



Simon Thomson
Commerce Commission
PO Box 2351
Wellington 6140

6 November 2017

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 indices, power indices and input costs:

- 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;
- UCLFS (Unbundled Copper Low Frequency Service),

(collectively the "**relevant STDs**").

We are seeking the Commission's approval to adjust a number of price points, in accordance with the provisions in the relevant STDs. We propose that these prices are effective on **16 December 2017**. We have prepared these proposed adjustments following discussions with Commission staff.

Confidentiality

The **attached** Excel spreadsheet contains Chorus commercially sensitive information, namely information about service company costs, which form the basis of some of the proposed new charges. This information is subject to confidentiality agreements with the service companies and we don't make this information publicly available. This information has been marked "Chorus 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.

STD Price Adjustments due to Input Costs

In addition to annual service company indexation changes we have updated the prices for services in **Appendix A** in relation to renegotiated service company pricing. As discussed with

the Commission during the 2016 STD price adjustment process this increased the cost of some services. On the basis of proposed increases last year these prices were not approved and Chorus has been charging 2015 prices for 2016. These are reflected in the attached sheets and Appendix A and the 2016 prices. Please note that while some services prices have increased those increases are less than those proposed for 2016.

Annual Index Based Price Adjustments

We have prepared the pricing changes and annual price adjustment in accordance with the amendments made to STDs in Commissions Final Decisions on s30R reviews of Price Lists of seven regulated telecommunications services' Standard Terms Determinations dated 19 May 2017.

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.

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

Kind regards



Julian Kersey
Manager, Regulatory and Policy Affairs

APPENDIX A

Product	Code	Service Component	2016 price	change	2017 Price
UBA Backhaul	1.3	Standard installation of a Handover Connection - GigE capacity.	\$560.13	-6.36%	\$524.49
UCLL COLO	1.18	Chorus supplied cable: 16 pair cable up to 40 metres	\$424.22	81.33%	\$769.24
UCLL COLO	1.18	then Additional 16 pair multiple	\$409.94	-0.71%	\$407.03
UCLL COLO	1.18	then per 16 pair per additional 5 metre	\$41.56	133.90%	\$97.21
UCLL COLO	1.18	Access Seeker supplied cable: 16 pair up to 35 metres	\$254.51	102.09%	\$514.33
UCLL COLO	1.18	then per additional 16 pair multiple	\$240.23	66.49%	\$399.97
UCLL COLO	1.18	then per 16 pair per additional 5 metres	\$32.28	63.97%	\$52.93