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STOCK EXCHANGE ANNOUNCEMENT

5 December 2013

Minister releases update on independent assessment

Communications and Information Technology Minister Amy Adams has today released a statement, following a verbal briefing from Ernst & Young Australia on its high level findings on whether Chorus can deliver on its broadband contracts.

The statement is attached.

ENDS

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Hon Amy Adams

**Minister for Communications and
Information Technology**



5 December 2013

Media Statement

Update on independent assessment of Chorus' financial position

Communications and Information Technology Minister Amy Adams says the Government has today received a verbal briefing from Ernst & Young Australia on its high level findings on whether Chorus can deliver on its broadband contracts.

The Ministry of Business, Innovation and Employment commissioned Ernst & Young Australia to investigate Chorus' capability to deliver on its Ultra-fast Broadband (UFB) and Rural Broadband Initiative (RBI) contractual commitments with the Government, in light of the Commerce Commission's decisions on final wholesale prices for copper-based broadband services.

“The preliminary conclusion from Ernst & Young is that copper price changes will have a significant impact on Chorus' financial position and that absent further action, Chorus is at risk of not meeting its UFB and RBI contractual commitments, after taking into account a wide range of actions Chorus can take itself,” Ms Adams says.

“While the quantum of the shortfall is still being finalised and will be outlined in its final report, Ernst & Young has indicated it is unlikely to alter the high-level findings, and that the Government can act with confidence on the information Ernst & Young has supplied.

“As a result of this information, and because the Government remains strongly committed to the UFB roll-out, the Government expects that the next step will be for Chorus to approach Crown Fibre Holdings (CFH) to discuss specific provisions within the UFB contract.

“The Government supports CFH entering into discussions with Chorus to help manage this issue.

“The Government's UFB initiative has a budget of \$1.35 billion and CFH is required to act within this fiscal envelope.

“The Government expects Chorus to meet a significant part of the shortfall.

“The Government expects to know the outcome of the discussions between CFH and Chorus in a few months’ time.”

Ernst & Young’s final report is due with Ms Adams on 12 December.

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