



Summary of our report

Crown Fibre Holdings Limited: Managing the first phase of rolling out ultra-fast broadband



The Government's ultra-fast broadband initiative commits it to providing most New Zealanders with access to broadband services that are faster, are more reliable, and have greater bandwidth than current services.

Crown Fibre Holdings Limited (Crown Fibre) was set up to form commercial partnerships with, then oversee the work of, commercial companies that would build a network of fibre-optic cables throughout the country. We wanted to provide assurance that Crown Fibre was making sure that its commercial partners were building the network well, on time, and within budget, because of taxpayers' \$1.345 billion investment.

We looked at how well Crown Fibre managed work to build the first phase of the network for 75% of the population and connect it directly to businesses, health providers, and schools. We did not look at other ultra-fast broadband projects, such as the rural broadband initiative. We also did not look at connecting broadband from the street to people's homes, because these are private arrangements with internet service providers.

So far, work to roll out the network is on time and within budget. Crown Fibre has a testing programme to assure quality. The commercial partners building the network get paid only when the work passes the quality tests. The proportion of the network that has been built and that has passed the testing programme is ahead of schedule. The network looks likely to meet all of the targets set by the Government.

Crown Fibre prepared well for the roll-out and ran a sound process to contract with suitable commercial partners. Crown Fibre can and does influence the performance of its commercial partners. Its relationships with its commercial partners have not always been smooth, and some difficulties have taken time to resolve.

Other government initiatives that use the skills and reach of the private sector could learn from Crown Fibre's experience. The lessons include:

- Good preparation helps set up a project for success. This includes being adaptable when the specifics of the task call for it. For its partnerships with commercial partners, Crown Fibre (and others) designed new public-private partnership models to suit the roll-out, rather than using existing models.
- Hiring and keeping the best people is important. Crown Fibre employed capable people who could negotiate and manage relationships in a tough commercial setting.

Vital statistics:

- 46 pages
- Presented to Parliament on Tuesday 14 June 2016
- Contact: reports@oag.govt.nz

- Choosing the most suitable commercial partners to enter into partnership with is also important. Procurement principles used by public entities help to achieve this and to ensure fairness in the process. Crown Fibre followed good practice and knew what it wanted from commercial partners.
- Contracts should be negotiated purposefully. These negotiations need a careful balance between being firm when necessary and offering flexibility when appropriate. Crown Fibre took seriously its responsibility to invest taxpayers' money wisely.
- Contract negotiations set the tone for a healthy working relationship. Finding opportunities for both parties to be successful in the negotiation can help set this tone. Negotiations for the network contracts were tough and negatively affected some early working relationships.
- All parties should be held to agreed expectations, resolutely when necessary. Crown Fibre kept commercial partners to contract expectations and has been firm in overseeing commercial partners' performance. This has sometimes involved using enforcement rights and other strategies to influence and motivate the commercial partners to improve their performance.
- When government projects create new opportunities, it is important that the public are informed about the possibilities. This helps people make well-informed choices about opportunities and how to take advantage of them.

In our view, Crown Fibre has done well to keep the roll-out on schedule, and there are many examples of sound performance management in this report. We encourage other public entities to use these lessons to get the best possible outcomes when working with commercial partners.

