

27 January 2015

Public

Submission in response to the Commerce
Commission's consultation on possible section
30R review of the UBA STD General Terms and
Service Description (2 December 2014)

- 1 This submission responds to the Commerce Commission's consultation on a possible s30R review of the UBA STD General Terms and Service Description released on 2 December 2014 (the Consultation Paper).
- 2 The Commission has asked whether it would be appropriate to conduct a review of the UBA STD, and if so when. Our view is that the time to consider whether a s30R review is necessary is once the current UBA and UCLL final pricing principle (FPP) processes are complete. The industry has been engaged in pricing processes for the regulated service for the regulated UBA STD for three years. Commencing a s30R review of the STD now – in the middle of the second phase of the pricing process – does not seem to be a sensible time to do so.
- 3 Prior to the Commission's announcement that it would extend the time for completing the FPP processes by 5 months, Chorus said that it would not apply traffic management prior to April 2015 (when, based on the previous timetable, the FPP was due to be completed). We confirm that we do not intend to apply traffic management to the UBA STD service before the end of Chorus' financial year and will provide notice before any change is made, having regard to the Commission's FPP conclusions.
- 4 The UBA IPP decision, coupled with the recent Boost process, caused some uncertainty around what is required by the UBA STD. However, we anticipate that the FPP may provide greater clarity.
- 5 In terms of future investment and innovation, the Commission notes in the Consultation Paper that the wholesaling incentives of a structurally separated Chorus are different to those of a vertically integrated Telecom. This is correct – as a structurally separated open access wholesaler, Chorus' is strongly incentivised to provide access and meet RSP demand in a non-discriminatory way. However, with 80% of Chorus' revenues regulated, regulated prices (including a move from retail-minus to cost based pricing) will impact Chorus' ability to invest and innovate to meet demand.
- 6 On a go forward basis, the FPP modelling and final determination will also influence incentives to innovate and invest.
- 7 Once the FPP processes are complete, parties will be better able to assess whether a s30R review of the UBA STD is necessary.
- 8 In the Consultation Paper, the Commission has asked whether parties agree with the potential scope of the s30R review. Our view is that updating the FPP price should be included in the scope of any review. If, for example the Commission undertakes a s30R review, and decides that the UBA STD should be amended or clarified (e.g. by defining what it means to act in way that is "consistent with international best practice"), this could have a significant impact on costs and pricing should be updated accordingly. As the Commission notes in the FPP draft determinations, it can update the FPP price in response to a change of circumstances at any time.