

4 June 2021

Anna Rawlings
Chair
Commerce Commission
BY EMAIL

Dear Anna

Process for determining Chorus' initial RAB

I understand Elaine Campbell's letter to Andrew Riseley of 20 May 2021 raising concerns about the Commission's proposed approach to determining the initial RAB has been drawn to your attention.

I am writing to underscore the points made in that letter and express the Board's concern about both the lawfulness of the Commission's proposal and the commercial uncertainty resulting from the ongoing delay in finalising the initial RAB.

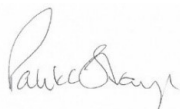
In short, the Telecommunications Act requires the Commission to determine the initial RAB – applying the method set out in the legislation – by 1 January 2022. The Commission's revised process does not meet the deadline set by the Act, which had already been extended by two years. The Commission is also proposing not to conduct consultation on the transitional initial RAB that will be used to set allowable revenue for the first regulatory period. The consequence is that Chorus's revenue from fibre services will be fixed for three years based on a critical input that we will not be permitted to comment on. That is unacceptable.

The ongoing delays in finalising the initial RAB have real world implications for Chorus and investors. The RAB is one of the key drivers of the valuation of Chorus. Uncertainty regarding the initial RAB affects investment decisions, which in turn adversely impacts our ability to run the business.

I do note that, at the outset of the process of determining the Input Methodologies, Chorus asked the Commission to expedite the determination of the initial RAB. The Commission declined to expedite that process, but now appears to be seeking extra time which the legislation does not allow. We look forward to this being corrected.

I understand we can expect a response to Ms Campbell's letter, and a further revised process, which we expect to address Chorus' concerns.

Yours sincerely



Patrick Strange
Chairman