
SUBMISSION ON THE DRAFT DIGITAL STRATEGY 2.0

1. Purpose of Report

To present a draft submission (Appendix 1) on the Government's draft Digital Strategy 2.0 (Appendix 2) for the Committee's agreement. The Council's submission needs to be with the Ministry of Economic Development by 12 May 2008.

2. Recommendations

It is recommended that the Committee:

- 1. Receive the information.*
- 2. Agree to the submission, attached as Appendix 1, on the Government's draft Digital Strategy 2.0, subject to any amendments recommended by the Committee.*
- 3. Agree to delegate to the Portfolio Leader Economic Development and the Chief Executive the authority to make any minor drafting changes before forwarding the submission to the Ministry of Economic Development.*
- 4. Agree that the Council's current Information and Communications Technology Policy be reviewed during 2008 to reflect the new challenges and targets in the digital area.*

3. Background

On 14 April 2008 the Hon David Cunliffe (Minister for Communications and Information Technology) released a "refresh" of the Government's Digital Strategy for public consultation.

The original Digital Strategy was adopted in 2006. It is being refreshed in 2008 because:

- Significant progress has been made in the original Digital Strategy (i.e. unbundled local loop, review of the Telecommunications Act), and new goals and actions need to be set.
- The digital landscape has changed since 2005, impacting on the ways people communicate, interact and do business. For example:
 - the “internet generation” (people born since 1989) is entering the workforce – bringing new ideas and expectations
 - the participative web (commonly referred to as “Web 2.0”) has moved the internet from a static environment to one characterised by rich content, user interaction and real-time participation.

The Draft Digital Strategy 2.0 has been developed with significant community and industry input through the Digital Strategy Summit (November 2007) and the Local Government NZ Broadband Forum (February 2008). Council officers and elected members have participated in both of the above.

The final Digital Strategy 2.0 is due to be released mid year, and it is possible that new initiatives influenced by feedback on the strategy will be included in the Budget announcement in late May.

4. Discussion

4.1 *Digital Strategy 2.0 – Vision and Priorities*

The refreshed Digital Strategy focuses on the same “critical enablers” of New Zealand’s digital future as the 2005 version, with new visions and priorities identified for each:

- **Connection** – a vision of fast, affordable broadband with priority being given to promoting a robust and competitive telecommunications market and facilitating the deployment of high speed broadband infrastructure
- **Confidence** – a vision of digitally capable and confident New Zealanders transforming our economy, strengthening national identity and enhancing sustainability. Priorities focus on up-skilling managers to use ICT to increase productivity and innovation, reducing the shortage of skilled ICT practitioners and developing the digital literacy and confidence of communities and the workforce.
- **Content** – a vision of New Zealanders being world class at creating, discovering and using digital content. Priorities relate to improving the creation of NZ grown content, using our knowledge and research to stimulate innovation, and increasing the use of world class productivity tools.

A new enabler of “**Collaboration**” is added to the strategy. It incorporates all the groups that can be considered “agents of change” in the digital space,

broadening it from the groups specifically identified in the 2006 strategy (business, communities, government):

- Maori
- Communities
- Business
- Local government
- Researchers
- Overarching sector forum
- Government (across sectors).

In summary, the refreshed Digital Strategy:

- takes a more aspirational approach
- has increased the importance of broadband connectivity – and recognises an increased level of government intervention is required to ensure it happens
- has an increased emphasis on developing ICT skills in the workforce and attracting and retaining ICT practitioners in New Zealand.

4.2 Relationship to the Council's Broadband Vision and ICT Policy

4.2.1 Broadband project – enabling connectivity

The refresh of the Digital Strategy is timely for Council. The vision articulated in it for “fast and affordable” broadband fits well with the Council's Broadband Vision agreed to in March 2007:

"That, by 2012, all of Wellington City will have affordable access to an interactive and open broadband network capable of supporting applications and services using integrated layers of voice, video and data, with sufficient two-way capacity in the city, and out to the world, to meet the ongoing information and communications needs of the city's residents, businesses, investors and institutions."

The document states the government will take a more active role in facilitating broadband infrastructure – which addresses the conclusions officers reached in the “Wellington Broadband Project” report presented to the Strategy and Policy Committee on 10 April 2008.

The above report outlined how officers have undertaken comprehensive financial modelling to understand how a Wellington city urban fibre network could be made operable. Officers concluded that critical to its success would be a central government role in providing funding and taking a demand aggregation role in the health and education sectors (together these represent a large number of the targeted MUSH¹ entities). Both of these are listed as key actions in the draft strategy, though funding amounts for “accelerating investment in broadband” are to be confirmed.

¹ MUSH stands for municipalities, universities, schools and hospitals.

