CallPlus Limited

Submission on the Commerce Commission's Draft determinations for UBA and UCLL services

Public Version

20th February 2015

Overview

1. This submission is made by CallPlus, the third largest fixed line carrier and operator of a number of brands in the retail and wholesale market including CallPlus, Flip, Orcon and Slingshot. CallPlus is by far the largest unbundler in New Zealand []CPRI. We thank you for the opportunity to comment on the Commissions draft determination. This submission supplements and supports the submissions by Wigley & Company, InternetNZ, Consumer, TUANZ and Snap

2. Unbundlers and market competition will be the hardest hit if the Commissions draft FPP prices stand.

3. The cost of UBA has changed with monthly fees reducing but non-recurring charges increasing. CallPlus has calculated that the increased connection cost are the equivalent of an additional $3.27 per month - significantly offsetting any reduction.

4. **Effectively UBA pricing will move from $44.98 price to $41.66 – a mere 7% reduction. It should be remembered that UBA prices were frozen in 2011 at the $44.98 price against a downward trend in NZ and globally.**

5. Unbundlers were anticipating an increase in UCLL costs, post the 3 year transition phase, to $23.52 – a 23% increase on urban lines due to averaging. Under the draft FPP unbundlers now face the prospect of a further $4.70 per month increase – **resulting in a possible 48% increase on the price of urban lines prior to 1 December 2014.**

6. This hits CallPlus Group in particular due to the high percentage of unbundled customers [] CPRI as a percentage of our overall base - across all our brands.

7. As if this wasn't enough RSP's are facing price increases in Wholesale Homeline costs, where they haven't unbundled, as a result of the draft FPP. Spark Wholesale are applying a $2.75 per month price increase to ALL wholesale homelines, even though Spark - in the majority of cases - faces no increase in cost as the RSP is already paying the copper cost to Chorus as part of the broadband service and would pay for the $4.70 increase if the draft FPP price applied.

8. If the FPP pricing remains it will significantly impact the competitive landscape, particularly between non-unbundlers and unbundlers and directly impact the ability of unbundlers to compete. The consequence of such a disruption is the very real prospect that we face underutilised network assets, including MSANs & backhaul, triggering a cycle of escalating cost per customer (as fixed costs are spread over a reduced base) which then further impacts our ability to compete – a vicious spiral.

9. The Commission has on many occasions noted the importance of unbundling to competition in the market place. Competition from CallPlus Group (Slingshot, Orcon & Flip) based on our UCLL investments is critical to the market dynamics and the long term benefit of consumers. In approving the merger of Vodafone and TelstraClear the Commerce Commission concluded (emphasis added):

   "Conclusion on Slingshot and Orcon

> *219. The Commission considers that, post-acquisition, Orcon and Slingshot will continue to act as aggressive, price leading competitors in the market.* ***While they lack the scale of Telecom or the merged entity, they are able to compete effectively, especially in areas where they have unbundled*** *(where Vodafone's fixed network is largest). The Commission considers that, post-acquisition, Orcon and Slingshot will provide competitive constraint on the merged entity."*
>
> *(Determination 12 Aug 2012 Vodafone New Zealand Limited and TelstraClear Limited [2012] NZCC 33)*

10. The competitive situation in NZ is fragile, as the rationalisation in the market indicates. CallPlus have made major decisions with UCLL being an 'underpinning' foundation for those decisions: -

    - Major expansion of network reach and capacity including unbundling itself
    - Launch of a new company and residential ISP (Flip)
    - Recent acquisition of Orcon, NZ's 4th largest ISP at that time

11. The Commission draft appears to focus on just Chorus' investment, however it's not just Chorus that are investing and the issue of competition is a far wider issue than fibre investment. History would indicate that if increased investment is the objective then regulating increased competition, such as by setting prices to encourage Layer 1 competition from unbundlers, is the most effective way to achieve it.

12. The Commission should carefully consider the impact of the changes between the IPP and draft FPP and review the price increases as well as consider ways to mitigate the competitive disruption this could cause and allow time for the market to adjust to the new circumstances.

