

**Subject:** Central Government's Rural Broadband Initiative

**Prepared by:** Douglas Birt – Corporate Affairs Manager

**Meeting Date:** 24 June 2010

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## Report to COUNCIL for noting

### SUMMARY

Council is a consortium member, together with four other organizations, in an Expression of Interest to the Ministry of Economic Development (MED), for \$12.8m grant towards fast internet Broadband throughout Tairāwhiti. (Wairoa District Council has agreed to us including their district in our proposal.)

The attached letter to Ministry of Economic Development gives a broad outline of the proposal.

Assuming our proposal is successful, council will need to enter discussion with the consortium partners to determine what formal business relationship needs to be adopted.

This will be necessary in order to define how liabilities and income streams are to be apportioned. If it is decided that a formal Joint Venture or Limited Liability Company Structure needs to be adopted, that fact will need to be consulted and included in the next LTCCP.

### RECOMMENDATIONS

#### That the Council

1. receives the report.

Douglas Birt  
Corporate Affairs Manager

## **BACKGROUND**

Broadband Internet is going to be a pre-requisite for the future economic development of our district. It is not available on affordable terms, our district businesses and the economic wellbeing of our people, will be severely compromised. Council therefore has been actively seeking opportunities to ensure that the service is available throughout the district.

In 2004 the Labour Government introduced its Digital Strategy, which provided an opportunity for local groups to apply for Government funding. A local consortium of five organisations come together to prepare an application for some of this Digital Strategy funding; ECT, EIL, Gisborne.net, Colvins Ltd and Council. The basis of the application was that between Eastland Networks Ltd and Council, just about every hill top which was significant for radio communications had been established with buildings and access. The “technician” for the equipment on these sites was Colvins Ltd, and that firm was also the radio engineer for our local Internet Service Provider (ISP).

The radio sites were made available to Gisborne.net and Colvins to provide radio-based Broadband to the rural communities throughout our district.

The consortium application was not successful on that first funding round, so a new application was made to the Labour Government’s second funding round called the Broadband Initiative Fund. (BIF). We did receive favourable comment on our BIF proposal, but unfortunately there was a change of Government, and as a result all pending funding grants were cancelled.

## **ULTRA – FAST BROADBAND AND RURAL FAST BROADBAND**

About six months ago the National Government introduced the Ultra Fast Broadband Scheme which was specifically aimed at providing fibre optic cables to every premises in urban areas. EIL has made an application to provide fibre optic cable in the Gisborne area.

A few months ago Government made available a further \$300m over 6 years (i.e. \$50m/year) for the provision of fibre in rural areas. The consortium was re-convened, (together with Ngati Porou, which has 48 active marae in the most remote parts of the district) to put forward a composite proposal which would build on the ultra fast urban solution (no matter which organisation wins the bid) and adds high capacity radio systems to provide rural service.

It should be noted that this is not a funding application; it is an “Expression of Interest” which outlines what the consortium can do. Other organisations will put in EOI’s, and in due course Government will invite one or more of these to prepare a full application.

Our Expression of Interest is for \$12.8m, for a staged implementation over six years and this is outlined in the attached covering letter to the Minister of Economic Development.

One thing which will need to be resolved before a formal funding application can be made is some form of formal agreement on the business relationship between the consortium partners.

Up until now all parties have cooperatively contributed to the EOI, but if the consortium is actually granted the funds it will need to be decided.:

- Who actually receives and distributes the funds
- Whose asset register receives the capital plant
- How revenues are apportioned
- What happens to depreciation and tax
- Whether a limited liability company is formed, and what is the shareholding
- If not a company is a Joint venture a more appropriate structure
- And so on.

These and other issues will be progressed by consortium members in the next few months. It should be noted, of course, that Council cannot be a partner in a Company or JV unless the matter is provided for in an adopted LTCCP.