



Chorus Limited
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New Zealand

Stephen Gale
Telecommunications Commissioner
Commerce Commission
PO Box 2351
Wellington 6140

18 September 2014

Dear Stephen

CHORUS REGULATED UBA AND BOOST PROPOSALS

I am writing to provide you with market context for New Zealand broadband which I believe to be relevant to the Commission's consideration of the regulated UBA and Boost proposals and the outcomes for New Zealand in the short, medium and long-term.

Since the demerger of Chorus into an open access wholesale only company we have seen monumental changes in the New Zealand broadband market.

- Broadband growth in New Zealand continues with 1.29m connections – a 16% increase in the last three years – and 77% of New Zealand households having broadband at home;
- Chorus' VDSL service now makes up 7% of Chorus' broadband base, up from 1% last year
- The number of residential broadband lines with a speed greater than 10Mbps has increased to 90%;
- Our OECD ranking has shifted from a low of 26th of 33 OECD countries in the study, up to 15th where we now sit comfortably above the OECD average and above the US, Australia and Japan; and
- Data caps have increased exponentially or been removed entirely. In 2010, just 20% of lines had a data cap above 20GB per month, last year more than 80% of lines were above the 20GB per month cap.

In short, an explosion in the number of end-user devices, the increasing consumption of high definition online video and the 'blurring' of professional and personal requirements are increasing demand for more consumer choice of broadband service that is better suited to the individual's specific need.

As a proactive wholesaler, Chorus moved to significantly improve, and commercially offer, VDSL to our customers and their end-users early last year. The uptake has improved significantly and more end-users are enjoying better broadband as a result.

Chorus' Boost proposals need to be considered in the context of significant shifts occurring and being forecast in end-user demand. They, like the VDSL offers last year, have not been undertaken unilaterally but in a highly consultative way with wholesale customers and other stakeholders.

Chorus is continuing to invest exponentially including through Ultra-Fast Broadband (UFB) initiative, the roll-out of the Rural Broadband Initiative (RBI) and through new wholesale offerings that allow a level playing field for competition at retail.

We hope to be able to continue to invest to delivering better broadband to New Zealanders in the transition to fibre and, outside our UFB areas. Of course, we can only do so where we can make a viable business case.

We have today responded to the Commission's external legal opinion published on 4 September 2014. While we have done so, we would like to note that we think a battle of public legal opinions in isolation is a major distraction from the market context and the assessment of the long term benefit of end users by providing choices beyond the standard regulated service.

We encourage the Commission to consider the wider market context in its decision making.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Ratcliffe', with a stylized flourish at the end.

Mark Ratcliffe
Chief Executive Officer