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Achieving a Step Change: Better Broadband for New Zealand

Communications & IT

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NATIONAL PARTY LEADER

I'd like to thank the Wellington Chamber of Commerce for providing this opportunity to speak to you today.

In about six months, New Zealand voters will get a chance to have their say about the future of this country.

I want Kiwis to choose National as the leaders of that future because I believe we can offer them much more than they are currently getting.

The sad fact is that right now we're slipping behind the rest of the world. New Zealanders' wages just aren't keeping up with the cost of living in a new century.

We're number 22 in the developed world for incomes per person – and falling. We can't seriously compare our standard of living with the UK and Australia any more. We're better compared with the Czech Republic.

That means our families typically struggle more than families in other developed countries. They worry more about the grocery bill, they find it harder to save for a holiday, and they find it harder to make the mortgage payment each fortnight.

More than 78,000 New Zealanders are leaving every year to get a better deal somewhere else in the world. Statistics released this week show that the number of people leaving for Australia rose 19% in the past year, meaning we lost a further 43,419 Kiwis to Australia in the year to March.

Labour has had almost a decade to turn this around. But all too often they've lost sight of the real race. While other countries have been getting wealthier than us, Labour has

made a large number of poor-quality short-term spending decisions that have done nothing to close the widening gap in average incomes between us and the rest of the world.

More recently, Labour has been distracted by issues like how parents should discipline their children and what sort of food should be served in school tuck shops. Or, worse still, dreaming up electioneering rorts, which have nothing to do with securing New Zealand's future, and are only about the Labour Party's future.

Michael Cullen said last week that this year's election was "a contest about power in New Zealand". I have news for him. It's not. It's a contest about who can address the important economic issues in front of New Zealand and create a more prosperous future for New Zealanders.

We need a government that is resolutely focused on strengthening our economy and delivering better wages and living conditions to New Zealanders.

To deliver those things, we can't simply do what we've always done. The world is getting more and more competitive every year. So, just like any other country, New Zealand needs to focus its efforts on the things that will really make a difference to our earning power.

Tinkering around the edges won't be good enough. New Zealand needs a step change.

We need a significant step change to deliver New Zealanders the wages and living conditions they have a right to expect.

National has an economic plan for delivering that step change.

- We will deliver an ongoing programme of personal tax cuts.
- We will take a disciplined approach to government spending, so that interest rates track down not up.
- We will stop the massive rise in head office bureaucracy that Labour has encouraged, and we will deal with the regulatory and compliance issues that smother New Zealand businesses and families.
- We will have an unwavering focus on improving education standards, and
- We will invest in the infrastructure this country desperately needs to grow.

It's that final point I want to concentrate on today.

I don't need to tell you how vital good infrastructure is to a well-running economy.

Workers and businesses rely on decent roads, decent public transport, decent communication networks, reliable electricity networks, and reliable water supplies to carry out their day-to-day work. When that infrastructure doesn't deliver, it means workers have less time to give to the job at hand.

Over the past few years we've seen many of the signs of a severe infrastructure deficit in New Zealand. Ridiculous traffic jams all over Auckland and in other parts of the country, and yearly concerns about whether the lights will be turned off.

This has had a negative impact on business. Productivity growth has been minimal and inflationary pressures have been huge.

There's no question in my mind that one of the major tasks of an incoming National Government will be to turn this infrastructure deficit around – in double-quick time.

The future prosperity of our economy depends on it. So, in the coming months you can be sure of hearing more from me about repairing New Zealand's infrastructure deficit.

But in itself, patching up our infrastructure deficit won't be enough.

For a real step change, we need to do more than play catch-up. We need to take a step-up.

We need a government that can anticipate the changing needs of New Zealand's future and provide for those needs.

I am optimistic about that future and New Zealand's place in it.

Our booming and ever-wealthier Asian neighbours are reaching out for new services and new products. People and investors are seeking safe and green havens in an increasingly unstable and dirty world. The Internet is transforming global commerce and eliminating the tyranny of geographic distance.

These trends present massive opportunities for New Zealand.

But to make the most of these trends New Zealand has to be more ambitious, more outward-looking, and more savvy than ever before.

We can't just keep recycling history. We need to look ahead and future-proof our nation.

We need to carefully consider what the infrastructure demands of tomorrow will be and ensure we have a plan for meeting them.

I have thought long and hard about what New Zealand must do to secure our place in the world.

There is one modern technology that stands out in its terms of its ability to:

- Draw us closer to our trading partners.
- Put Kiwis at the forefront of technological innovation.
- Greatly enhance the way we do business and the way we communicate.

That thing is ultra-fast broadband for all New Zealanders.

I'm not talking about broadband speeds as we know them now. I'm talking about download and upload speeds many, many times faster than most Kiwis have ever experienced.

