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Committee Wellington Regional Strategy Committee  
Author Melanie Thornton Project Leader

## Implications of Ultra-Fast Broadband Initiative for Councils

### 1. Purpose

The purpose of this paper is to outline the key points of the government's Ultra-Fast Broadband Initiative, to provide an analysis of the impact on our own WRS Broadband Project and outline the next steps in the project.

### 2. Significance of the decision

The matters for decision 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. Government announcement on Broadband

On 16 September Minister Steven Joyce confirmed the final details of what is now known as the Ultra-Fast Broadband Initiative (UFBI)<sup>1</sup> and on 29 September a draft of the Rural Broadband Initiative (RBI). These are very consistent with what has been announced to date and is closely aligned with our own plans for broadband in the region. The press releases and supporting information are attached as **Attachment 1** and the overview documents as **Attachment 2**.

The fundamental premise remains the same, that additional public sector funding is needed to improve the economics of base layer fibre infrastructure, and that this should be open access. The total quantum of government investment over the next few years is \$1.5b for urban and \$48m for rural, with an expectation there will be significant matching investment from the private sector, and some redeployment of funding collected under the Telecommunications Service Obligation<sup>2</sup>.

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<sup>1</sup> was formerly the Broadband Investment Initiative or BII.

<sup>2</sup> the total project funding for urban and rural would therefore be in the order of \$4.5b and \$300m respectively.

In the UFBI, the regional approach continues, with some adjustments to coverage areas which now total 33 (but are able to be aggregated in any way). In our region the areas are the four cities, Masterton, and Kapiti. The business model for Local Fibre Companies (LFCs) has been refined to allow for “lit” services to be offered as a product as well as dark fibre.

The overall objective is to accelerate the roll-out of ultra-fast broadband to almost 80% percent<sup>3</sup> of the New Zealand population over ten 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.

There has been a slight amendment to the urban coverage areas in that Kapiti and Levin are now listed separately. Also the UFBI paper states:

“the absence of a population centre from the list does not mean that investment proposals covering those centres will not be considered . . . CFH will have the flexibility to consider economically rational proposals that include other population centres”.

This would allow proposals that included the towns along the two corridors in the region, which could be linked economically by backhaul fibre. As before, the most attractive proposition commercially would probably be to build in the four cities first, but proposals for the three areas with a slightly different mix of partners, or proposals that recognise the different economics, are possible.

An open process for selection of UFBI investment partners will be underway in early October with proposals due in December. We expect that councils in the region will be closely involved in the process of working with potential bidders to develop proposals.

The RBI is in draft form and the scale of that project is now \$300m in total. Along with direct government funding, a significant funding source will be a reconfigured Telecom Service Obligation (TSO) to produce a focus on new fibre-optic cable investment. There is a very strong emphasis on connecting rural schools as a priority, and there are about 18-20 rural schools in the region, with most of these in the Wairarapa.

#### **4. Timelines**

The final form of the UFBI has been some time coming as the government has worked through issues such as:

- the appetite of private sector investors to participate
- the issue of not wanting to overbuild existing fibre networks, but being prepared to do so if necessary
- technical issues such as the distinction between layer 1 (dark fibre) and layer 2 (essentially, “lit”) services, and network architectures.

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<sup>3</sup> represented by all urban areas greater than about 9,500 population – previously the cut-off was a little higher resulting in 75% coverage.

In the original timeline, a draft BII was issued in March, with submissions due in April. A Request for Proposal was expected to be released in mid-August 2009 with proposals due mid-October 2009. Those last two dates now look to be the end of September and mid-December, so it is running about two months behind that original schedule.

The region put in a supportive submission in late April which focused on specific areas where we believed the proposal could be strengthened, or where the councils had concerns. In particular:

- the need to balance competitive tension generated in the bid process with a collaborative approach, i.e. utilising existing fibre assets will be desirable;
- the urban areas identified in our region were seen as creating some issues - there were three, and they did not include some of our smaller urban areas;
- the councils recognised the very large potential benefits from broadband, but they have additional objectives such as minimising visual pollution from aerial deployment, road disruption, and possible road damage from the extensive civil works that will be required.