The draft FPP risks significant competitive disruption

13. CallPlus are the largest unbundlers in the market, and this investment underpinned key decisions including launching the Flip brand two years ago and acquiring Orcon just over 6 months ago.

Unbundlers face 'real' cost increases

14. For non-unbundlers, after the price of UBA had been frozen for 3 years, the IPP meant a reduction in cost from the pre-IPP price of $44.98 to $34.44 plus incurring new one-off charges. The draft FPP, however, increases the monthly recurring to $38.39 and the increase in connection costs, based on the post 1 December 2014 Chorus bills, means there will only be a small 7% decrease in total UBA price – which was set in 2011 - if the FPP price takes effect. In terms of connection costs recent developments mean: -

    - VDSL has a commercial offer of amortised connection costs which it has now increased from $5 to $10 per month
    - ADSL connection costs under the FPP are the equivalent of a $3.27 increase in monthly recurring over and above the $38.89 (see para 70)

15. In contrast unbundlers face the prospect a real, significant increase in cost to $28.22. This is a 20% increase in cost from the IPP and a 48% increase in the cost of pre-1 December urban pricing.

16. If unbundlers are unable to offer competitive prices they run the risk of an escalating cost per user due to underutilisation of their network (MSAN Ports, Backhaul, International bandwidth etc) and end up in a vicious upward spiralling cost per user. CallPlus submitted on this previously in CallPlus' Confidential Submission Sept 2014 on July 2014 Consultation paper. The following graph illustrating the dramatic effect that underutilisation of assets can have on the per user cost per month for the MSAN port. If an 80% utilisation can be achieved then a cost of $[]CPRI per month per user for the port is achievable. If however unbundlers lose market share due to reduced ability to compete then the cost of the port can escalate to $25+ per month, on top of the UCLL price, at lower levels of utilisation

17. **[**

18.

19. **]CPRI**

20. It should be noted that this is not just underutilisation of MSANs but the entire network, including backhaul caching, international bandwidth commitments etc. In many cases we are making contractual commitments on items such as international and national bandwidth for several years based on forecast volumes based on the known facts at the time and we had not anticipated a significant increase in UCLL costs.

The impact on our LLU investment will flow to fibre competition

21. As the Commission have noted

    "There are interdependencies between the two networks. In particular the fibre regime is based on the underlying assumption that fibre providers will be constrained by competition from copper-based services. Any reduction in the ability of copper-based services to provide this competition will also weaken the fibre regime" [March 11th 2011 Commerce Commission submission on Telecommunications Amendment Bill – para 54]

22. Fibre is going well with take-up ahead of expectations. CallPlus estimates that it represents []CPRI % of the UFB connections to date and has taken a leading position promoting fibre and supporting Gigatown along with other fibre initiatives. It is our investment in increasing the capacity of our network, making bandwidth commitments, and investing heavily in caching throughout New Zealand that is enabling us to offer compelling fibre services. However at this time it is our success from unbundling that underpins this investment as it is a scale game.

23. Reducing our ability to compete in unbundled areas has a direct consequence on our ability to invest in our network which ultimately impacts our ability to compete in fibre.

Where we haven't unbundled we are also being disadvantaged

24. In areas where we haven't unbundled CallPlus, and others, consume Spark's Business and Homeline service in conjunction with UBA. The inconsistencies between the cost based FPP for UBA and UCLL and the retail minus calculation for wholesale line prices is resulting (in effect) in a double recovery from RSPs of the copper.

25. From 1 December CallPlus and other RSPs will pay Chorus for the cost of copper (currently $23.52 based on the IPP) plus the UBA uplift for the UBA service as UBA now absorbs the copper cost.

26. Where both services (voice from Spark Wholesale and broadband from Chorus) are consumed Spark Wholesale will see a $23.52 reduction in the price Chorus charges them.

27. What should happen is the cost of that copper should come off the price of the wholesale lines from Spark Wholesale to the RSP, leaving RSPs in a neutral position. That is clearly the intent in the Act.