I want New Zealand to be linked by a network of fibre that ensures almost all premises – be they small businesses, schools, or households – can be linked into the main fibre grid with fibre right to their door. And when Kiwis can't get fibre connected to their home or place of work, I want them to have access to other high-speed broadband technologies, like those afforded by satellite and mobile.

With a fibre network like the one I aspire to, New Zealanders would be able to download and upload data from the Internet at lightning-fast speeds. Workers would be able to telecommute with ease. Video-conferencing could happen between seven people in seven parts of the country at once.

Achieving a “fibre to the home” aspiration of that sort would truly future-proof New Zealand.

Right now, most of us still depend on a copper wire of varying lengths, depending on where we live, to link us up to the main fibre network. That copper line may have been up to the job a decade ago, but in 2008 it looks like a dirt track when compared to the fibre highways we could be using. It just can't carry enough data fast enough to service the latest cutting-edge Internet applications.

Meanwhile, Internet technologies are becoming more and more 'bandwidth' hungry. In fact, this growth in global demand for bandwidth has been exponential, growing at a rate of between 50% and 100% every year.

New Zealand's slow deployment of fibre has placed a brake on our ability to take up the opportunities the Internet has to offer. We are missing out on the real promise of this century's leading technology.

That's the bad news. And I'm afraid there's not much good news.

Over the next five years, Labour and Telecom's plan is for fibre to be linked up to 'cabinets' in some communities and for that fibre to then be connected to homes and businesses through bits of copper. Labour has no plans to link fibre to the premises and homes of everyday New Zealanders.

In Labour's words, “the economics for this [fibre-to-the-home] to occur in the short to medium term are simply too challenging”.

I don't think Labour's plan is nearly ambitious enough to future-proof New Zealand.

The volumes of data and the speed a copper kilometre can carry are just not even comparable to fibre to the home. There's no doubt that the future for broadband must involve replacing that copper with fibre.

Fibre right to the home promises huge gains in productivity, innovation, and global reach for New Zealand. Those are the things that will make our economy richer. Those are the things that will ensure New Zealand

families have incomes that keep up with the cost of living in the world of the future.

So it's pretty disappointing that right now no one is planning to invest in a fibre-to-the home and premises broadband network for New Zealand.

Sure, fibre has been rolled out to the premises of some lucky big businesses and some niche areas. But beyond that cherry-picking there is no obvious will from the private sector to invest in a wider fibre-to-the-home network.

Private operators have judged that for the foreseeable future, connecting fibre to homes just won't deliver them or their shareholders enough of a return. They have made this judgment based on their private interests, and that's fair enough.

But I think that lack of investment represents a significant market failure.

Private businesses naturally don't take into account the returns that a nationwide fibre-to-the-home network will deliver to the public as a whole.

However, every year private businesses withhold that investment is another year in which Kiwis miss out on access to the technologies and communication capabilities that are defining the modern world.

I think this is a case where a future-thinking Government, with a view to the long-term and an appreciation of the wider public benefits, needs to step in.

But, as with any market intervention, we must be very careful about how that is done.

In Government, National will have two key tools available for speeding up the roll-out of fibre-to-the-home. The first is regulation, and the second is capital investment from the Crown Account. Neither of those tools should be wielded lightly. Indeed, National has considered very carefully whether a case for these steps exists at all.

Our judgment is that it is in the best interests of New Zealanders for government to act to ensure our country has the future-proof broadband network needed to secure New Zealand's global competitive advantage.

National's medium and long-term vision is for a fibre connection to almost every home, supported by satellite and mobile solutions where it makes sense to do so.

Our initial goal is to ensure the accelerated roll-out of fibre right to the home of 75% of New Zealanders.

In the first six years, priority will be given to business premises, schools, health facilities, and the first tranche of homes.

In achieving this we also want to significantly enhance broadband access and speeds for those households and premises for which fibre-to-the-home is not immediately feasible.

Today, I want to lay out the principles that will guide National as we construct a model for ensuring that this vision and these goals are realised.

First, we want to be sure that any taxpayer money we invest in fibre results in a measurable increase in broadband services – and doesn't just line the pockets of incumbents seeking windfall gains. We want to ensure that the Crown's capital contribution does not lead to any reining-in of investments already planned, such as Telecom's 'cabinetisation' plan.

Secondly, National wants to ensure that any fibre network that the Crown takes a stake in is open-access. We want to ensure that many service providers can compete to provide services over that fibre network, because we believe this will result in the best and cheapest services for consumers.

Thirdly, we want to get the right balance between on the one hand ensuring any fibre roll-out does not result in excessive duplication that may prevent investment in other parts of the network, and on the other hand ensuring it does not cement-in an undue advantage for existing providers.

Fourthly, National wants to ensure that the public return from any Crown investment is partly realised in lowering cost barriers that could prevent consumers taking up leading-edge 'triple-play' broadband services. We want to ensure that our valuable investment in fibre to homes and premises actually results in substantially increased uptake of ultra-fast broadband services.

