

Description:

ISPANZ members service approximately a third of all households and businesses in New Zealand. These ISPs add significant value to the end customer through the services they add to basic inputs purchased from Telecom. They do, however, rely on Telecom's wholesale division on a daily basis to maintain network services, provision new services and facilitate growth opportunities that rely on Telecom's access network. Examples of services purchased on a wholesale basis from Telecom include;

- Unbundled Bitstream services (UBS)
- Frame Relay circuits
- Fibre Optic connections
- Dial-Up Ports
- Domestic and International bandwidth

Background:

Telecom New Zealand occupies a dominant position in the nation's Telecommunications landscape through ownership of the country's only comprehensive nation-wide telecommunications network. Telecom and its competitors alike rely on access to that network for the provision of the majority of internet services provided in New Zealand.

All ISPANZ members as well as most New Zealand internet service providers (ISPs) have a supply relationship with Telecom either directly through their own Wholesale Services Agreement or indirectly through wholesale arrangement with another ISP or Carrier. Telecom recently acknowledged that over 60 products are provided to over 100 wholesalers who service a significant slice of the market.¹

Issues:

ISPANZ members have struggled for many years with the level of operational support available from Telecom wholesale as they have tried to develop their own businesses. Examples include;

Past issues experienced upon the introduction of the UBS service:

- Inadequacies in supply of unbundled bitstream services (UBS)
 - Telecom Wholesale launched UBS in late 2004 some nine months after Telecom's retail ISP Xtra had launched equivalent high speed plans to the market. Many competitor ISPs suffered financial loss whilst unable to compete with an equivalent broadband product over a period of up to one year.
 - The UBS service when launched suffered from significant technical problems and inadequate levels of provisioning support. The initial ISPs who took up the service suffered enormous frustration including mass

¹ Welcome from Simon Moutter, introduction video clip, Telecom Wholesale Services, <http://www.telecom.co.nz/whstream/0,5740,203422-1547,00.html#>, 08 March 2006.

rejections of service requests and provisioning timeframes of up to 10 weeks. During this time, Telecom Xtra was able to provision its own retail customers seamlessly with average wait-times of days.

Operational Issues currently being experienced by ISPs:

- Inaccurate Billing Systems
 - During 2005, Telecom Wholesale introduced e-Bill, a new electronic billing system through which all wholesale customers would be invoiced. Telecom now invoices all UBS wholesale services on a line by line basis through e-Bill. ISPs have experienced on-going inaccuracies with e-Bill invoicing and have had to allocate significant resource to manage this effectively.
- Provisioning problems
 - Telecom requires ISPs to provision all new UBS services using their Online Ordering & Tracking system (OOT). Unfortunately the OOT system requires a large number of customer reference points including name, address and phone number to be exact in order for an order to be accepted. ISPs have suffered from large numbers of false rejections due to minor keying errors or inadequacies contained in Telecom's own billing information.
 - Telecom Wholesale currently has no practical systems to enable wholesale ISPs to simply transfer the existing services of an end customer who is moving address. Telecom's existing systems require the order for the transfer of the end customer's underlying phone service to be closed before any wholesale ISP service order can even be entered into Telecom's systems. These limitations place considerable logistical strain on ISPs and lead to extremely frustrated end customers.
- Slow delivery of Service Alternatives
 - ISPs have been asking Telecom to deliver an Ethernet based UBS backhaul service as an alternative to the existing ATM service which is more expensive and less flexible. Telecom Wholesale is not able to commit to any realistic timeframe for such service.

Telecom Response:

Telecom's Wholesale Charter states that 'Telecom is committed to the provision of excellent service to end users, whether through its retail or wholesale channels. Telecom is committed to helping develop a vibrant, fair and robust wholesale telecommunications market in New Zealand'²

SPANZ recognises that Telecom has recently taken ownership of some of the underlying issues and has stated commitment to a fairer wholesale market through its Wholesale Charter. The charter was launched in April 2006 and includes the following core principles;

1. Commitment to consistent service delivery experience for end users between retail and wholesale.

² Telecom Wholesale Charter, released April 2006, refers <http://www.telecom.co.nz/content/0,6845,205230-202764,00.html>, 12th June 2006.

2. Commercial launch of intermediate products which are consistent between retail and wholesale.
3. Commitment to greater transparency and communication.

ISPANZ members have seen some significant progress by Telecom Wholesale over the past year including;

- Engagement from Telecom Wholesale management with a number of ISPANZ working groups, both for operational support and broadband services.
- Establishment of regular meetings between Wholesale and ISPANZ working group and a Telecom manager allocated for each issue raised by ISPANZ.
- Improved wholesale service management through allocation of service delivery managers.
- Improved account management.
- Introduction of single view billing system to reduce un-necessary customer charges when customers transferring accounts outside their anniversary date.
- Engagement with ISPANZ working group to resolve e-Bill issues.
- Efforts to begin to introduce significant problems with transfer of customer services when moving address.
- Introduction of business to business version of the Online Order and Tracking system (OOT).
- Improved broadband new connection times.
- Publishing of Wholesale Improvement and Development roadmaps recording the activity in progress toward meeting Telecom's charter commitments.
- Invitation to industry to join independently facilitated work-groups to resolve technical and operational matters required for early and smooth introduction of the Government's stock-take recommendations.

ISPANZ notes that Telecom has announced the operational separation of the Wholesale division and awaits details of the changes to evaluate their impact on operational support processes.

Position

ISPANZ believes that poor operational support from Telecom over many years has contributed to weakened competition in the New Zealand telecommunications market. This weakened market has contributed to lower economic performance than could have been achieved by New Zealand and a poor deal for end users.

We fully support Telecom's recently stated aim of a vibrant, fair and robust wholesale telecommunications market in New Zealand.

ISPANZ welcomes the efforts made and progress achieved by Telecom Wholesale over the past year (see above) but notes that significant work remains to bring Telecom's wholesale operational systems to the level of overall quality targeted by Telecom and required by the industry.

ISPANZ believes that significant further progress on the major issues identified by ISPs needs to be made within the next one to two years or else the Government will need to consider further regulatory interventions for the benefit of the New Zealand economy and end user.

The likely options are as follows:

- 1. Operational separation:** The Ofcom agreement with BT has resulted in the creation of BT Openreach, a company with 30,000 employees launched in January 2006, which is seen as a model for operational separation.
- 2. Structural separation:** Whereby a separate company is formed to manage the network/wholesale business of Telecom.

Further detail and comment on these regulatory interventions can be found in ISPANZ's position paper on Retail Parity. This document can be downloaded from the ISPANZ web-site per the following link:

http://www.ispanz.org.nz/pdf/ISPANZ_position_paper-retail_parity.pdf

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About ISPANZ:

ISPANZ is a non profit, industry group that represents most Internet Service Providers operating in New Zealand. Our membership includes all the major ISPs outside those of Telecom and TelstraClear; plus a broad range of medium and small ISPs. We exist to promote a fair and fully competitive Internet marketplace where our members can deliver the full benefits of the Internet to the New Zealand public and our economy. Our primary goals are to:

- Improve New Zealand's poor International ranking for broadband uptake,
- Enable New Zealand businesses to become more competitive internationally through use of Internet enabled technology,
- Improve Internet pricing and services for ordinary New Zealanders,
- Enable New Zealand to reap significant economic benefits as it becomes a broadband enabled society.

For more information please visit ispanz.org.nz