

Chorus Limited
Level 9 Datacom House
68-86 Jervois Quay
P O Box 632
Wellington
New Zealand

Email: company.secretary@chorus.co.nz

STOCK EXCHANGE ANNOUNCEMENT

3 April 2013

Commerce Commission update on UBA pricing review

The Commerce Commission has today announced that it is proceeding with its review of UBA pricing with an adjusted timetable, as per the attached announcement. The Commission will now hold a conference on 12 and 13 June and expects to issue a final decision in August 2013.

Chorus had submitted that the Commission should consider pausing its review until the end of 2013, because the Government is conducting its own review of the policy framework for regulating telecommunications services. The Government had also made statements about potential legislative change to extend the implementation date for cost-based UBA pricing.

Chorus' view is that a pause would have been pragmatic given the Commission's Draft Determination had signalled difficulties with its benchmarking process and the Australian Competition and Consumer Commission recently released cost-based pricing that appears to highlight significant differences with the Commission's UBA Draft Determination.

Chorus will continue to participate fully in the Commission's process. The Government has not yet announced more detailed timing for its policy reviews.

ENDS

For further information:

Brett Jackson Investor Relations Manager Mobile: +64 (27) 488 7808

Email: brett.jackson@chorus.co.nz

Melanie Marshall

Head of Communications & Brand

Mobile: +64 (27) 452 6231

Email: melanie.marshall@chorus.co.nz



Media Release

Issued 3 April 2013

Release No. 75

Commission announces next step in setting UBA price

The Commerce Commission has today released an updated timetable for completing its determination of a cost-based price for wholesale broadband – the unbundled bitstream access (UBA) service.

Telecommunications Commissioner Dr Stephen Gale announced that the Commission will hold a conference on 12 and 13 June to test the views expressed by industry in submissions and cross-submissions on the draft UBA determination. The Commission expects to finalise the UBA determination in August 2013.

The Commission has fully reconsidered its timetable in light of the Government's announcements that it intends to defer the date on which the new UBA price will come into effect to sometime in 2015, and that it will initiate a statutory review of the policy framework for telecommunications regulation.

The Commission consulted with industry on the implications of the Government announcement, and on whether any changes to the Commission's timeframes were appropriate.

Amendments to the legislation in 2011 introduced a cost-based price for UBA from December 2014. The Commission is required to make 'reasonable efforts' to complete the UBA price determination – using international benchmarks – by December 2012, and to allow sufficient time to derive the UBA price from a cost model by December 2014, if requested by industry.

"Despite the proposed deferral of these 2014 deadlines, we have concluded that the grounds for delay are insufficient to outweigh the 'reasonable efforts' imperative in the Act," said Dr Gale. "It is possible that a cost model will be required for the UBA price, and that this task will be combined with the cost modelling that is now underway for the underlying copper local loop. The timeframe

for such a combined review would be likely to extend into 2015 and may be more compatible with

allowing for changes arising from the review of the Telecommunications Act."

You can read responses to the Commission's consultation on the timeframe for completing the

UBA price review on the Commission's website, at www.comcom.govt.nz/uba-benchmarking-

review/

Background

Unbundled bitstream access (UBA) is a service that allows telecommunications companies to supply broadband services to customers without the need to replicate Chorus' electronics or

software.

Amendments introduced to the Telecommunications Act 2001 by the Telecommunications (TSO, Broadband, and Other Matters) Amendment Act 2011 froze the prices that apply to UBA through

to 30 November 2014. The Amendment Act also required the Commission to calculate new, cost-

based, prices for UBA to have effect from 1 December 2014.

UBA was previously priced using a retail-minus approach determined using Telecom's retail broadband service plans. With the separation on 30 November 2011 of Telecom into Telecom, a retail service provider, and Chorus, a wholesale provider of the UBA service, retail-minus pricing

was no longer appropriate.

Media contact: Allanah Kalafatelis, Communications Manager

Phone work (04) 924 3708, mobile 021 225 4417

Jenny Bridgen, Senior Communications Adviser

Phone work (04) 924 3709, mobile 021 225 4454

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