Finally, National wants to ensure that our investment model captures the innovation and expertise of the private sector. In doing that, we want to ensure that fibre solutions are rolled out with a view to New Zealand's economic future and not with a view to protecting the legacy assets of New Zealand's economic past.

Delivering on these five principles will require a carefully thought-through and negotiated investment and regulatory model. National will conduct these negotiations in our first year of government. As Prime Minister, I intend to take a leading role in them.

In doing so, I will be wary of the kind of shadow-boxing that has all too often typified the relationship between government and the telecommunications industry. I won't put up with game-playing. If that means knocking some metaphoric heads together, then that is what I will do.

In conducting these negotiations, National will have some significant cards to play.

Today, I am pleased to announce that, subject to adherence to the principles I have just laid out, the next National Government will contribute an investment of up to \$1.5 billion in Crown capital over six years to accelerate the roll-out of a fibre-to-the-home network for New Zealand.

National will invite interested parties to tender for the opportunity to roll out the fibre in ways that meet our initial goal and long-term fibre-to-the-home vision.

We will also work with local government to ensure it is doing everything it can to facilitate the roll-out of the fibre network. We will be clear, for example, that future road construction undertaken by local government will have to take the Government's fibre objectives into account.

National will also take additional steps to accelerate the roll-out of high-speed broadband services to rural and remote areas.

As a first step, we will double the size of the Broadband Challenge Fund, from \$24m to \$48m, and give it the primary focus of providing fast broadband solutions for remote and rural communities. Due to the topography of many of these areas, these solutions will have to include a mixture of fibre, satellite, and wireless technologies.

National's fibre plan entails significant Crown investment. It will be a growth-enhancing investment that will help New Zealand take a major step up.

There is no doubt in my mind that speeding up the introduction of fibre-to-the-home across New Zealand will provide very positive returns to the economy as a whole, which will in turn benefit all taxpayers.

At the end of the six-year period over which the \$1.5 billion investment is made, National will undertake a

transparent stock-take to assess the progress towards our fibre-to-the-home vision. The results of this stock-take will inform any future regulatory or investment intervention in the telecommunications market.

National's fibre-to-the-home goals are an essential part of our vision for a step change in New Zealand. We believe that ultra high-speed broadband, as afforded by fibre-to-the-home, can deliver dividends for New Zealanders in all walks of life.

Fibre to the home and premise will deliver huge economic benefits for our country – in terms of enhanced productivity, improved global connectivity, and enhanced capacity for innovation. It will help deliver the economic step change that New Zealand needs to significantly lift average incomes over time.

Independent experts estimate those benefits will be worth between \$2.7 billion and \$4.4 billion per year.

That's no surprise – just think of the productivity gains. Workers won't have to always fly to meet their counterparts in other cities, they'll have access to video-conferencing facilities instead. Small business won't have to waste precious dollars on expensive toll calls, they'll make those calls at next to no cost over ultra-fast broadband.

Kiwi entrepreneurs will have the opportunity to be at the forefront of developments of this century's most important technology. If dial-up could deliver Trade Me, who knows what could be done with fibre-to-the-home?

The ability to 'be' somewhere else without having to get in a car or onto a bus will vastly improve Kiwis' ability to work from home. Mums and Dads could choose to 'telecommute' – working from home while keeping completely in touch with their colleagues, even attending virtual meetings. The savings in travel time could, in turn, make it easier to achieve work-life balance.

And, as people are able to do more virtually, we'll see less travelling by car and plane, in turn reducing our individual carbon footprints. Ultra-fast broadband has the potential to help New Zealand significantly reduce its greenhouse gas emissions. It can do so in a way that will allow us to enhance, rather than diminish, our lifestyles.

Fibre to schools and children's homes could hugely enhance teaching and learning, while fibre to hospitals and medical centres could improve the productivity of the health sector.

The possibilities are, as they say, endless. We can't begin to envisage them all today.

What we do know is that fibre technology is more important for New Zealand than it is for just about any other nation.

Our small size and our distance from other countries make it hard for us to compete with the rest of the world. Ultra-fast broadband will help us overcome both of those things.

One hundred and fifty years ago, the government had the vision to build railways and highways to facilitate the movement of goods. Today, we need government to help lay out the information highways of the future.

New Zealand has already fallen behind our global competitors when it comes to Broadband. We've delayed the big decisions and put investment off for long enough. Every year that goes by with us languishing behind other countries is another year of missed opportunities.

The current government is not ambitious enough for broadband in New Zealand.

Labour thinks fibre-to-the-home in the short to medium term is "simply too challenging". National doesn't.

We will do what it takes to ensure New Zealand has the competitive edge needed to prosper in the world of the future.

Our country has missed too many opportunities already. National is determined not to miss the ultra-fast broadband opportunity as well.

National is ambitious for New Zealand and ambitious for New Zealanders. Our fibre-optic broadband vision is a key tool for realising that ambition and it's one I'm very proud to put my leadership behind.

I hope you'll get behind it too. Thank-you.