28. However from February Spark Retail have increased the costs of the homeline and broadband bundles along with their voice only service - to recover the anticipated increase in copper price from the IPP to draft UCLL FPP. The retail minus model for wholesale voice lines means that the increase is flowing through to the price RSPs pay Spark Wholesale for <u>ALL</u> wholesale homelines even though in the majority of instances the RSP is paying for the full copper cost directly to Chorus. This is despite the fact Spark faces no copper cost on lines where RSP's purchase UBA from Chorus. Effectively RSPs are paying for the copper increase twice with the exception of Spark Retail.

29. Spark Wholesale have advised this will represent a $2.75 increase averaged across on ALL residential resold voice lines, not just voice only lines.

30. The net effect is that Spark is able to offset the impact on its business from the copper increase both from end consumers and from its competitors who wholesale resold POTs lines. In contrast RSP's pay the full copper price to Chorus for the broadband service and an increased price for the voice to Spark. Furthermore it is unclear how this will work if the Commissions draft FPP price (a $4.70 increase in UCLL) is backdated? Will RSPs see a decrease in Homeline and Business lines backdated to adjust for the increase?

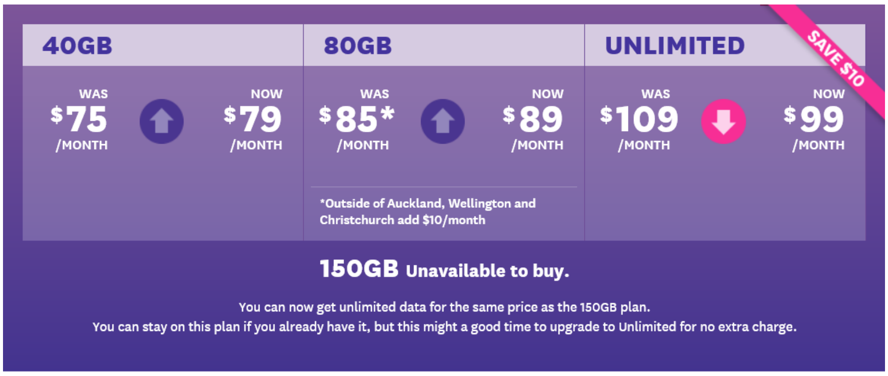
But parties have priced up – what's the issue?

31. To assume that parties can adjust their business to such a change by simply re-pricing their services a few months after the draft decision is overly simplistic:

    - Competitive market dynamics over time make this far more complex
    - CallPlus pricing changes in March will only partially recover any changes
    - Connection charges are difficult to recover for the reasons outlined latter in this paper

32. Generally in the market the incumbent (Spark), sets the level of prices – the price maker – and competitors to gain share have to innovate to create propositions that will attract customers from the incumbent. Price inevitably plays a large part and there is a certain 'price elasticity' at which point customers will consider moving.

33. Spark were the first to announce that they were changing prices, however while they increased their entry level plans by $4 (inc GST) they also announced a $10 decrease in the price of their unlimited plan.



34. This is rational competitive behaviour as Spark are aware that competitors have a higher proportion of their base on unlimited plans. This maximises Sparks' ability to recover increases while increasing their competitiveness and creating price squeeze on their competitors for a part of the market they are underrepresented in.

35. From a competitors perspective their ability to price up existing customers to recover an increase in costs (without factoring the homeline issue outlined above and the new connection and fault fees) becomes significantly constrained and they risk losing customers. This has the flow on effect of driving underutilised assets which result in escalating increases in cost per customer over and above the regulated cost increase.

36. That is how a market works, there is nothing wrong in that, however to assume market participants can quickly re-price and adjust to the new situation is fundamentally flawed.

37. CallPlus Groups re-price in March recovered []CPRI % of the increase in monthly cost (IPP to FPP), averaged over all customers impacted, and []CPRI % for UCLL customers.

