



Chorus Limited
Level 10, 1 Willis Street
P O Box 632
Wellington 6140
New Zealand

Email: company.secretary@chorus.co.nz

STOCK EXCHANGE ANNOUNCEMENT

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Next steps on the post 2020 regulatory review announced

The Government has today released a further Discussion Document as part of its review of the regulatory framework that will apply from 2020, which sets out final views on the approach to UFB fibre services, and new proposals for copper services for feedback.

The Government has departed from the previous combined copper and fibre regulated asset base proposal. The key changes are:

- The final decision is that UFB fibre will be regulated under a traditional utility style building block model framework. The initial valuation of the UFB fibre network will be determined by the Commerce Commission based on unrecovered historic costs. For an initial period until 2023, Chorus will be regulated under a revenue cap with anchor products. The price of the initial voice and broadband anchor product (100/20Mbps) will be set based on 2019 prices, adjusted for inflation. The form of control can be reviewed by the Commission from 2024, subject to approval by the Minister. Unbundling is required with prices set commercially until 2024, when the Commission can investigate whether or not prices should be set on a cost-oriented basis.
- The proposal is that copper will be de-regulated and the Telecommunications Service Obligation (TSO) will be removed where UFB or other fibre is available.
- In other copper areas, prices will be set at 2019 prices with no inflation adjustment and the TSO will remain in place.

“The proposal to treat copper and fibre separately in the regulatory framework is a change from the Discussion Document in July 2016. This raises some additional complexity for regulatory implementation, such as cost allocation, that we will need to consider carefully. In addition, it raises questions around incentives to invest in the high cost rural areas currently served by copper. We look forward to engaging further on this, to ensure that customer needs are met, along with consideration of whether investors can earn a fair return,” said Vanessa Oakley, Chorus General Counsel and Company Secretary.

A copy of the Discussion Document can be found here www.mbie.govt.nz/telcoreview. Chorus looks forward to considering today’s announcements in more detail, participation in the review and completion of legislation this year.

ENDS

For further information:

Nathan Beaumont
Stakeholder Communications Manager
Mobile: 021 243 8412
Email: nathan.beaumont@chorus.co.nz

Brett Jackson
Investor Relations Manager
Mobile: 027 4887808
Email: brett.jackson@chorus.co.nz