



No quick fix for telecomms mix

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The last couple of weeks has really highlighted for me the shambles that is our telecommunications environment.

Between Telecom, i4free, Ihug, the Domainz defamation case and the slow approach of the government inquiry, it will be the start of 2001 before we have a working and workable model to call our own. Or so I thought.



I spoke last week with Lawrence Spiwak, a telecommunications regulatory expert from the US. He had quite a bit to say on the industry as a whole and although he specialises in the US environment - he's an ex-Federal Communications Commission attorney -- he had firm views on the New Zealand situation. Spiwak argues that the current New Zealand model is one we should be proud of - that it does work and that we have already won many of the battles the US is only now fighting.

Let's make it clear at the outset - Spiwak was in here at the invitation and expense of Telecom. Clearly he said things Telecom would find appealing but what he did say made good sense anyway, so I thought I would pass on some of his comments to you.

"It's important to do your homework and keep in mind what your end goal is." That goal, according to both Spiwak and the New Zealand government is more choice for consumers at a lower price. Will unbundling of the local loop achieve that? Spiwak argues that it will not.

"In the US only 0.2% of the lines have been made available since the FCC unbundled the loop four years ago." Why doesn't it work? Spiwak says the biggest problem with unbundling is that countries seem to think that's all they need to do, when it should only be considered a part of an overall strategy.

"But the US isn't New Zealand - different countries require different strategies and you can't simply apply the lessons learned in one country to another." Spiwak points to all the advantages the New Zealand sector has over its US counterpart.

"You have broadband connectivity, you have a second player overbuilding the network in two thirds of the country - that's unheard of in the States. You have foreign investment, you've lowered the barriers to becoming a telco and to complain because Telecom lowers its price to match Telstra-Saturn's - that's ridiculous. Is it so bad that customers get lower prices?"

Spiwak says government's role in telecommunications is simple: to lower the barriers to all telcos so they can all expand services and reduce costs. He's clear on this - government's role is not to pick winners, or decide how many players the market "needs" or can cope with. The best role for government, according to Spiwak, is to simply keep its eye on the ball - greater service at lower cost, and that's it.

Interesting stuff - it's very difficult to balance the telecommunications model that Spiwak outlines with reality. Telecom is in court dancing with i4free over its use or abuse of the 0867 numbering scheme - with claims of network congestion and overloading being bandied around as reasons for kicking them off the Net.

Ihug refused to allow its users access to the free ISP although it has since backed down on that decision and Clear is maintaining the illusion of sitting on the sideline quietly observing the "toings and froings".

Of course, Clear's role is far more involved than that - by offering i4free a kickback on its interconnection agreement with Telecom, i4free develops a revenue stream albeit a relatively small one. The interconnect agreement that Clear signed with Telecom when it first entered the New Zealand market is one that both parties signed regardless of whether they wanted to or not. At the time Telecom benefited most from the flow of money, but that's started to turn around as Clear becomes a larger player in both toll calls and Internet connectivity. Telecom's decision to implement 0867 took the Net traffic component outside that equation, much to Clear's chagrin. Now, with i4free, the boot is firmly on the other foot and if the court rules in i4free's favour, the face of telecommunications in New Zealand will change yet again. For Telecom to cry foul at such manoeuvring is absurd - it wrote the contract, it defined the rules and i4free and Clear would appear to be taking advantage of one angle Telecom didn't foresee. That's not a bad thing, that's just business. The customer benefits and that's the bottom line.

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