38. However the overall under recovery is larger than this.

- This does not factor in the inability to recover increases in costs for December, January & February in the event backdating occurs.
- As outlined below (para 70) based Slingshot and Flip's January bill our monthly UBA activations costs have increased by 1,173% from the pre-1 December 2014 bill – which is the equivalent of a $3.27 increase in cost per month if the increased connection costs were recovered from our UBA customer base in the form of a monthly fee. At this stage we are unsure how we would go about recovering this given competitive pressures and the fact that up-front fees create significant barriers to take-up. In addition we have no

pre-qualification tools to identify what the cost of connection we will be charged at time of customer sign-up and placing the order.

39. **If you factor in the $3.27 increased UBA connection costs on top of the IPP to FPP monthly increase the re-price only recovered []**CPRI **% of the increase.**

What could a 'reasonable investor' expect?

40. With the changes to the Telecommunications Act the Minister announced a three year period for transition. At that time the price for averaged UCLL was set as $23.52, a 23% increase on the urban price.

41. The price of UBA was frozen at $21.46 (against a trend of reducing prices with UBA as low as $17 at one point) to allow Chorus to adjust. It was anticipated by the Commission and industry players that a cost based UBA would result in a much lower UBA price.

> *"It could be estimated that the wholesale price of urban UCLL would increase by 20%. Some decrease in the wholesale margin for broadband in urban areas would be inevitable.*
>
> *The move to a cost based price for UBA after 3 years is likely to give rise to a decrease in the retail price of copper based broadband services at that time."[March 11th 2011 Commerce Commission submission on Telecommunications Amendment Bill – para 71-72]*

42. Furthermore, whilst it was understood that connection costs would be introduced, <u>no-one could have factored in two thirds of UBA connections requiring a 'truck roll'</u>. RSPs reasonably expected 70%+ would be remote connections. Connection fees have turned into a very material cost.

43. That was the environment in which CallPlus and others made business decisions, investments and contractual commitments to suppliers.

    - Network investment – deployment of MSANs, volume commitments to bandwidth growth, extensions of points of presence.
    - Marketing investments – launch of a new brand Flip.
    - Acquisition of the fourth largest fixed line operator.

44. The draft decision could increase the price of UCLL to $28.22 - a 48% increase on the pre 1 December urban price. No one could have reasonably expected an increase of that magnitude.

45. Nothing in international copper prices suggested that the cost of copper was likely to rise and CallPlus agrees with Spark that on an international basis the FPP price looks out of synch with the rest of the world.

46. In fact the Commission themselves acknowledge this.

> *"The modelled price of UBA in this draft is very similar to the benchmark price but the modelled UCLL price is higher. There appear to be uniquely New Zealand factors, such as the dispersed nature of rural network that may differentiate our UCLL prices from overseas benchmarks." [Dr Stephen Gale – media release 2nd December.]*

47. CallPlus expects that it is some of the modelling that may be the underlying cause rather than unique New Zealand factors however regardless of this it is clear that a 20% increase to an already high cost copper service by global standards was not to be anticipated by parties. As noted by Wigley & Company, there will be a submission later on aggregation and other issues.

Flip Investment

48. Flip was launched as a new business just over 2 years ago, offering services within the CallPlus UCLL network, targeted at a market niche. Flip operates as a separate business within the group and like any new brand there has been a significant investment in marketing over the last 2 years. To date Flip has been successful and has grown to be the 6th largest ISP in NZ off the back of that investment, []CPRI

49. The impact of a 20% increase in the cost of LLU, over and above the IPP increase, and the flow on reduction in the relativity to UBA would create significant barriers for the business. At such a critical time for the relatively new businesses it is unreasonable for the business to be given no time to adjust.

Orcon Acquisition

50. Just over 6 months ago CallPlus made its most significant investment, acquiring the 4th largest fixed line operator – Orcon. Along with CallPlus Orcon was a significant unbundler in its own right – with []CPRI % of its broadband customers on its own UCLL network.

51. At the time of the purchase CallPlus modelled the IPP UCLL price of $23.52 both for Orcon's own existing LLU network. In addition CallPlus anticipated synergy benefits from migrating additional Orcon customers off UBA to CallPlus' UCLL network – a forecast []CPRI % of Orcon customers on-net. If the Commissions draft UCLL pricing goes ahead increasing UCLL costs by 20% it is self-evident it has a material impact on the acquisition and the business case.

