



Chorus expenditure allowances for the 2025-2028
regulatory period: draft decision

PUBLIC VERSION

Submission | Commerce Commission

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Introduction

1. Thank you for the opportunity to provide feedback on the Commission's draft expenditure allowances for the 2025 – 2028 regulatory period (**the draft**).
2. We support Commission proposals that Chorus submit individual capex proposals for connection incentives and for substantive new resiliency initiatives.
3. [**JSPKCI** We also propose that the Commission set out specific industry consultation expectations for all fibre transport project proposals.

Connection incentive payments

4. The Commission proposes to include only the connection incentive capex for the initial 2025 year, noting that Chorus can submit an individual capex proposal (**ICP**) for the remainder years if it wishes.
5. We support the Commission's proposed approach. The Commission should critically review monopoly fibre provider initiatives such as connection incentives that are intended to shape competitive retail markets.
6. We further note that the Commission has significant concerns with the supporting information provided by Chorus, including errors in the financial model and lack of explanation for key assumptions¹. The quality of the information provided to the Commission on its own is a red flag that puts into question the purpose of the incentives and end-user benefits from this expenditure over the many other options available to Chorus to promote fibre uptake.
7. As set out when the Commission developed its economic test, we continue to have concerns with the adequacy of a screening test of this nature for determining whether expenditure should be approved. The screening test takes a very narrow perspective of the initiative, costs and competition impacts. Incentive structure also matters. For example, the screening test appears to capture only marginal lead-in costs and does not consider the incentive structure itself. Further, a simple screening test is unlikely to fully account for supporting initiatives such as the pro-active deployment of lead-ins costs and possible wider predatory strategies that target nascent competition from other network providers.
8. Nonetheless, we accept that the Commission's proposed approach to approve only the first-year incentives is a practical way forward that allows the current incentives to continue while mitigating the competition impacts of multi-year funding. The Commission should fully consider the related competition issues in any future Chorus ICP.

Transport fibre investment

9. The Commission also proposes to approve fibre transport expenditure across multiple categories, including \$33m for resilient dual fibre pathways and \$39.9m for lifecycle replacement of core fibre routes².

¹ At 5.96 of the draft

² At 5.253 and 5.222 of the draft

10. We agree that resilience is an important objective and some level of investment in resilience is required. As set out in the draft, expenditure approval shouldn't be mechanistic, rather the costs and benefits of each proposal should be considered³ and any competition concerns highlighted.
11. There are competing providers on many fibre transport routes and RAB backed investment risks replicating or displacing competing operators' investment. []SPKCI Network operators must also in practice prioritise projects and phase investment across financial years.
12. However, it is impossible to know that the highest priority expenditure proposal projects are being pursued at lowest cost, with any competition implications made transparent, without Chorus consulting with stakeholders and other potential investors to judge co-investment appetite. We are not aware of this having occurred.
13. []SPKCI
14. []SPKCI
15. []SPKCI
16. We recommend that the Commission make it a condition of core fibre route investment expenditure approval that Chorus undertake a written consultation for each project with potential partners and report back the outcomes of that consultation to the Commission. []SPKCI

END

³ At 5.253