

## **STOCK EXCHANGE ANNOUNCEMENT**

28 March 2019

### **Chorus releases proposed unbundled GPON fibre pricing**

Chorus has today released its proposed unbundled GPON fibre pricing to the industry for feedback.

Unbundled fibre uses Chorus' passive infrastructure such as fibre optic cables, ducts, and poles, along with a Retail Service Provider's (RSPs) own broadband electronics, to deliver services to customers.

Since 2011, Chorus has built its fibre network to enable unbundled fibre services, including ensuring enough space for RSPs to install their own broadband electronics at key points in the network and providing a second fibre to each premise specifically for unbundling.

As confirmed in the recently passed amendment to the Telecommunications Act, unbundled fibre services will be offered by Chorus and other Local Fibre Companies on commercial terms from 1 January 2020.

As such, Chorus has proposed a monthly access charge of \$28.70 per month to cover access to the fibre between the premise and the splitter. The splitter is a key point in the network where shared fibres are split into the individual fibres that go to each customer's premise. Typically up to 16 customers can be connected to each splitter.

In addition, RSPs will also pay \$200 per month to access the feeder fibre from each splitter to a central office where RSPs can pick up the unbundled service. For RSPs this means the cost of each unbundled connection will vary depending on the number of premises it has connected to each splitter.

"The pricing released for feedback today is the latest step in a near year long process of industry engagement, that has sought extensive feedback on the product and processes that will enable unbundled fibre," said Ed Hyde, Chief Customer Officer.

"Unbundling economics mean that it is mostly likely to appeal to the larger RSPs, so the proposed pricing released today seeks to strike a fair balance for all, by enabling RSPs who choose to unbundle to deliver their services, at the same time as ensuring a competitive playing field for all other RSPs.

“We are also seeking to ensure Chorus’ own ability to generate a return from its billions of dollars of investment in fibre, which is essential for ongoing investment and maintenance of strategically critical infrastructure.”

Chorus has noted that the passive infrastructure costs, known as layer 1, make up 97 percent of its capital investment in fibre since commencing the rollout of fibre to the home in 2011. As such, costs from providing the broadband electronics, known as layer 2, represent around three percent of the total cost of rolling out fibre.

“One of the most challenging aspects of developing this pricing is that the avoided costs through not providing broadband electronics are minimal.

“While I’m sure some RSPs will argue for even lower input costs, the economic and technical reality of unbundling a newly-built, world-class fibre network is much more challenging than unbundling much older, often fully depreciated, copper network assets that have a fundamentally different architecture.

“However, we are confident that an RSP that is committed to providing unbundled fibre services will be able to do so at this price point,” he said.

The industry has until 7 May 2019 to provide its feedback on the proposed pricing.

ENDS

For further information:

Steve Pettigrew  
Stakeholder and Communications Manager  
Phone: +64 9 975 2951  
Mobile: +64 (27) 258 6257  
Email: [steve.pettigrew@chorus.co.nz](mailto:steve.pettigrew@chorus.co.nz)

Brett Jackson  
Investor Relations Manager  
Phone: +64 4 896 4039  
Mobile: +64 (27) 488 7808  
Email: [brett.jackson@chorus.co.nz](mailto:brett.jackson@chorus.co.nz)