52. In addition as part of the on-going integration CallPlus is rationalising the two LLU networks and redeploying MSAN's where the networks overlap to maximise coverage. Accordingly we anticipate unbundling an additional []CPRI exchanges as part of the rationalisation. At the time of acquisition no-one factored in a $4.70 per month increase. Again, if it proceeds, the increased FPP copper cost plus the prospect of backdating will create challenges the efficient redeployment of equipment. The alternative is to scrap the equipment.

Poor outcomes for consumers, competition and CallPlus

53. In summary hot on the heels of CallPlus largest investment and the biggest change in its history it is unreasonable to apply an unforeseen 20% increase (let alone backdated) in UCLL costs []CPRI without giving the business time to adjust

54. The draft risks creating significant competitive distortions – unbundlers in particular face significant challenges to their existing business. If the draft FPP price remains unbundlers face the prospect of :

- a 48% increase in the cost of urban UCLL from the pre-1 December price and a 20% increase on the expected averaged price of $23.52;
- an increase in connection costs equivalent to an additional $3.27 impact per month per customer across our UBA base;
- The Commission is considering backdating these changes making the problems even more acute;
- The Commissions approach of 'levelising' costs over 5 years makes things worse and doesn't align with UFB and
- In addition we face a $2.75 increase in the cost of homelines, contrary to the intent of the changes to the act, due to a misalignment of the homeline retail minus model and the UBA cost based model.

55. CallPlus' price increases only partially recover ([]CPRI %) the impact of this, furthermore if unbundlers ability to compete is diminished in unbundled areas they face as spiral of reduced utilisation of network leading to increased costs per customer (over and above the regulatory increases).

56. Unbundlers could not have reasonably foreseen the substantial increase to the UCLL price and CallPlus have made some significant investments where its investment in unbundling was a critical component - including the launch of 'Flip' and the acquisition of Orcon.

57. As noted earlier, the Commission has noted the importance of unbundling to competition in the market place.

> *"Conclusion on Slingshot and Orcon*
>
> *219. The Commission considers that, post-acquisition, Orcon and Slingshot will continue to act as aggressive, price leading competitors in the market. While they lack the scale of Telecom or the merged entity, they are able to compete effectively, especially in areas where they have unbundled (where Vodafone's fixed network is largest). The Commission considers that, post-acquisition, Orcon and Slingshot will provide competitive constraint on the merged entity."*
>
> *(Determination 12 Aug 2012 Vodafone New Zealand Limited and TelstraClear Limited [2012] NZCC 33)*

Certainty and stability does not mean a constant price

58. In the draft determination the Commission outlines its preference to set a constant nominal price over the regulatory period. CallPlus' view is that this is not in the best long term interests of competition or consumers.

59. The industry has asked for certainty and stability. Mark Ratcliffe made the following statement in the Chorus' press announcement on making the application for an FPP:

> *"Chorus seeks stability rather than a higher overall copper price. We simply want an environment that delivers that certainty and stability"*

60. Certainty and stability does not mean a constant price.

61. By taking the approach in the draft determination to averaging the UCLL price the Commission is further compounding the problem for unbundlers – effectively increasing the price they pay in the first year by $1.14 and 0.55c in year 2 by choosing to 'levelise' the price.

Our monthly TSLRIC unit costs determined for UCLL and SLU

402. Table 6 below shows the monthly TSLRIC unit costs determined for UCLL and SLU based on our aggregation approach as explained in the previous sections.

Table 6: Monthly unit TSLRIC costs, 2015-2019 [NZ$, millions, nominal costs]

	2015	2016	2017	2018	2019
UCLL	27.08	27.67	28.28	28.91	29.56
SLU	13.87	14.17	14.48	14.80	15.13

Source: Commission's TSLRIC model for draft decision

62. CallPlus suggests that UFB provides a good precedent, **UFB is certain and stable but it is not constant** – it has a known annual increase in cost. To reiterate the point (para 21 above) the Commission agrees that

> *"Any reduction in the ability of copper-based services to provide this competition will also weaken the fibre regime"*

63. The approach to UFB is in line with the intent behind the Act and it would be consistent to have a copper price that increases over time in line with UFB. This has the further benefit that it allows the market time to adjust and better aligning to the actual TSLIRC cost and maintaining a consistent approach allowing copper to provide a competitive constraint.

