



Media Statement

18 May 2011

**MINISTER FOR COMMUNICATIONS AND INFORMATION TECHNOLOGY MEDIA
RELEASE – REGULATORY FORBEARANCE TO BE REPLACED**

The Minister for Communications and Information Technology has today released the attached media statement in relation to Regulatory forbearance to be replaced.

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Contact:

Mark Watts
Head of External Media
Telecom New Zealand
+64 (0)272 504 018

Hon Steven Joyce

Minister for Communications and Information Technology



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Regulatory forbearance to be replaced

Regulatory forbearance on wholesale prices for the ultra-fast broadband network will be replaced with contractual mechanisms that would apply if the Commerce Commission regulates prices lower than those contracted, Communications and Information Technology Minister Steven Joyce announced today.

In announcing the move, Mr Joyce says that he had listened carefully to industry concerns in regards to the plan for regulatory forbearance over the 8 ½ year build period of the contract.

“While I think their concerns are more theoretical than real, given that pretty much everybody has been happy with the very competitive prices announced by CFH to date, we have been able to find an alternative solution which will give the infrastructure builders confidence to stay committed to their low capped prices, and customers confidence that they are will continue to get the best prices over that 8½ year period.”

Mr Joyce said investors contractual mechanisms would be triggered if significant changes are made to price or other key features of the UFB regime over the build period.

“Any such remedies would remain within the current government funding of \$1.35 Billion. They could be in the form of additional deferred repayment to the government of the funding. These remedies are similar to those provided in other public-private partnerships.

“In making this change the government is backing the prices negotiated by CFH, however, if the Commerce Commission believes prices should go lower at some point over the build period, government wears the risk not consumers.

The contractual mechanisms would not apply where there was behaviour by Local Fibre Companies which resulted in regulatory change.

The Government will also include an “avoidance of doubt” clause in the purpose statement of the Telecommunications Act 2001, and write a Government Policy Statement, which together will make it more explicit that the Commerce Commission and the Minister must consider investment and innovation in new markets when considering price regulation.

Mr Joyce says amendments to remove regulatory forbearance from the Telecommunications Amendment Bill and make the related changes will be introduced at the final legislative stages of the bill.

While the Commerce Commission’s normal role under the proposed Act will now apply, the restriction on unbundling of the UFB network to residential customers will remain until 1 January 2020, after which unbundling can occur.

The Minister thanked the Maori Party for their representations and assistance in developing the change.

"The Maori Party has taken a consistently positive view of the importance of Ultra-fast Broadband and the Rural Broadband initiative in lifting economic development for Maori and all New Zealanders. They are taking a constructive approach to what will be a transforming investment for New Zealand.

"I also welcome the Finance and Expenditure Committee’s amendment to bring the general review of the telecommunications regime forward to 2016 to provide earlier certainty about the form of regulatory regime that may replace the current one.

“This package of measures together will provide additional certainty for bidders but also retain additional aspects of the current telecommunications regime that some stakeholders have been concerned about changing,” says Mr Joyce.

Media contact: Anita Ferguson 021 243 1623