Media Statement

24 May 2011

CROWN FIBRE HOLDINGS MEDIA RELEASE – CROWN FIBRE HOLDINGS SUPPORTS FINAL UFB PARTNER ANNOUNCEMENTS

Crown Fibre Holdings has today released the attached media statement in relation to UFB partner announcements.

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Crown Fibre Holdings
Ultra-fast broadband for New Zealanders
me te uira te rite

Crown Fibre Holdings Supports Final UFB Partner Announcements

0830 Tuesday 24 May.

Crown Fibre Holdings (CFH) has welcomed the announcement by Minister of Communications and Information Technology, Hon Steven Joyce that two companies are to deploy and operate the balance of the ultra-fast broadband (UFB) initiative, with a combined CFH investment of ~$1.1 billion. They are:

- Christchurch City Holdings Limited through its fibre business Enable Networks (covering Christchurch, Rolleston and Rangiora); and
- Telecom Corporation of New Zealand Limited through its Chorus business (covering 24 urban areas including Auckland and Wellington).

This announcement follows a recommendation from the CFH Board that was approved by Shareholding Ministers.

"These are strong commercial agreements which met the Crown's key criteria", said CFH Chair, Simon Allen.

"Partners such as Chorus and Enable Networks offer significant industry experience, financial strength and the ability to complete the UFB deployment within the Government's allocated budget and timeframe. Attractive wholesale UFB prices will help end users migrate onto the UFB to experience much higher bandwidth and new services that will follow.

"Collectively, we have made the best possible use of the Government's funds in striking these agreements, using the Public Private Partnership model to leverage ~$1.3Bn of investment to ensure the deployment of UFB to 75% of New Zealand's population. The total cost including private sector co-investment is likely to be in excess of $3Bn", said Mr Allen.

All 33 UFB candidate areas have now been awarded by CFH to its partners. This provides contractual certainty that the UFB policy objective of 75% of New Zealanders having access to at least 100 Megabits per second downstream, 50 Megabits per second upstream by the end of the decade will be achieved. Chorus, a business unit of Telecom, has been awarded 69.4% of the UFB, with 30.6% going to Enable and CFH's existing partners WEL Networks and Northpower.

As part of this agreement Telecom New Zealand has proposed that it will structurally separate its infrastructure business unit, Chorus, from the rest of the company.

"UFB will drive real change for New Zealanders, especially in the priority segments – businesses, schools and the health sector. We see enabling improved productivity, innovation and new services in these areas as perhaps the most critical benefits of UFB," said Mr Allen.

Chorus is intending to accelerate rollout to schools and hospitals beyond the policy requirements, with 95% completed by December 2013. Enable expect to have close to 100% of these premises covered by December 2012.

"CFH is also very encouraged that Christchurch City Holdings and Chorus have agreed in good faith to work in towards developing a partnership to bring their combined existing fibre networks and expertise to focus on the reconstruction and development of Christchurch", Mr Allen said.

"This has been a long, tough and highly competitive process and we thank all the bidding parties, successful and unsuccessful, for their efforts."

"Full scale deployment of UFB is already underway in Whangarei and will commence shortly in Hamilton, Tauranga and Wanganui. Enable will commence UFB deployment in July 2011 and Chorus in August this year. We anticipate the first UFB customer connections in the next couple of months," said Mr Allen.

CFH is releasing summary information of the arrangements underpinning the UFB contracts today, including product prices, indicative coverage areas and deployment timeframes. (www.crownfibre.govt.nz – see Publications & Tenders / Resources).

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Background on negotiations for the UFB initiative

Approved Agreements:

- Northpower Limited: covering Whangarei
- Ultra Fast Fibre Ltd, led by WEL Networks: covering Hamilton (including Cambridge and Te Awamutu), Tauranga, Tokoroa, New Plymouth, Hawera and Wanganui
- Enable Networks Limited: covering Christchurch (including Rolleston) and Rangiora
- Chorus: covering 24 Candidate Areas (all areas except those covered by Enable, UltraFast Fibre Limited and Northpower): Auckland, Waiheke Island, Pukekohe, Waiuku, Rotorua, Taupo, Whakatane, Gisborne, Napier-Hastings, Palmerston North, Feilding, Masterton, Kapiti, Levin, Wellington, Nelson, Blenheim, Greymouth, Ashburton, Timaru, Oamaru, Dunedin, Queenstown and Invercargill.

Background on Crown Fibre Holdings and the UFB initiative:

- CFH has been established to manage the Crown's investment in ultra-fast broadband (UFB) infrastructure over a ten year period.
- The government's objective for the UFB initiative is to accelerate the roll-out of ultra-fast broadband. Fibre optic infrastructure will be deployed to 75 percent of New Zealanders by the end of 2019 across 33 urban centres ("Candidate Areas").
- In Oct 2009, an Invitation to Participate was released.
- In Jan 2010, initial responses were received; in Aug 2010 refined proposals were received.
- In Sept 2010, CFH announced prioritised negotiations with 3 parties and shortlisted 11 others.
- In Dec 2010, the Government announced that it had accepted CFH's recommendations to form the first two Local Fibre Companies, covering 7 Candidate Areas.
- In Dec 2010 CFH announced prioritised negotiations with a further 3 parties, and added additional parties in Feb & Mar 2011.

- In Mar 2011 CFH confirmed that 13 companies had expressed an interest in retailing UFB.
- On 24 May 2011, the Government announced that it had accepted CFH's recommendations to partner with Chorus and Enable Networks for the remaining 26 Candidate Areas.