



## Notice to supply information and documents to the Commerce Commission Sections 98(a) and (b) Commerce Act 1986

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### To:

Chorus Limited  
Level 10,  
State Insurance Tower  
1 Willis Street  
Wellington

Attention: Vanessa Oakley, General Counsel and Company Secretary

### Purpose of the Notice

1. We (the Commerce Commission) are reviewing the price to be paid for the Unbundled Copper Local Loop (UCLL) and Unbundled Bitstream Access (UBA) services provided by Chorus Limited, as defined in subpart 1 of Part 2 of Schedule 1 of the Telecommunications Act 2001 (Telecommunications Act). We are required to make a price review determination as soon as practicable in respect of the UCLL service (refer sections 47 and 51 of the Telecommunications Act 2001) and we are required to make reasonable efforts to make a price review determination in respect of the UBA service before the expiry of three years from separation day, which is 30 November 2014 (refer section 78(3) of the Telecommunications (TSO, Broadband, and Other Matters) Amendment Act 2011).
2. The purpose of this Notice is to obtain information and documents relevant to our price review determinations for the UCLL and UBA services.
3. The Notice is issued under sections 98(a) and (b) of the Commerce Act, and section 15(f) of the Telecommunications Act.
4. We consider it is desirable for Chorus Limited to provide us with the information and documents specified in **Attachment A** to this Notice to assist us in making the price review determinations.

### Date and place of response

5. The information and documents in response to this Notice must be delivered to the Commission's Wellington office at Level 6, 44 The Terrace for the attention of Keston Ruxton, or by email to [telco@comcom.govt.nz](mailto:telco@comcom.govt.nz) with the subject "Response to section 98 Notice – UCLL and UBA", by 5pm on 15 August 2014.

6. Chorus Limited must provide all information and documents in Attachment A in electronic .csv, .shp, or pdf format, as appropriate, via email, flash drive or to the assigned extranet site.
7. Chorus Limited must label and identify all information and documentation, and explain which information relates to which paragraph of this Notice.
8. Chorus Limited must supply the requested information and documents under cover of a letter on Chorus Limited's letterhead, signed by a person with the appropriate authority.

Dated at Wellington 8 August 2014

Signed by:

A handwritten signature in black ink, appearing to read 'Elisabeth Welson', with a long horizontal flourish extending to the right.

Elisabeth Welson  
Commissioner

## Attachment A

1. For the purposes of this Notice, the following terms have the following meanings:
  - 1.1 **Chorus** means Chorus Limited, its interconnected bodies corporate (as defined in section 2(7) of the Commerce Act 1986), business units or joint ventures, and any current or former agents, employees, officers and directors thereof;
  - 1.2 **Chorus business unit of Telecom** means the operationally separated business unit of Telecom New Zealand trading as Chorus prior to 30 November 2011;
  - 1.3 **Consigned material** means materials ordered by service companies as agent for Chorus using Chorus systems and paid for directly by Chorus;
  - 1.4 **FTE** means full time equivalent;
  - 1.5 **Natural disaster** means an earthquake, natural landslip, storm or flood of a notable and sporadic nature such that Chorus incurs reactive network maintenance costs from external parties (eg its service companies) totalling \$10,000 or more (excl. GST);
  - 1.6 **Prior Notices** means the notices to supply information and documents to the Commerce Commission pursuant to sections 98(a) and (b) of the Commerce Act issued by the Commission to Chorus on 7 February 2014 and 17 April 2014;
  - 1.7 **RSP** means a Retail Service Provider or access seeker who requests access to either UCLL or UBA;
  - 1.8 **UCLL** means Chorus' Unbundled Local Loop service provided in accordance with the Standard Terms Determination dated 7 November 2007;
  - 1.9 **UBA** means Chorus' Unbundled Bitstream Access service provided in accordance with the Standard Terms Determination dated 13 December 2007.
  
2. In relation to all information requested please provide:
  - 2.1 a file (in .csv format) listing the name of each file provided, the information contained within the file, the date the information was queried and the date the file was prepared. Where different dates apply to pieces of information within the same file, these should be recorded in separate rows. Please also indicate the extent to which confidentiality is claimed in respect of the content of each file;
  - 2.2 a glossary of terms used;
  - 2.3 a file (in .csv format) listing any information provided in response one or both of the Prior Notices which contains the same information or information of which the information provided is a component, by reference to a specific file or files provided in response to the Prior Notices.