Connection Fees and inadequate tools deepen the problem

64. CallPlus is undertaking detailed analysis, to the extent that we have sufficient detail, of its post 1 December e-bills from Chorus. This is highlighting many cases where it appears that truck rolls have been unnecessarily performed or 'no fault found' fees have been charged when this does not appear to be correct. Each case is different and the level of detail that RSP's can see on each case varies. For this submission we have focussed on the higher level findings to give an idea of the extent of the problem.

65. The fees we are focussing on are: -

- The 3 new Connection fees – Remote, Exchange or Cabinet Visit & Site Visit (to ETP)
- No fault found fees – whilst these have not changed our increased scrutiny of our bills is raising concerns.

The number of 'intacts' and site visits can't reflect the reality!

66. Based on our January e-bill analysis of Slingshots UBA connections we are being charged remote connections for 35% of connections, exchange / cabinet visit on 31% and visits to the customer site 27%. The balance is for connection and wiring.

67. CallPlus is at a loss to explain why: -

- In only one third of cases lines are intact, according to Chorus, so that a remote connection can be performed. This is ridiculously low, we would suggest an efficient operator should be achieving 70%+ – this suggests to us significant issues with the network records of Chorus.

  Historically the whole intact process was driven by the POTS homeline with UBA simply following. CallPlus challenges if the UBA now becoming the prime service has meant Chorus' systems can't cope. For example do services such as Naked UBA create issues on ordering and relinquishment?

  Clearly there are significant errors in the intact records. Again Chorus has little or no incentive to fix these type of issues.

  By way of example: CallPlus has looked at a sample of 352 lines where customers were previously with Spark Retail and we have had a losing service provider advice .This means that a service was being consumed at the time of porting so we know the line is intact. However in 96 cases CallPlus was charged for a 'truck roll' (site or exchange or cabinet visit) by Chorus.

  CallPlus concludes that in 27% of cases were we were charged for a 'truck roll' it shouldn't have been required.

  We would also suggest that the charge of $15.85 appears to be grossly inflated. As we have suggested the industry has a well-established benchmark in the $5.94 porting fee which was derived from an analysis of costs by Spark and Vodafone plus a reasonable margin.

- Of the remaining two thirds where Chorus charged for truck roll that supposedly required a truck roll just under half of these apparently require a visit all the way to the site at more than twice the cost. Again this does not make sense.

  If Chorus' network records are adequate then in the majority of cases visiting the cabinet or exchange should be all that is required unless there is a fault between the exchange / cabinet and the customer site – in which case Chorus should be responsible for fixing their network not the RSP.

Unfortunately there is little or no incentive for Chorus or Technicians to minimise visits to sites. Technicians are not paid for jobs where a fault is found and Technicians earn more if they visit a site rather than an exchange.

A Technician is faced with the choice of: -

- Either - The Technician undertakes 'jumpering' at an exchange/cabinet and signs off the job. In the event that there is a failure in the network between the exchange and the site the Technician does not get paid to go and fix the network failure (nor does the RSP pay for the fix which would involve a site visit)
- Or - The Technician takes the precautionary extra step of doing a customer site visit thereby minimising any chance of failure and the risk of an additional unpaid visit, as well as earning more for the job which is funded by the RSP who pays over twice the amount for the connection.

The incentives are to incur often unnecessary cost to minimise failures which may be caused by a faulty network or be the result of poor network records – neither of which the RSP should be expected to fund.

Connection costs are now a significant cost raising UBA costs close to pre-IPP levels

68. Based Slingshots and Flips January bill we analysed the changes between our November 2014 (pre IPP) bill and our January 2015 Bill. Overall our UBA activations costs have increased by 1,173% from the pre-1 December bill.

