

Update on broadband

TO	Economic Development Committee
FROM	Ben Dunbar-Smith - Economic Development Programme Manager
DATE	19 August 2016
SUBJECT	Update on the Government's broadband funding process

1 Purpose of Report

This report is to provide the Economic Development Committee with an update on the Council's bid for broadband funding from the Government's \$360 million proposed funding for fibre, rural broadband and mobile black spots.

2 Background

In 2011, as part of a move to promote the development of broadband in NZ, the Government announced that it intended to spend NZ\$1.35 billion on public-private partnerships with Chorus and three local electricity network companies to roll out fibre-to-the-home connection in all main towns and cities, aiming to connect 75% of New Zealanders by 2019.

In addition to the ultra-fast broadband (UFB-1) scheme, the Government also awarded a \$300 million Rural Broadband Initiative (RBI-1) contract to Vodafone and Chorus to bring wireless broadband of at least 5Mb/s to 86% of rural customers by 2016. In the Coromandel, this has involved the installation of Vodafone RBI-1 towers at the following locations:

- Coromandel township (Oct 2010)
- Thames (Oct 2010)
- Whitianga (Oct 2010)
- Matarangi (Oct 2010)
- Hahei (Nov 2013)
- Tairua (Nov 2013)
- Pauanui South (Nov 2013)
- Preeces Point (Sept 2013)
- Kauaeranga Valley (March 2016)
- Colville (April 2016)
- Manaia (May 2016)
- Te Puru (May 2016)

In addition, Chorus has upgraded cabinets for ADSL or VDSL capacity at the following locations:

- Kopu central (April 2015)
- Kopu south (June 2015)
- Kuaotunu (July 2015)
- Hot Water Beach turnoff (March 2016)
- Whenuakite (March 2016)
- Tuataewa (June 2016)
- Puriri (June 2016).

On top of this, Chorus has been involved in the rollout of fibre to schools throughout the Peninsula. In general, fibre has not been rolled out to towns around the Peninsula, as the size of the town's population fell below the criteria for the UFB-1 rollout. Hence local

residents have generally had to rely on the wireless broadband from Vodafone, or the copper-based ADSL or VDSL landline broadband offered by service providers through the Chorus cabinet upgrades.

In May 2015 the Government announced the second stage of its broadband plan, launching a new \$360 million funding scheme to provide ultra-fast fibre broadband (\$210 million) to more towns, RBI-2 (\$100 million) to expand the rural broadband network, and funding to overcome mobile blackspots (\$50 million). However instead of continuing to rollout fibre broadband based on the previous criteria of population of towns, the Government this time required councils throughout New Zealand to bid for the services for their district.

Meeting the July 2016 deadline, TCDC made a detailed bid for broadband, lodging a 213 page report seeking fibre for the four main towns by population (Thames, Whitianga, Whangamata and Coromandel). As regard to rural broadband, the bid identified area with high visitor demand/ poor coverage, such as Hot Water Beach, Onemana, Kuaotunu, Cooks Beach, Papa Aroha and Port Charles as urgent candidates for upgrades. The document also prioritised five main areas for cellphone blackspots, with the State Highway 25 over the Kopu-Hikuai Road as the number one candidate for lost cell-coverage.

Many local authorities from throughout New Zealand have also made a bid for the Government's \$360 million funding, ensuring this is a competitive process.

3 Discussion

In September 2015 the Communications Minister released a list of 110 towns throughout New Zealand who might qualify for the ultra-fast fibre. Thames, Whitianga, Whangamata, Coromandel, and Tairua-Pauanui were on this list.

However since that time, there have been no further announcements from the Government on the prospective winners for the bid. This year-long delay has caused a sense of frustration amongst local bodies through New Zealand, with the Association of Local Government Information Management writing to the Minister on 30th May 2016 expressing members concerns. The letter states:

"Member Councils were put under extreme time pressure to register their interest and to submit Digital Enablement Plans as well as earmark funding for UFB-2 collaboration. Initially we were advised an announcement would be made in December 2015, and later it was shifted to February 2016, then to April 2016.

