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STOCK EXCHANGE ANNOUNCEMENT

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Post 2020 regulatory legislation progresses to next stage

The Government has today released final policy decisions for the regulatory framework that is expected to apply from 2020 for fixed line access services.

The Government's earlier proposals have been largely confirmed with some detailed adjustments, including additional monitoring powers for the Commerce Commission in relation to transparency of retail service quality for consumers and a faster process to intervene in mobile markets.

"Chorus welcomes this next step in the process for a refreshed regulatory framework and supports incentives that support quality for consumers," said Vanessa Oakley, Chorus Executive.

"The right regulatory settings for broadband connectivity, which sensibly support efficient investment without costly duplication of utility infrastructure, will ultimately deliver better quality and greater affordability for all Kiwis."

"We'll be taking a keen interest in the next legislative phase of the process which is expected to commence with the introduction of a Bill to Parliament in the second half of 2017."

While largely following the February announcements, a number of key changes have been made including:

- While the valuation methodology for the fibre network built post 2011 remains based on depreciated actual cost, pre-2011 assets will be valued on a depreciated historic cost basis. The value of the opening regulated asset base is increased by the financial losses incurred by suppliers prior to 2020;
- Removal of the proposal that the Commission be required to assess the efficiency of pre 2020 investment. Costs for the regulated asset base will include costs incurred as a direct result of meeting specific requirements in UFB and standard and non-standard installations;
- Clarification that the price capped anchor product is an entry level product;

- A new decision that the Direct Fibre Access Service (a business grade fibre product) will be price regulated, in the initial period, that price will be set at 2019 levels adjusted annually for inflation; and
- Regulated copper services in non UFB areas will now have an annual inflation adjustment.

"Legislative detail will be important to mitigate debate and help ensure the Commerce Commission implement a smooth transition to the new regime in time for 2020. There is a need to strike a balance between providing investors with a fair return on the significant network investments they've made with the broadband innovation and quality consumers clearly want", said Ms Oakley.

"We're proud of our partnership with the Government over the last five and a half years to make fibre broadband available to more than 700,000 customers. It's the country's largest ever telecommunications infrastructure upgrade and our rollout is now cited by other countries as an example of success for model and cost."

"As broadband has now become an essential utility it's important that all Kiwis have a clear picture of the options available to them. We are continually increasing information and tools for consumers to be informed and we support greater transparency to support information and quality for consumers at all levels of the market."

"We are actively encouraging consumers to ask for better broadband options available to them."

A copy of the Discussion Document can be found here
www.mbie.govt.nz/telcoreview.

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