69. We analysed our UBA activation costs (excluding VDSL as these fees are amortised – however this doesn't materially change the result, in fact it increases the figures).

    - Our UBA ADSL activation costs increased – an increase of []CPRI between the 2 bills. Adjusting for volume this brought the increase to []CPRI

70. If we were to recover this monthly increase in activation costs from our UBA ADSL base of []CPRI we would need to increase our monthly charge by $3.27.

71. **If the increase in connection cost is added to the FPP pricing we have an effective cost of UBA of $41.66 per month ($38.39 + $3.27). Effectively UBA pricing will move from $44.98 price (frozen in 2011 against a downward trend) to $41.66 – a mere 7.5% reduction.**

72. To take a different approach by way of a sanity check. If we simply look at our average ADSL (excludes VDSL) UBA connection cost in January they average []CPRI. This compares to an average of []CPRI pre 1 December – a $76.53 increase on average for each new connection in January 2015.

    - If you assume a 12 month period under contract to recover the increase this it is the equivalent of a $6.40 per month increase in costs.

- If the market moved to 24 month contracts, which is unlikely and arguably not in the best interest of consumers, its $3.19 per month – a substantial amount.

And we have little or no tools to manage our costs efficiently

73. There needs to be significantly more work investigating the adequacy of Chorus systems – incorrect pair allocations, poor network records all drive inefficiency, unfortunately RSPs tend to have scant details to validate if work should have occurred or whether Technicians are accurately reflecting the situation e.g. no fault found. CallPlus has many samples of instances where it would suggest that this is not the case however it is difficult to establish systemic issues as we simply don’t have the information on how Chorus’ systems work – or don’t work.

74. For Example:

    a) Prequalification tools for Connections: Chorus provide no tools to identify if we face an exchange or a site visit to ETP. With no way to pre-qualify what costs an RSP is likely to face at the time of signing a customer it is hard to recover these charges from a consumer.

    b) Accurate Intact database: We would question the accuracy of the intact database and whether it is accurate in all cases where no POTS Homeline service is required given that this was the service that the systems where built around NOT broadband. As baseband, naked UBA and other services become more prevalent is the database update correctly? An example of this is if you had a UBA line (with or without POTS) and cancelled it today, then ordered just UBA w/o POTS to the same address we do not believe the system reliably picks up the intact line, thus requiring an unnecessary truck-roll/cabinet jumper.

    c) Connection & Wiring database: Chorus propose to charge $269 for Connection & Wiring. VDSL will drive the number of these types of visits. RSP should have access to a database of sites where this service has been performed historically in order that they can manage cost and ensure efficiency? It makes no sense to perform connection & wiring when a connection and wiring was performed on-site a year or two ago

        – unfortunately there is no incentive on Chorus and the Technicians to make this available
        – if this information hasn’t been recorded RSPs should not now have to live with the inefficiency.

    d) Furthermore as we have previously submitted there is a risk that Chorus double recovers this work in the case where a customer moves from VDSL to UFB. Effectively much of the work being done in the VDSL install pre-empts work that will be needed when UFB is installed – the UFB work is presumably already costed into Chorus’ commercial agreement with CFH.

    e) Fault diagnostic tools – tolls such as turning interleaving on & off are frequently used. The proposed cost of $15.85 looks to bear no resemblance to costs which should be near zero. As CallPlus has submitted we offer exactly this feature to our Wholesale LLU customers. Everything is performed on-line, zero touch and we do not charge for this diagnostic tool.

75. More often than not the situation we find ourselves in is: -

- The cost of the service is unknown at the point of confirming with the customer as a result of a lack of a prequalification tool;
- There is no ability for the RSP to diagnose and select the appropriate action;
- There is no ability for the RSP to verify if Chorus were correct in electing to perform a more expensive option;
- There is no ability for the RSP to verify if Chorus are correct in billing for the service;
- Chorus has no incentive to improve or be efficient (or even worse are incentivised not to be efficient);

76. CallPlus would suggest that an independent audit is necessary to identify underlying issues or inadequacies in order that the Commission can make some form of efficiency adjustment.