"The anxiety is around the looming end of financial year (30th June). Many council have put aside funding for UFB collaboration in the current year and in a number of cases these funds, if unused, may no longer be available after the end of the financial year. This uncertainty creates a dilemma for the annual plan process which needs to be consulted before budgets can be finalised.

"Our request is for any information which might provide more certainty regarding the areas of New Zealand to which UFB-2 will be rolled out."

These concerns about this lengthy delay in decision-making have also been picked up by the Local Government New Zealand, who have expressed concerns in their newsletter.

In response, the Minister replied on 30 June 2016 stating that while she appreciated the frustration of local authorities, she could not provide the result of the bidding process at this stage. Her letter states:

"The input provided by local authorities to date has been constructive and greatly valued. The level and quality of responses to the Registrations of Interest from local authorities was

notably high. This information is of importance to suppliers that tender for this programme, and the impact of many of the council proposals are understood to be reflected in the potential supplier's bids.

"The Government has set ambitious targets for connectivity in New Zealand and UFB-2 provides an opportunity to meet this challenge by pushing fibre out further into our regions. As you are aware, Crown Fibre Holdings is currently in commercial negotiations with potential suppliers, and is focused on getting the best return possible within the fiscal envelope available.

"While I would like to be in a position to provide your members with greater certainty about progress concerning their regions, I expect your members will understand that this isn't possible without jeopardising these negotiations, and in turn compromising the reach of UFB-2."

TCDC staff discussions with the Local Government agencies and with the telco providers indicate that as of mid-August, there are still no indications from Government about when these decisions about fibre will be finalised - which is more than one year after the completion of the Council's bids.

However it has been confirmed by the Ministry of Business, Innovation and Employment that decisions on the Rural Broadband fund (RBI-2) and the mobile blackspot funds will not be made until after decisions have been made on the selection of towns to receive fibre under UFB-2.

Given that the RBI-1 rollout finished on 30 June 2016, this means that there are unlikely to be any major upgrades of the wireless or rural broadband network in the Coromandel (unless these are maintenance-related) until after decisions have been released on fibre for the main towns.

4 Issue

Growing broadband capacity on the Coromandel is a key driver of economic growth, and crucial to encouraging tourists to stay longer, or New Zealanders to move and settle on the Peninsula. However Council is not the agency responsible for provision of broadband, which rests with central Government and private-sector telco companies. Nevertheless Council does have a role in advocating for improved broadband coverage, and where possible encouraging telcos to set up facilities in the District.

To this end, Council has set up a loan facility of \$125,000 which may be called upon if this is deemed to be necessary to incentivise the telcos to select Coromandel towns for UFB-2 as part of the Government's \$210 million UFB fund.

Council has also been active in using small sums of money to stimulate telcos to provide services where there is a demonstrated need but delays in implementation. For example:

- Council funded Chorus \$5,520 to advance the upgrade of a cabinet at Kopu by one year to provide better broadband for the industrial and commercial businesses in the area. This funding grant paid the marginal cost of interest to advance a \$50,000+ cabinet upgrade job.
- Council funded Vodafone to move ahead with the new RBI-1 tower up the Kauaeranga Valley in order to improve broadband coverage to this high-usage tourist destination, and to improve coverage for valley residents. The Council grant of \$7,500 helped to incentive Vodafone to press ahead with the \$750,000 development of the first off-grid cellphone tower on the North Island mainland.
- Council provided a grant of \$15,000 to St John to work with wireless internet provider Lightwire to upgrade the fibre connection to the Thames St John

station. This will improve St John's emergency response capabilities and allow Lightwire to build a wireless broadband network for central Thames.

In the 2016-17 financial year, the Economic Development budget has \$50,000 available for similar projects in the coming year.

Further issues in relation to broadband coverage on the Peninsula will be addressed in a Powerpoint presentation which will be provided at the Economic Development Committee meeting.

5 Suggested Resolution

That the Economic Development Committee

1. Receives the report.