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Biggest shake-up for Telecom since 1990 sale

Shares fall 7 per cent in Australia; NZ may follow

Govt furious after secret plans leaked to Telecom

Telecom's grip severed

Faster internet on the way after Govt orders Telecom to open its lines to competitors

by Peter Nowak and Ainsley Thomson

The Government is to break open Telecom's monopoly on its lines to ensure better and cheaper internet and phone services.

In the biggest telecommunication shake-up since the privatisation of Telecom in 1990, the Cabinet yesterday approved a package to "unbundle the local loop", essentially forcing the company to open its network to competitors.

Other providers, such as TelstraClear, ihug and CallPlus, will now be able to install their own equipment and provide customers with a choice of internet speeds, prices and services.

Industry observers were jubilant over the results of the long-awaited telecommunications review but shares in Telecom in Australia immediately fell 7 per cent at the news, wiping \$760 million off the company's value.

In New Zealand there were signs some investors may also have got wind of the change.

Telecom, the sharemarket's top stock, had been down all day, but in the last 20 minutes of trading it fell a further 6c, to end 10c down at \$5.55.

Communications Minister David Cunliffe was forced to make the announcement two weeks before the Budget, after the decision was leaked to Telecom.

After receiving legal advice, Mr Cunliffe made a rushed public announcement of the commercially sensitive plan as soon as the sharemarket closed at 5pm.

The move comes after mounting Government frustration at problems with New Zealand's low consumer uptake of broadband and the high cost and slow speeds of internet service.

New Zealand is ranked 22nd out of 30 OECD countries for broadband uptake. "This is not an acceptable or sustainable position for a small, smart country," Mr Cunliffe said.

"The Government sees this as critical national infrastructure, without which we will not be able to compete internationally."

Mr Cunliffe said the aim was to have New Zealand reach the average OECD rate of broadband uptake by 2010 and be in the top quarter of countries by 2015.

The move aims to impose competition on Telecom, the country's largest listed company, which at present controls 92 per cent of broadband connections.

It will now be required to offer unconstrained internet speeds, or double the download speeds now available.

Consumers will be able to buy a broadband subscription over copper phone lines, without buying an associated phone service.

"It's great. It means progress. It means economic progress," said Telecommunications Users Association chief executive Ernie Newman.

"It means competition. A lot of the competitive players, like CallPlus, ihug, TelstraClear, suddenly have a business case to again invest in New Zealand."

An angry Telecom said it was hard to



THE CHANGES

- Telecom will have to open its network to competitors, allowing other internet service providers to compete.
- The company will no longer be able to set internet speeds, download limits and prices.
- Competition will stimulate companies to provide faster, cheaper broadband.
- The rental rate ISPs pay will be set by regulation.
- Law changes to be introduced this year.

INSIDE

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see how the action would deliver on the Government's aims for boosting broadband use and uptake.

The move would discourage investment in New Zealand, said Telecom's general manager of regulatory affairs, Bruce Parkes. "Today's package actually tells players to put away any major investment plans and rely on regulation instead."

Telecom and its chief executive, Theresa Gattung, have repeatedly warned that the opening its network would hit the company's share price, affecting the sharemarket and the economy.

The Government has not been happy with the company's attempts so far to make broadband faster and more accessible.

Prime Minister Helen Clark said she felt like a "country cousin" after seeing a communications display in South Korea last year. In February she told Parliament that faster and cheaper internet was "a matter of urgency".

Deputy Prime Minister Michael Cullen has also been critical of Telecom: "Our superhighway seems to function with several lanes permanently closed with inexplicably high tolls and with flashing lights warning users to reduce speed."

Legislation enabling local loop unbundling and other measures is expected to be passed by the end of the year and consumers should start to see the effects next year.



At last: Bold plan for better broadband and cheaper calls

AFTER years of ineffectively regulating telecommunications and allowing itself to be hoodwinked by Telecom, the Government has finally got it right. For consumers, its plan to break the company's monopoly is monumental, bold and far-reaching, and it should do much to erase New Zealand's international reputation as the developed world's backward country cousin.

The Government blundered in 2004 when it decided against allowing Telecom's competitors access to its network, and the country has suffered from high prices and slow broadband ever since.

Yesterday's decision rectifies that error. Not only will competitors such as TelstraClear, ihug and CallPlus be able to offer their own services and actually make a profit, prices should come down drastically thanks to the ensuing competition.

The unbundling decision will include a regulated price that will force Telecom to demonstrate the actual cost of providing internet services. Sources have indicated this could be as low as \$8 a customer, but probably somewhere around \$15, which means that competitors should be able to offer broadband for between \$20 and \$30 a month.

