fast, affordable broadband as a key economic enabler – because the region's distance from the rest of the world and focus on new, creative, industries make first-rate communications technology essential.

While acknowledging the importance of this infrastructure, council activities to date have been focussed on facilitation of private sector investment - through such things as maintaining consistent approaches in councils' regulatory role and making assets like street poles and buildings available¹. In addition, councils have agreed to advocate to government for greater investment and for any new trans-Tasman cable to land in Wellington.

On 4 June 2008, a report (Report 08.360) to this Committee discussed the commitment of both major political parties to significant new funding for broadband infrastructure – the National Party in April and the Government in the May Budget².

¹ Existing council workstreams in the broadband area include - considering use of low cost deployment methods such as shallow trenching; alignment of District Plan rules; use of abandoned pipes and other council assets; duct installation programmes in conjunction with existing works programmes; and policies for greenfields and brownfields development.

² The \$340m Broadband Investment Fund includes \$250m for urban, \$75m for rural, and \$15m for trans-Tasman fibre build proposals. Up to 30% of the funding in the first two categories can be released in any one year.

The new funding provides a golden opportunity to advance a major priority for the region. Our investigations of how to best achieve this, and the scale and nature of any new infrastructure, appear to be very consistent with the Government's plans. The National Party plans have less detail, but a progressive rollout starting with a core network is likely to support their fibre-to-the-home ambitions.

The cross-party support for public sector funding means if the region wishes to access it, it needs to plan accordingly, regardless of the result of the General Election.

A regional Expression of Interest to the BIF is proposed. It is clear a regionally integrated bid will have a much higher chance of success, and be more attractive to private sector participants. That is because government and the private sector have indicated a preference for projects that have regional scale, are holistic, and produce a step change in availability of fast, affordable broadband.

4. Proposed BIF Bid Process

The timing for the BIF process is for final criteria to be released by the Ministry of Economic Development at the end of August, with an expectation of Expressions of Interest by the end of September, and final bids by March 2009. Applicants must be short-listed through the Expression of Interest process before being able to apply in the full bid process.

Applicants at the Expression of Interest stage are likely to have to submit a proposal that demonstrates, amongst other aspects:

- (a) likely levels of co-investment and support from local authorities and/or local providers (in-kind or otherwise);
- (b) the extent to which the network will be new infrastructure, an extension of existing infrastructure or a combination of both;
- (c) the likely number of key public users and businesses that will be targeted to receive connections;
- (d) projected demand scenarios and anticipated levels of usage (these are projections only and do not need to be finalised);
- (e) the proposed business model of the applicant, including reference to open access principles, wholesale and retail services, if applicable;
- (f) the nature and experience of proposed business partners and their potential role in this proposal; and
- (g) an estimate of the likely total project cost, contribution from the applicant and partners, and the likely level of funding needed from central government to complete the project.

Applicants must also comment on eligibility criteria, confirm they have taken assessment criteria into account, and consider they have a reasonable chance of being successful at the full application stage.

With additional broadband investment as a high priority, and some urgency given its potential impact on the economy and wider community, officers believe that there will be strong interest in workable proposals.

An end of September deadline for an Expression of Interest creates a tight timeframe for councils to develop a proposal. To formalise the support of individual councils, it is recommended a paper be presented to the appropriate committee of each council, endorsing a regional Expression of Interest delivered through the WRS Committee. The Committee is an appropriate vehicle because it oversees collaborative economic development activity – with broadband as an identified priority.

The paper to councils, during the month of September, will need to outline a recommended business model as per the draft list of contents above. An important consideration will be how existing structures such as SmartLinx3 are utilised, and the application would need to include both urban and rural aspects.

Should the Expression of Interest be successful, further discussion will be needed with councils on the governance and funding structures required to put a new project into place. The feedback from all councils has highlighted the difficulty of anything that results in a significant net cost to them, due to current pressures on budgets. However, the services delivered by any new entity would be charged for and a self-sustaining business model is entirely possible.

5. Recommendations

That the Committee:

1. ***Receives the report.***
2. ***Agrees that a Wellington Region Expression of Interest to the Broadband Investment Fund be submitted through this Committee.***
3. ***Agrees to delegate to the Chair of the WRS Committee authority to sign a covering letter and application document.***
3. ***Notes the proposed process that each council formally agree to a regional bid, subject to further report back on governance and funding structures.***
4. ***Notes the likely timeframes for this process are Expressions of Interest of by 30 September, 2008, and final bids by March 2009.***

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