



STOCK EXCHANGE ANNOUNCEMENT

3 December 2012

COMMERCE COMMISSION MEDIA RELEASE – Commission announces small reduction in wholesale price for Chorus' local copper lines

The Commerce Commission has today released the attached media statement in relation to its final decision on the wholesale price for access to Chorus' unbundled copper local loop (UCLL).

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Media Release

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Commission announces small reduction in wholesale price for Chorus' local copper lines

The Commerce Commission has today released its final decision on the wholesale price for access to Chorus' unbundled copper local loop (UCLL).

The new geographically averaged price is \$23.52 per month per line and comes into effect on 1 December 2014. This change equates to a 3.85% reduction on the prices set in 2007, which geographically averaged is \$24.46.

Updated urban and non-urban UCLL monthly rental prices of \$19.08 and \$35.20 respectively have also been set. The updated urban and non-urban prices come into effect immediately.

The UCLL price applies to the local copper lines between homes or businesses and an exchange. Retail telecommunications companies rent UCLL from Chorus to provide voice and broadband services to end users.

The Telecommunications Act requires that the UCLL price is set by international benchmarking, that is, by comparing and matching prices in New Zealand to countries likely to have similar costs to us.

"Due to the lack of countries that have similar networks to New Zealand and similar cost conventions, it has been a difficult process to establish relevant benchmarks. We have, however, now updated our benchmarks, and conclude that the relevant costs in New Zealand are likely to have dropped since 2007. But the effect of this drop has been largely offset by inflation," said Dr Stephen Gale, Telecommunications Commissioner.

“That is why we have adopted a small decrease in the wholesale price relative to 2007.”

In May this year, the Commission released its draft decision which proposed a price drop of about 20% for the UCLL service. The draft decision reflected the Commission’s view at that time that the price for the UCLL service should be less than the network average, because the lines are shorter than the average. This view was generally shared by the industry and interested parties.

Following feedback, submissions and a conference in September on this topic, the Commission and most parties now agree that there is no clear evidence that the shorter lines cost less and that it is preferable that all UCLL lines be priced the same regardless of length. This is the approach the Commission has adopted in its final decision.

The change in the UCLL price flows through to the prices of the unbundled bitstream access (UBA) service (for broadband services), the unbundled copper low frequency (UCLF) service (for voice services), and the sub-loop service (SLU).

You can find the final UCLL decision on the Commission’s website:

www.comcom.govt.nz/re-benchmarking-prices-for-chorus-s-unbundled-copper-local-loop-service

Background

Unbundled copper local loop (UCLL) refers to the service that enables access to, and interconnection with, Chorus's copper local loop network. It allows telecommunications companies to supply voice and broadband services to retail customers using their own equipment over Chorus's local loop.

Unbundled bitstream access (UBA) is a service that allows telecommunications companies to supply broadband services to customers without the need to replicate Chorus' electronics or software.

Unbundled copper low frequency (UCLF) service enables telecommunications companies to have access to the low frequency portion (the frequency band between 300 and 3400Hz) of the UCLL network. When telecommunications companies have this service they can supply voice services to retail customers without the need to replicate Chorus’ local loop.

The Commission’s Standard Terms Determination that regulates the price terms for the UCLL and UBA services and related documents can be found at:

www.comcom.govt.nz/standard-terms-determinations

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