3. The Commission requires the following information:

3.1 Exchange configuration

For Chorus owned exchanges that Chorus listed in response to paragraph 6.6.1 of the Prior Notice dated 17 April 2014, please provide the following information:

- 3.1.1 All external reports commissioned by Chorus or the Chorus business unit of Telecom in the last 5 years relating to the dimensioning of the modern equivalent asset to Chorus owned exchanges and small buildings;
- 3.1.2 To the extent the information is not addressed with in the reports supplied in response to paragraph 3.1.1 above, but exists in other documents associated with the preparation of those reports, please supply the following information relating to the dimensioning of the modern equivalent asset to Chorus owned exchanges and small buildings:
- (a) Information detailing the functional and technical dimensioning requirements (rules) specified for each type of modern equivalent building asset;
  - (b) A floor plan drawn to scale for each modern equivalent building asset;
  - (c) A table in .csv format detailing for each type of replacement modern equivalent building asset:
    - (i) Total floor area in square meters (m<sup>2</sup>);
    - (ii) Total floor area allocated for the main (copper) distribution frame (MDF);
    - (iii) Total floor area allocated for the main optical distribution frame (ODF);
    - (iv) Total floor area allocated for regulated colocation services;
    - (v) Total floor area allocated for commercial colocation services eg Telecom;
    - (vi) Total floor area allocated for building and power services eg Battery, generators, Air con, cable wells etc.;
    - (vii) Total floor area allocated to common areas eg toilets, kitchens, store rooms etc.;

- (viii) Total floor area allocated for uses not specifically covered in paragraphs (ii) to (vii) above.

### 3.1.3 Operational expenses

For each class of representative exchange identified in any external report provided by Chorus under paragraph 3.1.1 above, please provide the representative operational expenses (according to the most modern configuration) for that class of building, for the 12 months to 30 June 2013. This must include:

- (a) power consumption expressed in kWhr;
- (b) cost (per site) for security services;
- (c) building maintenance costs.

Please also provide the methodology used to calculate the figures in paragraphs (a) to (c) above and, for each, it should be clearly stated if and where they are accounted for in the opex section of the Prior Notice dated 17 April 2014 (paragraph 6.19).

### 3.1.4 Capital expenses

For each class of representative exchange identified in any external report provided by Chorus under paragraph 3.1.1 above, please provide the representative capital costs (according to the most modern configuration) for the following, as at the date of Chorus' response:

- (a) Average fuel tank capital cost;
- (b) Average cost of building fire detectors and suppression system capital cost;
- (c) Average seismic bracing and racking capital costs;
- (d) Average equipment row power distribution capital cost;
- (e) Average battery capital cost;
- (f) Average rectifiers capital cost;
- (g) Average active air conditioning unit capital cost and the coefficient of performance ( $COP_{cooling}$ ) of the active unit;
- (h) Average passive air conditioning unit capital cost;
- (i) Average emergency generator capital cost.

- 3.1.5 The valuation of the Chorus owned parcel of land on which the exchange (building) is situated as at the most recent ratings valuation available;
- 3.1.6 The replacement valuation of each exchange (building) in Chorus' local access network, based on a modern equivalent building, and including the cost of non-network related fixtures and fittings. This is to be provided in a .csv file format listing for each of Chorus' active exchanges its exchange code, the representative MEA building type and MEA valuation. Valuations should be supported by external quantity surveyor (QS) or equivalent report where these exist. Further, please provide information on any indices, including source and metrics, used by Chorus to update cost, since the publication date of the valuation reports.

### 3.2 RSP new customer "on boarding" costs

For the financial year ending 30 June 2013, please provide the following information:

- 3.2.1 operating expenses relating to establishing an RSP which has not previously purchased either UCLL or UBA as purchasers of that service, including:
- (a) the number of RSPs that have been established, and the operating expenses relating to establishing each one;
  - (b) the total operating expenses for establishing all RSPs.
- 3.2.2 the revenue earned from the following charges:
- (a) service components 3.10 and 3.11 of Schedule 2 to the UCLL STD;
  - (b) service components 3.6 and 3.7 of Schedule 2 to the UBA STD.

For each of the expenses and revenue in paragraphs 3.2.1 and 3.2.2 above please clearly state if and where they are accounted for in the information supplied in response to the Prior Notices.