4.2.2 ICT Policy – building digital confidence and content

The Council's ICT Policy (which includes the Broadband Vision) also focuses on:

- building **e-Communities** – where all of the city's residents are able to participate in an economy and society that has an increasing reliance on ICT
- encouraging an enhanced level of participation in the Council's democratic processes, including the provision of services, through **e-Democracy**.

The Council's e-Communities component relates closely to the Government's "Confidence" priority of increasing the digital literacy and confidence of communities. The refreshed strategy, however, gives less emphasis overall to this priority than it did in the original strategy, instead emphasising skills, knowledge and productivity in the workforce.

Actions specifically relating to communities are largely focused on the continued expansion of the "Aotearoa People's Network" in libraries. No funding is indicated along the lines of the 2006 Community Partnership Fund (\$17.4 million). The submission makes a recommendation that the Government extends the funding it has previously provided through the Fund.

The e-Democracy component has previously contributed to the "Content" objectives by ensuring that Wellington focused content is available on line (i.e. archival information) as well as ensuring that the internet is used as a tool that can encourage participation and promote accountability around its decision-making.

The "Content" enabler of the strategy has an increased emphasis on providing and using digital content – not just ensuring current and new content is digitised, being made easily available online.

To ensure the ICT Policy remains relevant, officers recommend that the Council's current ICT Policy is also refreshed – both to incorporate the Broadband Vision within the policy and review it in light of the aforementioned changing digital landscape (e.g. the participative internet/Web 2.0).

4.3 *The Council's Submission*

The Government is seeking feedback on both the general direction and specific actions contained in the draft Strategy, including whether submitters:

- agree with the new goals set in the strategy
- have other key priorities they would like to see considered
- agree that the identified challenges and actions contribute to achieving priorities
- have other specific challenges and actions they think should be considered.

The main points made in the attached submission are that:

- broadband infrastructure is the most critical component of the Digital Strategy

- government funding must be provided to accelerate broadband roll-out, as the current rate of investment will not result in New Zealand or Wellington achieving its aspirations
- the government should consider adopting a more aggressive vision and timeframe for extending the broadband network to the home
- additional community focused funding is warranted, though a more grass-roots model of providing the funding is recommended.

5. Conclusion

This report presents a submission on the Government's Draft Digital Strategy 2.0 for the Committee's consideration. The Committee is requested to approve the submission, for it to be forwarded to the Ministry of Economic Development by 12 May 2008.

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APPENDIX ONE

Supporting Information

1) Strategic Fit / Strategic Outcome

The Government's refresh of its Digital Strategy relates closely to the Council's Information and Communications Technology (ICT) Policy. The Council's ICT Policy contributes to a number of strategic outcomes under the Economic Development, Social and Governance portfolios.

2) LTCCP/Annual Plan reference and long term financial impact

This report does not have an impact the LTCCP.

3) Treaty of Waitangi considerations

N/A

4) Decision-Making

This report does not require the Committee to make a "significant" decision.

5) Consultation

a) General Consultation

The attached is a submission provided in response to Government consultation on the draft Digital Strategy 2.0 document. No general consultation has been undertaken by the Council to write this submission.

b) Consultation with Maori

No consultation has been undertaken with Maori.

6) Legal Implications

N/A.

7) Consistency with existing policy

The attached submission is consistent with the Council's Broadband Vision and ICT Policy. Further discussion on this is outlined in section 4.2 of the report.

Submission on the Draft Digital Strategy 2.0

WELLINGTON CITY COUNCIL

May 2008

About the 4 Cs: Connection, Confidence, Content and Collaboration

The Wellington City Council welcomes the opportunity to comment on the Draft Digital Strategy 2.0.

The Council supports the strategy's continued focus on the three enablers of Connection, Confidence and Content – and is pleased to see the new enabler of "Collaboration", which recognises the wide number of agents that must work together to ensure New Zealand's digital future is achieved.

However, the Council believes that the first step in creating consumer confidence and attracting entrepreneurs to develop content is through the rollout of a fibre network to connect every single home in New Zealand to the rest of the world. While all four "Cs" are necessary for a successful digital strategy, the infrastructure represented by Connection is a prerequisite for other activities. It is very unlikely that a primarily "demand-led" approach will deliver on the aspirations in the strategy.

Our Vision: Open Access and Affordable Broadband for Wellingtonians

As stated in its submission on the original Digital Strategy, the Council believes it has an integral role to play in enabling the government's broadband vision. We also have our own vision:

"By 2012, all of Wellington city will have affordable access to an interactive and open broadband network capable of supporting applications and services using integrated layers of voice, video and data, with sufficient two-way capacity in the city, and out to the world, to meet the ongoing information and communications needs of the city's residents, businesses, investors and institutions."

