



# 2013/14 Annual review of Crown Fibre Holdings

Report of the Commerce Committee

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# Crown Fibre Holdings

## Recommendation

The Commerce Committee has conducted the annual review of the 2013/14 performance and current operations of Crown Fibre Holdings, and recommends that the House take note of its report.

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## Introduction

Crown Fibre Holdings (CFH) is a Crown-owned company established under the Companies Act 1993, and listed under Schedule 4 of the Public Finance Act 1989. CFH was established to manage the Government's \$1.5-billion investment in ultra-fast broadband (UFB) infrastructure. Its objective is to accelerate the rollout of UFB to 75 percent of New Zealanders by 2019.

The chief executive of CFH is Graham Mitchell, and the chairperson of the board is Simon Allen.

## Ultra-fast broadband

### Obstacles to building network

CFH is responsible for the physical building of the fibre network to carry ultra-fast broadband, and the main obstacles it has faced relate to consents for, and access to, necessary local infrastructure. CFH acknowledged that around 25 to 30 percent of premises face consenting issues to allow connection. It noted that the solutions rely on Government policy and law changes. However, the building of the network is now under way in all 33 urban areas covered by the current building plan. CFH said that Cabinet's recently announced environmental standards will simplify the obtaining of consents for building the network. It recognised that in the subsequent expansion of the network to between 30 and 50 towns, new issues may arise, as there will be many more local authorities involved.

### Third-party consents for connecting to the network

Once the physical network is built, premises such as houses and apartment buildings need to be connected to the network to access UFB. We asked whether CFH is confident that all premises counted as "passed" by the fibre network can in fact connect to it, since some premises may encounter difficult consenting processes. For example, those with shared driveways or "right-of-ways" must obtain approval from all the owners of the driveway, and those in shared buildings need the agreement of the building owner.

CFH told us that while the design of consenting rules is beyond its mandate, its partners, known as local fibre companies (LFCs), report to it on this issue, and they are working "very hard" to minimise the time it takes to connect premises. They have contracted Australian specialists experienced in connecting apartment buildings to the Australian National Broadband Network, and their advice has considerably decreased the average number of days taken to connect apartments to the New Zealand network. CFH is working within the current legal framework to improve its partners' processes for obtaining consent in right-of-way cases.

### **Cost of connecting**

Chorus Limited, one of CFH's main partners, has a Non-Standard Installation Fund to provide free connection to the network for premises beyond the standard 15-metre distance that it funds automatically. To date, Chorus has put \$28 million into the fund, and we asked how much remained. CFH told us that only \$100,000 has been drawn down, and that as Chorus' costs for connecting apartments and right-of-ways have fallen, it expects the fund to be sufficient for a long time.

CFH explained that although it does not have access to information on how these cost savings have been achieved, it believes they are the result of productivity and efficiency gains made after two years' experience. The savings are also in line with international experience, for example that of Verizon Communications Incorporated in the United States.

### **Consumer satisfaction**

We asked if CFH conducts research on consumers' satisfaction with the experience of connecting to the fibre network, and heard that CFH's four partners do so. Its partners are meeting their targets, with satisfaction measured at around 90 percent. CFH noted that on the basis of other countries' experiences, it expects this number to increase over time.

### **Benefits**

We asked CFH what benefits it has seen from the UFB roll-out. We heard that UFB has contributed to the information, communication, and technology sector becoming the fastest growing and third largest in South Canterbury's economy, businesses are making productivity gains of up to 15 percent from faster speeds for uploading content to the internet, and schools that adopted UFB early have significantly lifted their students' reading ages.

### **Uptake of ultra-fast broadband**

CFH explained that retail service providers, which under the New Zealand model purchase fibre internet wholesale from LFCs and then sell retail services to consumers, are responsible for getting consumers to switch from the copper network to fibre. We asked how New Zealand's progress compares with experiences overseas. CFH told us that Singapore has the most comparable model, and when it had built 45 percent of its entire fibre network (as we have now), the uptake was under 10 percent, while ours is around 11 percent.

Uptake increases rapidly when the network is complete; Singapore has completed its network, and uptake is now around 50 percent. In urban areas where the network is complete, such as Whangārei and Blenheim, uptake has been "steadily building".

### **Gigatown project**

We asked CFH about the Gigatown project, in which Chorus is providing Dunedin with UFB ahead of other areas as the result of a national competition. CFH said that under the terms of their contracts, partners are allowed to release trial products, and it believes the Gigatown project will be a "great learning experience". As residential UFB services are uncommon internationally, there is little experience to draw on when deploying them.

## **Appendix**

### **Approach to this annual review**

We met on 19 March and 2 April 2015 to consider the annual review of Crown Fibre Holdings. We heard evidence from Crown Fibre Holdings and received advice from the Office of the Auditor-General. The advice and evidence received, as well as the transcript of the hearing of evidence, can be found on the Parliament website [www.parliament.nz](http://www.parliament.nz).

### **Committee members**

Melissa Lee (Chairperson)  
Kanwaljit Singh Bakshi  
Dr David Clark  
Hon Judith Collins  
Clare Curran  
Kris Faafoi  
Brett Hudson  
Gareth Hughes  
Simon O'Connor

### **Evidence and advice received**

Crown Fibre Holdings, Responses to written questions, received March 2015.

Office of the Auditor-General, Briefing on Crown Fibre Holdings, dated 19 March 2015.

Organisation briefing paper, prepared by committee staff, dated 22 January 2015.