

21 July 2014

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Dear Kester

Allocation of Funds from the Telecommunications Development Levy

The New Zealand Telecommunications Forum (“TCF”) welcomes the opportunity to make a submission on the Allocation of Funds from the Telecommunications Development Levy Discussion Document (TDL discussion document). We understand that some of our members will also be making their own submissions in relation to this matter.

The TCF supports the provision of affordable telecommunications services in circumstance where they are not commercially viable. The TCF agrees that there are social and economic benefits of the initiatives proposed in the TDL discussion document, namely:

- development of a next generation Emergency Response System;
- extension of the Chatham Islands broadband subsidy; and
- extension to the CapTel relay service.

It is noted that the TDL discussion document contains a high level view of potential future uses of the funding. The TCF expects that final proposals would appropriately provide a more detailed examination of the proposals, including an examination of the options available to meet each proposal’s objectives and a detailed cost benefit analysis consistent with the Government’s own regulatory principles. The TCF expects that any final decision to allocate funding would be subject to this analysis.

The Commerce Commission¹ has noted that the Telecommunications industry is facing shrinking revenues. This is at a time that the industry is increasing its capital investment and is seeing increased demand for its services as a result of lower prices. Consequently, the Telecommunications industry’s ability to continue to fund public good activities in the future is severely constrained.

The TDL is scheduled to reduce in 2016/17. The TDL discussion document does not expressly recognise this scheduled reduction in the levy and it is not clear that the proposed initiatives can be met from the significantly reduced levy. Therefore, it is now appropriate to consider alternative mechanisms for funding public interest telecommunications service initiatives post 2016/17 in anticipation of the reduction in the levy. Ultimately, consumers bear the cost of the levy, but there is no transparency about the existence of the TDL or that the funding is being used to subsidise public good initiatives.

¹ Annual Telecommunications Monitoring Report 2013, Commerce Commission 2013

Below are some general comments about each of the proposals in the TDL discussion document.

Emergency Response Service

There is merit in the development of the next generation emergency response system. This proposal appears to include operational costs and, consequently, the funding base should be broader than just telecommunications service providers.

Chatham Islands Broadband

There is clearly some logic in extending the period of the satellite backhaul subsidy to match the life expectancy of the infrastructure. The connectivity issues will remain at the end of the six year period though and a telecommunications industry levy should not be seen as a long term source of funding to subsidise this service.

CapTel Relay Service Extension

The current CapTel relay service is clearly a valued service which is facing increased demand and there is public interest in meeting this increase in demand. It is not clear whether any consideration has been given to alternative technology being used to support and extend the current service rather than simply increase the subsidy.

Conclusion

The TCF agrees that the provision of affordable access to telecommunications services which would not otherwise be commercially available, is in the public interest.

The telecommunication industry is constrained in its ability to fund public interest initiatives in the future. It is not clear from the discussion document that scheduled reduction in the levy in 2016/17 has been anticipated. If there is an intention to continue with a substantial programme of public good initiatives post 2016/17, it is now appropriate to commence a process of identifying alternative and appropriate funding sources for the future.

Please don't hesitate to contact me if there is any aspect of this feedback you would like to discuss further.

Yours sincerely



Geoff Thorn
Chief Executive Officer
New Zealand Telecommunications Forum (TCF)