The Council encourages the government to adopt a similar vision and timeframe. Wellington aspires to be an affordable, internationally competitive city. The targets of rolling-out urban fibre networks in 15 cities and towns by 2012 and achieving FTTH within a decade will not deliver this aspiration – particularly as cities in countries already providing FTTH (e.g. South Korea and Japan) are already benefiting from early adopter advantages.

Connection Needs to Come First

The Council is pleased that broadband connectivity has been given an increased emphasis in the refreshed strategy and that the government is indicating it will continue to take an active role in facilitating broadband deployment. We need to maintain the sense of urgency around broadband. New Zealand and Wellington's economic transformation goals depend upon it.

Why do we need to intervene? Because there is a market failure.

The key rationale underpinning Council and central Government involvement is that incentives are weak for the private sector to open their networks and to invest in upgrading inadequate infrastructure.

The new regulations in place and Telecom's operational separation was a step forward but as the Minister mentioned during the digital summit "it is not good enough". The new regulation stimulated Telecom to roll out fibre up to cabinets but the incumbent's step forward decelerated any potential further investment that might have come from competitors and service providers.

A staged approach: MUSH entities first

The Council agrees that the FTTH vision is best achieved through a staged approach. Such an approach enables the government to meet the challenge of accelerating new investment in fibre and providing a vehicle for greater sharing of base-level infrastructure without distorting the market or pre-empting private sector investment.

The Council also agrees that an urban fibre network based around MUSH entities is the natural first stage of broadband roll-out. We believe that councils should be key partners at a local level – government funding should be provided to local government (preferred but not exclusively) for prioritisation at a local level. Funding models like those used for transport could be utilised for this purpose.

The Council has prepared a comprehensive, peer-reviewed business model (which is based on connecting approximately 250 MUSH entities by 100 km of fibre) that has enabled it to understand both the economics and viability of the broadband infrastructure market and how a Wellington based broadband network could operate.

Through this work the Council has concluded that the following critical factors are required for such a venture to be successful:

- Local government support – facilitating roll out processes, giving access to Council assets and facilities and investigating low cost deployment methods
- Central government support –funding the basic infrastructure and undertaking a leading role aggregating its demand across the health and education sectors
- Substantial private sector partner/s.

While we acknowledge that the 2006 Broadband Challenge was an important catalyst for ensuring broadband projects were initiated in a number of city centres, the Council believes that government needs to partner with territorial authorities in order to obtain open access and affordable urban fibre networks in cities throughout the country.

Recommendations:

1. That 2012 be included in the vision as a more aggressive timeframe for establishing open access, FTTH broadband infrastructure – particularly in New Zealand’s main cities.
2. That the government work closely with its co-collaborators to consider the options that would enable a FTTH network to be rolled out by 2012.

Content and Confidence – after Connectivity is sorted out

Pervasive, affordable, unconstrained and symmetrical broadband alone will provide the impetus to take Content and Confidence focused initiatives to the next level – where communities, business and government will be able to fully realise the social, economic and environmental benefits of ICT.

The Council has been progressing significant Content and Confidence initiatives – but pervasive broadband is required to enable them to provide a step-change. For example:

1. **The Wellington Loop** (which is also supported through a CPF grant) is highlighting what can be achieved in education with the availability of unconstrained broadband.
2. **The Wellington Community Network** (www.wcn.net.nz) provides a free website hosting service for community groups and organisations based in Wellington.
3. **Leveraging the Council’s GIS assets** by partnering with Google has enabled easy access to the city’s detailed aerial photography.

However, the success of these initiatives can only be achieved when those communities have access to the broadband infrastructure needed to support them.

Support for communities

The Council recognises that the strategy’s new priorities of increasing labour productivity and ICT innovation are critical to our city and region’s economic development. However, we also encourage the Government to increase its commitment to ensuring that all communities and individuals have the skills they need to fully participate in ICT.

Such initiatives as the Aotearoa People’s Network are important for reaching potentially disadvantaged communities and individuals. We believe that

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existing community facilities, which already receive a high level of community patronage and support, are natural places for people to gain access to new technologies and the skills to help them use them.

The Council also encourages the government to consider extending the funding it has previously provided through the Community Partnership Fund – though alternative models for distributing funds may need to be considered to ensure it is focused on grassroots-led initiatives and is not overly absorbed in the creation of duplicate governance structures.

Recommendations:

1. That consideration is given to extending the Community Partnership Fund, with an increased focus on grass-roots organisations.

Conclusion

The Council is continuing to work on its funding model for achieving an urban fibre network in the immediate short-term and a FTTH network by 2012. We would welcome the opportunity to work with the Government to realise our vision and ensure both this city, and New Zealand, can be ensured of maintaining international competitiveness

Yours sincerely

Kerry Prendergast
MAYOR

APPENDIX TWO

Draft Digital Strategy 2.0