

Simon Thomson
Commerce Commission
PO Box 2351
Wellington 6140

14 October 2019

Dear Simon

ANNUAL ADJUSTMENT TO CHARGES FOR LABOUR, POWER OR INPUT COSTS

Overview

This letter and the supporting Excel spreadsheet detail adjustments to the Non-Recurring Charges (**NRCs**) set out in the following Standard Terms Determinations as a result of changes in labour cost indices, power indices and input costs (collectively the "**relevant STDs**"):

- UBA;
- UBA Backhaul;
- UCLL (Unbundled Copper Local Loop);
- UCLL and Unbundled Copper Low Frequency Co-Location Service;
- UCLL and Unbundled Copper Low Frequency Backhaul Service;
- SLU (Sub-Loop Unbundled Copper Local Loop);
- SLU Backhaul;
- SLU Co-Location;
- UCLF Service (Unbundled Copper Low Frequency Service),

We are seeking the Commission's approval to adjust a number of price points as a result of changes in annual indices, in accordance with the provisions in the relevant STDs. We propose that these prices are effective on **16 December 2019**. We have prepared these adjustments following discussions with Commission staff, and using the Excel spreadsheet template provided by the Commission.

Annual Index Based Price Adjustments

We have prepared the pricing changes and annual price adjustment in accordance with the amendments made to STDs in the Commission's final decisions on 'Section 30R Reviews of Price Lists of Seven Regulated Telecommunications Services' Standard Terms Determinations' (dated 19 May 2017).

We have also consulted with the Commission on the labour cost index (LCI) and power index (PPI) used in our calculations. This year, the indices are 2.14% and 7.5%, respectively.

STD Price Adjustments due to Input Costs

Each year on the anniversary of our service company contracts, we undertake a review with our service companies of service charges for coded work. This year the Field Services Agreements were renegotiated via a competitive tender process. While there was no change to the scope of codes, labour costs for deployment and maintenance have increased due to the fall in copper volumes increasing the overhead costs per job.

We note in particular that UCLL/UCLFS Backhaul, UBA Backhaul, SLU Backhaul, UCLL/UCFLS Co-location and SLU Co-location have significantly increased due to changes in the service company codes.

Under the relevant STDs, when input costs charged to us by our field service companies change we must (with the approval of the Commission) immediately adjust the sundry charges related to ancillary services to reflect the change in costs.

As in previous years, we propose to implement these changes as part of the annual review. This includes updated prices which the Commission has not previously approved, and for which Chorus has been charging 2015 prices as a result. We list these prices in **Appendix A**.

Confidentiality

The **attached** Excel spreadsheet contains information about our service company costs, and as such contains commercially sensitive Chorus information and is confidential. These costs are subject to confidentiality agreements with our service companies and we don't make this information publicly available.

This information has been marked "COI". In the event of an information request under the Official Information Act 1982, we ask that this confidential information is withheld under section 9 of that Act.

We also **attach** a public version for publication following Commission approval.

Price on Application


We haven't identified any NRCs under the IPP and FPP STDs that are currently "POA" that we think should be amended to a fixed price as part of this review. POA charges are typically set for work where there are low volumes with higher capital costs and potentially wide variance, so we need sufficient volumes to establish a reasonable average price. We haven't had sufficient volumes to establish a reasonable average price for these services. We expect this to continue to be the case given the increased focus on our fibre based services.

Commercial Pricing

As in previous years a number of commercial prices are linked to regulatory price changes. The updated commercial prices will be implemented simultaneously when the regulated prices are approved by the Commission where possible, or else following the requisite notice periods.

Please let us know if you have any queries on these proposed changes.

Kind regards

A handwritten signature in blue ink, consisting of a stylized 'J' followed by a long, wavy horizontal line.

Julian Kersey
Manager, Regulatory and Policy Affairs

APPENDIX A

Product	Clause	Description	2017 price	2018 Price	Proposed 2019 change	Proposed 2019 Price
UBA Backhaul	1.3	Standard installation of a Handover Connection - GigE capacity.	\$560.13	\$560.13	12.77%	\$631.65
UBA Backhaul	2.25	Standard Monthly rental for an Access Seeker Handover Connection - GigE capacity	\$88.53	\$88.53	6.19%	\$94.01
UCLL COLO	1.18	Chorus supplied cable: 16 pair cable up to 40 metres	\$424.22	\$424.22	104.22%	\$866.34
UCLL COLO	1.18	then Additional 16 pair multiple	\$409.94	\$409.94	11.55%	\$457.31
UCLL COLO	1.18	then per 16 pair per additional 5 metre	\$41.56	\$41.56	108.29%	\$86.56
UCLL COLO	1.18	Access Seeker supplied cable: 16 pair up to 35 metres	\$254.51	\$254.51	152.29%	\$642.11
UCLL COLO	1.18	then per additional 16 pair multiple	\$240.23	\$240.23	87.60%	\$450.66
UCLL COLO	1.18	then per 16 pair per additional 5 metres	\$32.28	\$32.28	65.26%	\$53.34
Sub-loop Backhaul	2.4	Monthly rental for the Handover Fibre	\$88.53	\$88.53	6.19%	\$94.01