These issues have largely been addressed. As in Australia, the government has a clear strategic position that better telecommunications is seen as essential for future prosperity, and will intervene. In both countries there will be a progressive transition to a common network that will supply primarily dark fibre as an essential network service to households, businesses, and public sector agencies.

## **5. Role of Local Government**

The importance of local government support for this initiative is specifically referenced, such as making local assets and land available, streamlining regulatory processes, facilitating partnerships with LFC investors, supporting the use of low-cost deployment technologies (such as micro-trenching, overhead and directional drilling), and overall, recognising the UFB as a key strategic initiative for regions:

“It will be important to the success of the UFB Initiative that local government is engaged and supportive.

Local authorities can contribute to the UFB Initiative by:

- making local assets and land available to be used;
- streamlining and coordinating regulatory processes and local authority interfaces;
- facilitating partnerships with LFC investors operating (or likely to operate) in their regions;
- supporting the use of low-cost deployment technologies (such as micro-trenching, overhead and directional drilling) where appropriate; and
- overall, recognising the UFB Initiative as a key strategic initiative for their region.

Indeed, without strong local authority support, it is unlikely that the government’s objective can be fully met. It is also apparent that regulating for outcomes would

be both lengthy and potentially counter-productive, meaning a collaborative approach is preferred.”<sup>4</sup>

The comments in the documents align well with the work already underway in this region, through our Broadband Project.

## 6. Broadband Project

The Broadband Project is divided into four workstreams:

1. Governance
2. Funding
3. Technologies/Deployment
  - Region-wide rules for new trenching technologies
  - Region-wide rules for aerial deployment
  - Federated GIS / Road Openings / Regional repository of local government assets
  - Regional agreed policy for access to local government assets
  - Rural deployment
4. Uptake/Demand Aggregation
  - Businesses – Grow Wellington
  - Health
  - Education
  - Councils – particularly Councils as IT purchasers
  - Rural uptake.

The intent is to facilitate the rollout of fast affordable broadband in the region and promote the use of it. We want to ensure that the Wellington region is at the forefront of these developments and is "fibre friendly".

These workstreams have been prioritised to focus on the areas that can be advanced most effectively and where the leverage is greatest. For example the governance and funding areas have been on hold pending government announcements, and the trenching technologies area has been a focus because of the potential impact on LFC business cases.

Our priority workstreams are:

- Establish a stocktake of council policies on access to council assets (eg ducts, pipes, buildings), including charging regimes and legal agreements with a view to developing a region-wide policy
- To have an agreed position on region-wide rules for aerial deployment
- Develop region-wide rules for new trenching technologies
- Develop an online tool for businesses in the region to access up-to-date information on broadband speeds and costs.

The Broadband Operational Group, reporting through to SORT and CEG, and ultimately the Wellington Regional Strategy Committee, will be able to

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<sup>4</sup> Section 15 of UFBI overview document (attached as Appendix 2).

provide oversight of this work. However it may be necessary to formally constitute some allied groups, such as road infrastructure engineers, GIS officers and council IT services purchasers.

## 7. Conclusion

Broadband remains a key project for the region under the Wellington Regional Strategy, with a focus on the region being at the forefront of broadband rollout nationally.

The final Ultra-Fast Broadband Initiative and Rural Broadband Initiative framework are very consistent with earlier announcements and the local government roles we have been focussing on appear totally appropriate.

We will continue to report back regularly on progress with these projects, and the development of a proposal or proposals for the region will be the next major milestone.

## 8. Recommendations

*That the Committee:*

1. ***Receives the report.***
2. ***Notes the content of the report.***

Report prepared by:

Report approved by:

Report prepared with the assistance of:

**Melanie Thornton**  
Project Leader  
WRS

**Jane Davis**  
Divisional Manager  
Transport Policy & Strategy & WRS

**Paul Desborough**  
Programme Manager Broadband  
Wellington City Council

**Attachment 1:** UFBI press release and supporting information

**Attachment 2:** UFBI overview documents