These won't be at the dreadfully slow speeds on offer today. The Government is also forcing Telecom to offer the fastest speeds its network is capable of handling, which has been found to be 7.6 megabits per second download — or twice what is



PETER NOWAK
IT editor

now being sold. Competitors will also be installing equipment capable of providing 24 megabits just as soon as the legislation comes in. New Zealand's internet is about to become a whole lot faster and cheaper, for real this time.

But the Government didn't stop there. Telecom will also be required to split its phone and broadband services from one another — a rare phenomenon known as "Naked DSL".

Broadband customers will no longer be forced to buy a phone line if they don't want one, and can instead use their mobile or a host of emerging internet-based calling services — which are either free, or practically free.

Only five other countries in the OECD have Naked DSL, but it is an emerging trend. The Government should be applauded for taking this forward-thinking and somewhat unexpected step.

The Government has also taken solid action in ensuring transparency at Telecom by demanding accounting separation, which will allow the public to see just how much money is being made off its network.

Angry Govt to launch inquiry into Budget 'leak'

The Government is furious its Telecom Budget centrepiece was leaked within hours of being signed off by a top-level Cabinet committee and will launch an inquiry to find the culprit.

The broadband decision had been in the planning for some time but was only cemented by the policy committee, chaired by the Prime Minister and attended by 10 other ministers and a handful of officials, late yesterday morning. Just hours later Communications Minister David Cunliffe was called by Telecom and told it had the Cabinet paper.

Under pressure after last year's election Budget, which was panned, the Government was counting on the "good news" broadband story for a better reaction.

But after the Telecom call and rapid legal consultations, it decided it had no choice but

to go public. Mr Cunliffe said Telecom's comments and his own legal advice was that Telecom "may need to make a comment to the Stock Exchange [as a publicly listed company]".

Mr Cunliffe downplayed the leak last night, preferring to concentrate on the "positive" detail in the announcement. Beehive sources said it was one of the worst leaks, if not the worst, experienced by the Government, particularly as the information had been circulated among so few people. They would include ministers and officials from the Prime Minister's Office and the Department of the Prime Minister and Cabinet at the meeting, as well as select officials from the Ministry of Economic Development and Treasury.

Government insiders said an investigation was inevitable, with some tipping State Services Minister Annette King as likely to charge the State Services Commission with leading it. — Ruth Berry

FOREIGN CORRESPONDENCE

OUR INTERNATIONAL COVERAGE TODAY INCLUDES:

- Underground**
Two Australian miners trapped underground have been given iPods to listen to music as rescuers prepare to start drilling — A3
- Standoff**
Iran is no Iraq for US policymakers. It's far more dangerous — Perspectives A12
- Historic change**
The Catholic Church is on the brink of a historic change over condoms — World, B1
- Chow down**
A European prince, who heads the dachshund club, admits he likes to eat dog — B1

Weather & index

Remaining showers clear about midday and becoming fine. NW winds later, bringing showers, overnight rain.

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Delays may have been fatal for rest home patients

by Claire Trevett

Patients at an Auckland rest home may have died prematurely because of delays in calling for medical help or other inadequate care.

A report from the Ministry of Health's inspection of the Culverden Group rest home in February noted patients in distress were sometimes left for more than a day before a doctor was called.

The report found that staff were confused about their responsibilities and there was no evidence of ongoing

training. Last month the Ministry of Health's outgoing director-general of health, Karen Poutasi, cancelled the certification of the Culverden Group rest home in Mangere, trading as Pasifika Centre and Hospital, because it constantly failed to meet required standards.

That meant the facility would be closed and its patients sent to other rest homes.

But it effectively gained a stay when Culverden's owners lodged an appeal against the ministry's decision. No court date has been set to hear the

appeal. The ministry report was released to the Herald yesterday under the Official Information Act.

It included details of four Culverden patients whose deaths were brought to the attention of police and the coroner, including:

- A patient who died of traumatic cerebral haemorrhage after a fall. He was not seen by a doctor until 12 hours after he first showed some discomfort, and seven hours after he became semi-conscious. The doctor ordered him to be taken to Middlemore, where he later died.

A male who was not seen by a doctor until a day after complaining he had pain on the left side of his face and was having trouble breathing. Once admitted to Middlemore he was noted as having a "gross lack of oxygen" and died soon after.

The ministry's inspection team noted the care given to the patients may have been inadequate.

"The care of all patients noted above are an indication that the staff lack the necessary skills and ability to note significant changes in signs and symptoms exhibited by these patients

that should signal referral to a doctor."

Dr Colin Feek, the deputy director-general of health, also noted in his recommendation for the cancellation of Culverden's certification that staff care might have contributed to earlier deaths.

He noted "a review of two patient files suggested the needs of two residents of Culverden had not been met and appeared to have resulted in premature death".

Culverden Group directors Norma and Ian Anderson are not discussing the issue publicly.



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