### 3.3 Chorus' external call centre

For the financial year ending 30 June 2013, please provide the following information:

- 3.3.1 a description of the external call centre, including:
- (a) location;
  - (b) activities undertaken on behalf of Chorus;

(c) Chorus' products and services which the activities of the external call centre relate to;

3.3.2 The total cost of Chorus' external call centre, the proportion of those costs that are allocated to UCLL or UBA and the extent to which those costs are accounted for in Chorus's response to paragraph 6.19 of the Prior Notice dated 17 April 2014;

3.3.3 the number of staff employed at Chorus' external call centre measured by FTE units associated with Chorus' call centre business;

3.3.4 the number of FTEs associated with each call centre activity related to UCLL or UBA;

3.3.5 the total number of orders (activities) received and processed at Chorus' external call centre; and

3.3.6 the number of UCLL and UBA orders received and processed at Chorus' external call centre.

#### 3.4 Costs associated with responding to natural disasters

For the financial years ending 30 June 2012, 2013 and 2014, please provide the operating costs incurred by Chorus in responding to natural disasters, including the cost of emergency generator hire and helicopter hire. Please explain the extent to which such costs are accounted for in Chorus' response to paragraph 6.19 of the Prior Notice dated 17 April 2014.

#### 3.5 Levies under the Telecommunications Act 2001

For the financial year ending 30 June 2013, please identify if and where the following levies are accounted for in the information supplied in response to the Prior Notices, and in each case the amount paid by Chorus:

3.5.1 to the Crown under section 89 of the Telecommunications Act 2001; and

3.5.2 to the Minister from time to time responsible for the administration of the Telecommunications Act 2001 under section 11 of the Act.

#### 3.6 Layer 2 fault rates

For the year ending 30 June 2013, please provide the:

3.6.1 number of faults, excluding no fault founds, per 1000 active lines (connection) for Layer 2 Services provided over Chorus' fibre local access network (UFB) by service company patch; and to the extent Chorus has it please provide the following information:

- (a) Number of faults per month per 1000 active lines proven be a layer 1 fault;
- (b) Number of faults per month per 1000 active lines proven to be a layer 2 fault;

3.6.2 Average cost per fault for Services provided over Chorus' fibre local access network (UFB) by service company patch areas and to the extent Chorus has it please provide the following information:

- (a) Average cost per layer 1 fault;
- (b) Average cost per layer 2 fault.

### 3.7 Fibre and copper cabinet nodes and cable terminals

Please provide the following information:

3.7.1 for fibre and copper cabinets:

- (a) a technical description of cabinet shells (active and passive) as currently being installed within the Chorus copper and fibre local access networks;
- (b) the average unit material cost of cabinet shells;
- (c) the installation labour costs according to type and size, by service company patch area;
- (d) the planning and design costs according to type and size, by service company patch area;

3.7.2 for cable terminals:

- (a) a technical description of cable terminal boxes as currently being installed within the Chorus copper and fibre local access networks;
- (b) the average unit material cost of cable terminal boxes;
- (c) the installation labour costs according to type and size, by service company patch area;
- (d) the planning and design costs according to type and size, by service company patch area.

### 3.8 Multi-unit dwellings

For a representative sample of each type of multi-unit dwelling to which Chorus has installed a service lead to its fibre local access network in the



financial year ending 30 June 2014, please provide:

- 3.8.1 the type of multi-unit dwelling;
  - 3.8.2 the location of the multi-unit dwelling by service company patch area;
  - 3.8.3 the service company charges for the equipment installed between Chorus' communal fibre local access network and the network demarcation point on the building frame, the size of the lead-in fibre cable (ie number of fibres);
  - 3.8.4 the service company charges for the equipment installed between the building frame to the end-user;
  - 3.8.5 any revenue earned by Chorus relating to the installation of equipment between the building frame and the end-user.
- 3.9 All consigned materials that are in current use

Please provide the following information in relation to Chorus' copper and fibre local access networks:

- 3.9.1 a list of the consigned materials used by service companies to deploy the copper and fibre local access network;
- 3.9.2 a technical description of each of the consigned materials;
- 3.9.3 the unit cost to Chorus of each of the consigned materials per service company patch area;
- 3.9.4 the value of any inventory management margin(s) or mark-ups Chorus allows service companies to add to the cost of consigned materials charged to a Chorus project or coded task.