

# New Zealand's plan for faster Internet hits snag

December 5 2013, by Nick Perry

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A plan by the New Zealand government to upgrade the country's notoriously slow Internet service has hit a snag after accountants confirmed the main contractor is facing financial problems.

The government agreed to spend \$1.1 billion over the next six years to lay [fiber cable](#) throughout much of the country to replace existing [copper cables](#). But Communications Minister Amy Adams said Thursday that accountants at Ernst & Young have told her that infrastructure company Chorus is at risk of not fulfilling its contract.

A recent report by technology company Akamai found New Zealand's Internet speed averaged 4.6 megabits per second, placing it 49th in the world rankings and behind most developed and tech-savvy nations. South Korea topped the rankings at an average 13.3 Mbps while the U.S. was ranked eighth at 8.7 Mbps.

Adams said the government remains committed to its plans and she hopes the agency overseeing the work can amend existing Chorus contracts without costing taxpayers more money or delaying the rollout.

She said that options include paying Chorus earlier and changing some technical specifications of the cable network.

"At this stage, I'm hopefully optimistic that they will find a way through, but that's for them to now work through and come back to us once they have the final and full numbers," Adams said.

Chorus blames its difficulties on a recent decision by New Zealand's Commerce Commission to make Internet connections cheaper for most people next year. The commission decided that Chorus will be able to charge Internet service providers a maximum \$28 per month for each copper line connection, down from \$37 a month.

The commission sets the price because Chorus owns a near-monopoly on the cable infrastructure. Commissioner Stephen Gale said the price was based on comparisons with other countries, in particular Sweden.

But Chorus said the price reduction means it will have to sell connections below cost. The company said the decision will cost it more than \$100 million a year in lost revenue and lower the amount it can borrow to build infrastructure.

Chorus Chief Executive Mark Ratcliffe said in a statement to the New Zealand stock market Thursday that the company would immediately begin to renegotiate its contracts with the government agency overseeing the work.

"We look forward to resolving these issues and continuing to focus on this world-leading fiber infrastructure build," Ratcliffe said.

Chorus shares were down about 4 percent Thursday and were trading at 1.38 New Zealand dollars (\$1.13). The shares have lost more than half their value since September.

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