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Thorns in paradise: Fear of competition destroys a WiFi Eden in Niue

Francis Till



When its international telecommunications equipment was destroyed by Cyclone Heta early this year, outside sources -- including Telecom NZ, the New Zealand Agency for International Development and the French government (which sent some \$US80,000 worth of telecommunications equipment to the island, including a new satellite dish) -- moved swiftly to restore government-owned Telecom Niue's ability to function.

If its recent activities are a measure, however, the carrier's principal concern will not be its ability to meet the service obligation that typically accompanies infrastructure monopolies, but its ability to maintain predatory revenue streams -- even though its new infrastructure will have been provided largely free of charge.

Since the citizens of Niue are also, by virtue of their history, citizens of New Zealand, the issue of what Telecom Niue will do with that equipment -- and how it will handle its internet interface -- is a potentially very hot potato for Wellington, especially since much of the island's reconstruction will be **financed by Kiwi tax dollars**.

Telecom Niue's revenue depends largely on making users pay for even local calls and charging up to \$1.60 a minute for calls to New Zealand, where some 20,000 Niueans live. Niue itself has a population said by the government in 2001 to be 1,700 and shrinking.

Although it does not make revenues public, a 2002 government policy document notes that Telecom Niue's returns above cost are routinely creamed by government, even though they are theoretically set aside for capex and other network related expenses.

In that climate, the intrusion of a genuinely competitive telecommunications operation would be anathema, even if it served the government's other, very widely touted tourism-building agenda by providing vital services.

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And when the Internet Users Society of Niue (IUSN) came to be seen as a threat that is exactly what happened.

The IUSN was developed in 1997 with the specific goal of providing free internet access to anyone on Niue using unlicensed telecommunications spectrum technology known as 802.11, or WiFi. On its face, that shouldn't be a sustainable business model but the effort was underwritten by part of the proceeds from the sale of domain space using the Niue country code suffix --.nu.

Through a Massachusetts-based company, .NU Domain Ltd, an American technology entrepreneur named J. William Semich holds the rights to use -- and sell addresses in -- the .NU internet namespace. Since 1997, it has been returning a portion of its gains from registering .NU domains to the IUSN for use in bringing the island, and its population, online.

Along the way, the company and its charitable IUSN venture have also provided computers to schools and a host of other services and goods out of the proceeds of .NU sales. The company says there were over 100,000 .nu domains in use in late 2003, each of which generates about \$US30 per year. It helps that "nu" happens to translate into "new" in Swedish, where sales are the most brisk, according to company officials.

Building on an island-wide intranet created by former Peace Corps volunteer Richard St. Clair, IUSN first brought e-mail to the island in late 1997 followed by a full-scale, satellite-based internet connection, accessed through a free-to-users internet café in the capital, Alofi, and by the few telephone lines that could handle data.

And up to that point, the government -- a prime beneficiary of the island's new ability to connect to the internet -- happily allowed IUSN to co-exist with Telecom Niue.

But in late 2003, when IUSN decided to turn the entire island into a WiFi hot-spot and make access free, Telecom Niue -- and the government -- clamped down. Touted around the world as a wireless paradise, Niue stood briefly as an example of what private industry can accomplish in even the most unlikely places with the encouragement of even the poorest governments.

But the government, as expressed through Telecom Niue, was not on board.

Not only did ubiquitous wireless internet mean that users could bypass the per-minute telephone charges of making data connections to the Niue internet hub but it also raised the spectre of free internet phone calls via computer. Even without a formal voice over internet protocol structure, such free phone calls have long been available between computer users who are connected to the internet -- and the revenue stream represented by high international tolls for calls out of Niue might have vanished as islanders figured out the technology.

The handwriting had actually been on the wall for more than

a year by the time the government acted.

In a 2002 document titled "National Policy on Telecommunications for Niue -- First Draft" (there was no second draft or final document) Telecom Niue says: "Introducing competition in any aspect of the business may not be timely, as any threat to the viability of Telecom Niue would threaten the basic infrastructure that we have been building over the past few years."

In June 2003, when the IUSN erected its WiFi masts and made Niue into the world's first nation with ubiquitous, free, wireless internet access, the government moved to secure the primacy of Telecom Niue.

In September of 2003, having failed in its demands for an unspecified fee from the IUSN that would "take into consideration Government losses" due to competition, the government shut down IUSN's internet connection.

The fee demand was based on the government's contention that ISUN needed to obtain a licence to operate its WiFi network. That claim was based on language in its Telecommunications Act of 1989 which states that operators must obtain a licence to operate any device that emits an electronic signal -- a broad enough blanket to cover even kitchen appliances and television remote control devices, but one that the government had not thought to invoke until the advent of the WiFi network.

When the government was told that, under international law, there was no licence requirement for any operator of a WiFi (802.11) data communications network, the Director of Telecommunications, Richard Hipa, told the press that Niue was free to impose any rules on telecommunications licensing it chose, saying no-one would be allowed to "dictate to Niue what we want because this is Niue - we have to play the rules as laid down in the Niuean way. This is our sovereignty."

IUSN still has access to the internet, a connection for which it pays Telecom Niue more than 500 times what a similar connection would cost in New Zealand (IUSN paid Telecom Niue \$10,000 per month for a 64K frame relay connection to the New Zealand internet backbone in 2003, a connection it says would cost \$20 inside New Zealand), and it still has its wireless intranet. It even continues to offer free internet access to users from its internet café in Alofi.

While some of its WiFi masts were damaged during the cyclone, the group says it has restored service throughout the island and actually lost very little of its infrastructure because, according to Mr St Clair, they had stored much of their equipment "in a water-tight metal shipping container before the cyclone hit," a move that proved a bit more far-sighted than the government's preparations.

The internet café was also damaged, as were many structures when Heta hit, but the domain name servers that underwrite the free services on Niue are based offshore, in Europe and the US, and so were unaffected by the storm.

However, the island has only one working international telephone line, according to a release from [Travel Video in Tuvalu](#), and even email communications "cannot be guaranteed."

The government, meanwhile, is considering options for the future of Niue's internet that include becoming a direct provider of internet services -- and perhaps even sweeping the IUSN away.

Further reading:

[The Register: Niue is dead! Long live .nu!](#)

22-Jan-2004

Related Links:

- ▶ [Internet Users Society -- Niue](#)
- ▶ [Niue telecommunications equipment delivered by NZ, France, Telecom NZ](#)
- ▶ [Letter from Niue Telecommunications Director shutting down IUSN WiFi net](#)
- ▶ [Director Hipa: statement on sovereignty](#)
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