



Media Statement

21 December 2010

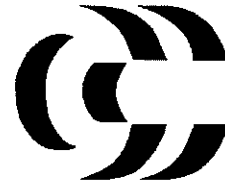
**COMMERCE COMMISSION MEDIA RELEASE – NEW TELECOM WHOLESALE
VDSL2 SERVICE NOT TO BE REGULATED**

The Commerce Commission has today released the attached media statement in relation to new Telecom wholesale VDSL2 service not to be regulated.

ENDS

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COMMERCE COMMISSION

Media Release

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New Telecom wholesale VDSL2 service not to be regulated

The Commerce Commission has decided that a new wholesale VDSL2 service offered by Telecom New Zealand Limited does not need to be regulated, as it incorporates a number of features not included in the regulated unbundled bitstream access (UBA) service, and it is appropriate that the market determines the price for this enhanced service.

Today's announcement follows an earlier decision by the Commission which confirmed that Telecom has the ability to develop and offer on a commercial basis new bitstream services which incorporate features which are not included in the regulated UBA determination.

"The Commission is satisfied that the new service has higher specifications (including an increase in minimum throughput and a minimum line speed warranty of 15 Mbps download and 5Mbps upload), which differentiate the new service from the regulated service. The Commission considers that there are no grounds for a review under the Telecommunications Act to consider extending regulation to the new service," said Telecommunications Commissioner, Dr Ross Patterson. "There has been much debate about the willingness of consumers to pay for upgraded broadband services, and it is appropriate that the price is set by the market."

The Commission's decision can be found on the Commission's website at www.comcom.govt.nz/vdsl-and-uba-variants

Background

On 16 April 2010 the Commission determined that when the unbundled bitstream access (UBA) service is delivered using VDSL technology, the price and non-price terms of the UBA standard terms determination (STD) from Decision 611 will apply. However, Telecom has the ability to

develop new bitstream services using VDSL technology incorporating features not included in the regulated UBA service description, and offer these services on a commercial basis.

On 10 May 2010 the Commission clarified the UBA STD to require Telecom to provide the Commission with sufficient information about any proposed new UBA service, so the Commission could determine whether the new service was captured within the regulated UBA terms, and if not, whether there were grounds to include the new service as a regulated service through the section 30R review process.

On 15 October 2010 Telecom Wholesale provided the Commission with notice of a new UBA variant based on VDSL2 technology, the Wholesale VDSL2 Service (WVS). Submissions and cross submissions were sought.

Unbundled bitstream access (UBA) is a regulated wholesale service that allows telecommunications companies to supply a range of broadband services to retail customers. UBA refers to the wholesale broadband service provided by Telecom from the end-user to the first data switch, or equivalent facility, other than a Digital Subscriber Line Access Multiplexer (DSLAM).

Decision 611 covers both basic unbundled bitstream access (BUBA) and enhanced unbundled bitstream access (EUBA).

Regulated bitstream is a relevant wholesale service under Telecom's Operational Separation Undertakings. This means that Telecom Wholesale is required to provide those services covered by the UBA service description on a non-discriminatory basis to its own retail arm, Telecom Retail, as to other telecommunications companies such as Vodafone, Orcon and CallPlus.

Standard terms determination process under amended Telecommunications Act. On 22 December 2006 the Telecommunications Act was amended to incorporate a process for the Commission to make a standard terms determination on which a designated access or specified service must be supplied to all access seekers requesting the service. A standard terms determination includes non-price terms and (for designated access services only) price terms for access to the service set by the Commission.

VDSL (Very high bit-rate Digital Subscriber Line) is a DSL technology which provides faster data transmission over copper wires. VDSL is capable of supporting high bandwidth applications such as high definition television as well as telephone services, such as Voice over IP, and general internet access, over a single connection.

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