



Vodafone Submission on Chorus Investment plans for the three years from July 2022

Thank you for the opportunity to provide our views on your investment plans from July 2022. These plans will form the basis of your expenditure proposal to the Commerce Commission for the first regulatory period under the new fibre regulatory regime. This is a critical step in the development of the regime, and it is essential that all interested parties views are taken into consideration.

Overall we are disappointed in the lack of detail in the consultation paper. No detail is provided on the projects that will be undertaken, the benefits expected, or the forecasted expenditure. This detail is critical to properly assess the proposal, and is a core part of similar consultations by organisations such as Transpower.

Most customers expect fibre prices to start to decrease now that the majority of the fibre build has completed. There needs to be a clear explanation for why additional expenditure is necessary and what the benefits are likely to be. Given our direct relationship with our customers we can provide informed feedback on this cost-quality trade-off if we are given sufficient information.

However, from the current document we cannot assess either the cost or the quality impacts of the expenditure. We therefore do not consider that the document meets the threshold of 'effective consultation' for informing the Commerce Commission's decisions on whether the proposal meets the expenditure objectives.¹

We hope that there will be further consultation in the coming months to properly engage on the details. At a minimum we'd expect to see for each major opex and capex category:

- the magnitude of expenditure in total, and on a per connection basis;
- the impact on consumers – ie will quality improve, stay the same, or reduce;
- and

¹ Commerce Commission, 'Fibre Input Methodologies: Draft Decision – Reasons Paper', 19 November 2019, Para 3.1724.



- options that Chorus is considering for adjusting expenditure up and down and the impact on consumers.

These assessments can be made on the basis of the Commerce Commission's draft input methodologies, and updated later for any changes in the final decisions. That Chorus continues to dispute some of the draft decisions is no reason to deny interested parties effective consultation on your proposed expenditure. Any remaining uncertainty (such as how to allocate costs shared between copper and fibre) can be addressed by identifying a reasonable range of estimates.

Specific feedback

Because of the lack of detail in the consultation paper, this feedback below is necessarily brief and high level.

Resilience and fault response

The novel coronavirus has caused wide-spread disruption to New Zealander's lives, and we now rely on telecommunications services more than ever. To provide the level of service our customers now expect we need to have a more open conversation about the current and future levels of resilience on the network, and restoration times. That should cover backhaul services, but also the last mile services covered in this consultation paper.

We therefore consider that:

- Further details should be developed and presented to interested parties on options for the cost and benefits of a resilience programme (Q2, and Q4)
- Similarly Chorus should put to interested parties options for a proactive maintenance programmes including the costs and benefits (Q5)
- You should develop options for adjusting the fault response performance and present the cost implications of each (Q6)

Promoting uptake

We do not consider that direct advertising to consumers should be a future part of Chorus' role. Specific funding was provided for this activity in the initial UFB contracts



because of the uncertainty around uptake. That uncertainty has now passed, and retailers are enthusiastically promoting the benefits of fibre over copper services.

Duplicating the effort of retailers to promote fibre services is simply not necessary, and is not a good use of resource. RSPs are also better able to see the benefits of a wider range of technology for different customers and therefore provide a more balanced view.

We therefore consider that:

- No funding should be directed towards direct consumer advertising (Q11)

Enhancing products and systems

We do not consider that there is a compelling need to continue at the current pace of product development. There is a full suite of products currently available now, and we see no pressing need for more to emerge.

We therefore consider that:

- Chorus should move to a demand led approach to product development, which would likely mean that this expense could materially decrease (Q12)

Investments to support an efficient sector

We support investment that would result in lower opex or capex, however there would need to be careful consideration of the pay-off timeframes to ensure that these investments are in end-users interests.

We are less certain about investments to reduce costs for your customers (us). Often these investments incur more costs than they save, and may be better if they move to a demand led approach.

Similarly we consider enhancements to the customer experience should be demand led from RSPs or end-users themselves. There is a real risk of gold-plating these investments if the demand is not there. We would expect detailed consultation on any initiatives of this nature.



Connections Capex

We agree with you that the connections capex model proposed by the Commerce Commission will resolve any forecasting errors. However for this to be true there must be the ability for variable connections capex to be a negative number, especially given the economic uncertainty that faces us all in the next few years.

However, we would like further discussion on the scope and costs of connections. In particular:

- We would like to see connections capex continue to cover the full cost of installations for residential customers, rather than require any capital contribution.
- We need to see further detail of the cost profile of the average cost of fibre connections. This has been trending downwards ever since the UFB initiative started. We need the opportunity to see how this trend continues and the rationale.