

## Market Announcement

10 December 2014

### **Spark changes pricing to reflect Chorus wholesale copper line costs**

Spark said today it will change the price of selected homephone and broadband plans from 1 February 2015, following last week's Commerce Commission draft decision on the amount that Chorus can charge Spark and other Retail Service Providers (RSPs) for access to the Chorus copper wholesale network.

Last week's draft decision signalled:

- A \$5.40 increase (incl.GST) in the wholesale charges for homephone lines that have been in place for the past two years; and
- A \$4.54 increase (incl. GST) in the broadband lines charges that took effect on 1 December, 2014

Chorus has argued that an increase in charges to Spark and other RSPs must be backdated, and the Commerce Commission has yet to give a view on this matter.

#### **Spark price changes from 1 February, 2015**

The price of Spark's homephone-only plans and the 40GB and 80GB broadband plans (ADSL and VDSL, excluding Ultra Fibre plans) will go up by between \$2.50 and \$4.25 a month from 1 February 2015. A summary of key price changes is in the table below. There will be similar increases in the price of business copper broadband plans, with full details available at [spark.co.nz/pricechanges](http://spark.co.nz/pricechanges)

While these increases will affect lower-end plans, Spark will continue delivering more value to its customers by lowering the price of Unlimited Broadband Data and homephone packages – also from 1 February.

These price changes affect Spark Home, Mobile and Business services. Spark Digital will be contacting its medium-to-large business and government customers to discuss any increases for Spark Digital services.

Spark Home, Mobile and Business Chief Executive Chris Quin said: "Over the past two years we have been competing hard in the broadband market on the basis that there would be a \$10 reduction in the monthly charge we pay Chorus for providing copper broadband access.

"Market competition has brought great value for customers and the expected wholesale cost reduction for Spark and other ISPs has been built into current broadband prices. For example, Spark's basic \$75 broadband package today would have cost customers \$105 two years ago.

“Now it’s indicated that wholesale broadband access charges will go down by almost \$5, rather than \$10, and homephone access charges will go up by more than \$5. We understand this is how the process works, but we do have to react accordingly.

Mr Quin said the monthly price increases of between \$2.50 and \$4.25 meant that Spark would only partially recover increases in wholesale charges.

He acknowledged that the Commission’s decision on the new charges was a draft and was unlikely to be finalised until sometime next year. However, he noted that Chorus was arguing for the new wholesale charges to be backdated.

“Given this negative uncertainty, Spark has no choice but to change its prices now,” Mr Quin said.

“If the Commerce Commission confirms these charges and decides to backdate its final decision, then the price increases we’re announcing today will not fully cover our increased wholesale costs. Once we have a clearer view on the final decision on wholesale charges and whether these charges will be backdated, we will review the situation – and we will do the right thing by our customers.”

#### **Unlimited Broadband Data price reduction, traffic management clause removed**

Mr Quin said Spark was also taking this opportunity to simplify and streamline its broadband plans – and to continue delivering more value to its customers. From 1 February, Spark will drop the price of its Unlimited Broadband Data and homephone packages by \$10,<sup>1</sup> and remove the sale of the 150GB and 500GB data plans to new customers (since these would be priced on par with or above the Unlimited plan).

“The Unlimited data plans have been a great success and we want to make them even more attractive to customers. As we haven’t yet used traffic management on this plan, and will not be doing so in the near future, we have also decided to remove the traffic management policy from the Unlimited Broadband Data plans,” Mr Quin said.

ENDS

<b>SUMMARY OF KEY PRICE CHANGES</b>				
<i>Full details, including increases to business plan pricing, Naked plan pricing, and VDSL pricing are at <a href="http://spark.co.nz/pricechanges">spark.co.nz/pricechanges</a></i>				
<b>Spark plan</b>	<b>Current monthly price (incl. GST)</b>	<b>Cost difference between IPP and FPP Chorus charges (incl.GST)<sup>3</sup></b>	<b>Price change (incl. GST)</b>	<b>Price from 1 Feb 2015 (incl. GST)</b>
Home phone only (Akl, Wgtn, Chch)	\$46	+\$5.40	+\$4	\$50
Home phone only (Rest of NZ)	\$51	+\$5.40	+\$2.50	\$53.50

ADSL Broadband and homephone, entry level 40GB plan	\$75	+\$4.54	+\$4	\$79
ADSL Broadband and homephone, 80GB plan <sup>2</sup>	\$85	+\$4.54	+\$4	\$89
ADSL Broadband and homephone, Unlimited Data plan	\$109	+\$4.54	-\$10	\$99

### Notes

1. The \$10 price reduction will apply to all Unlimited Broadband Data plans, except the Naked ADSL Unlimited Plan, which will remain the same in price.
2. For customers in Auckland, Wellington and Christchurch only. The Ultra Broadband 80GB plan will cost \$99 for the rest of New Zealand from 1 February 2015.
3. IPP (Initial Pricing Principle) charges for wholesale line charges (which affect standalone voice services and broadband services) came into effect in December 2012. IPP charges for wholesale broadband services were finalised by the Commerce Commission in 2013 and came into effect on 1 December 2014. Draft FPP (Final Pricing Principle) charges were announced by the Commission on 2 December, 2014.

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