

C H ● R U S

2022 CSA

What are we doing?

We are starting a process of transition to provide you with fibre services on new contractual terms.

We're calling these new contractual terms the 2022 CSA.

What does success look like?

Our ambition is to develop a new contractual framework that works for all parties. We will do this through trust-based engagement with all of industry, leveraging our joint understanding of current issues to co-create a fair solution enabling all parties to succeed.

A partnership approach will enable us to gather a broader range of ideas and insights, strengthen relationships, and align on how we will provide great end-customer outcomes together.

We are enthusiastic about re-drawing the contractual landscape for 2022, and we want these terms to be win-win so that you see enough value to transition voluntarily. For this to work we need you to be highly engaged in this transition process.

The key outcomes we are seeking to achieve are:

1. Clarity; removing the complexity and ambiguity from the existing contract through streamlining of documentation and processes.
2. An acceptable balance between flexibility and certainty for all parties.
3. Common / shared goals underpinning the agreement, focussing on end-customer outcomes and recognising the partnership required between Chorus and RSPs to achieve success.

The focus of this transition will be on fibre services only. Our longer-term intention is to extend the 2022 CSA contractual framework over time to govern all services we provide.

Why are we doing this?

Regulatory change

The existing contractual terms governing Chorus' supply of fibre services to RSPs have been in place since 2012. These terms were developed:

- within the Telecommunications Act 2001 framework current at the time; and
- prior to structural separation of Telecom (Chorus/Spark) and the roll-out of Ultra-Fast Broadband (UFB) to most of the country.

From 1 January 2022 the building block regulatory model (BBM) will be implemented, ushering in a new regulatory phase for the telecommunications industry.

The existing contractual terms are predicated on Crown Infrastructure Partner's (CIP) central role in the UFB roll-out and no regulatory distinction amongst different UFB services. However, two of the BBM model's key features are:

- removal of Crown Infrastructure Partners (CIP) involvement in UFB products; and
- the distinction between anchor (regulated) and non-anchor (commercial) UFB services.

We need to adopt alternative 'fit for purpose' contractual terms in the context of this regulatory change.

Operational experience

As an industry we now have nearly a decade of experience operating under the existing services agreement. We want to leverage this experience to identify contractual 'pain points' within the current CSA. For example, in relation to the prescribed change process.

We are also keen to understand what has worked well – identifying what we should keep, or build on, as part of developing the 2022 CSA.

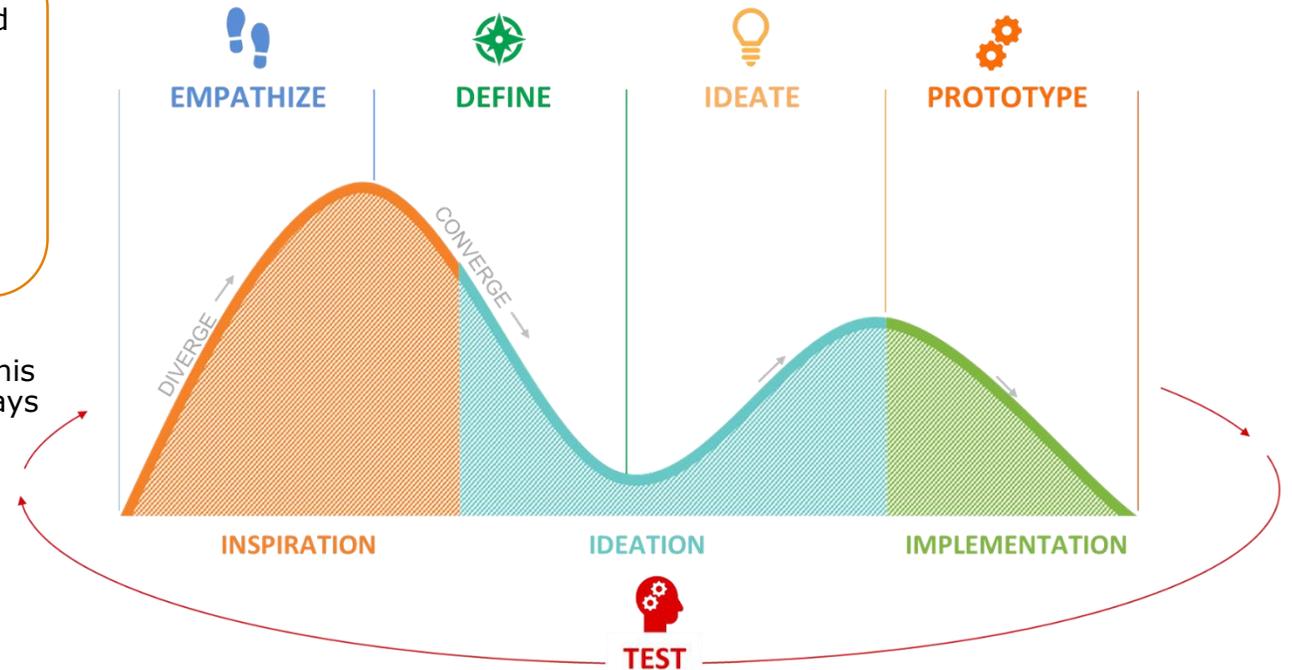
Our approach

We want to work with you to co-design what the 2022 CSA should look like; leveraging our learnings and experiences to date to inform what improvements could be made.

We will be using a combination of Scrum, Design Thinking, and Human-Centred Design tools to establish an agreed contract framework - before we draft anything!

- An Agile approach encourages a focus on interests and not positions, unlike traditional contract negotiations. We believe this gives us the best chance of finding constructive and creative ways to align priorities and ensure shared benefits for all of industry.
- This is important as we want to collaborate with industry to develop a win-win balance of risks and rewards under the new 2022 CSA.

We understand that participation in a transition of this nature means an investment of time and resource. We hope to ease the resource requirements at the front end with this approach, as we will do the heavy lifting in a lengthier planning phase than is the case with traditional contract negotiations.



Guiding principles

To help us achieve our ambition of a win-win agreement, we have developed the following principles to guide how we engage with you.

1. Build a partnership relationship between Chorus and RSPs, recognising how both parties contribute towards end-customer outcomes.
2. Taking a collaborative and pragmatic approach, identifying shared interests and viewing this transition as a joint problem solving exercise.
3. Focus on achieving a genuine balance between Chorus and RSP needs – we want a win-win outcome from the transition process and, in doing so, accepting there will be some shared pain as well as gains.
4. Consistently engage being mindful of our core values: trust, transparency, integrity, respect and courage.

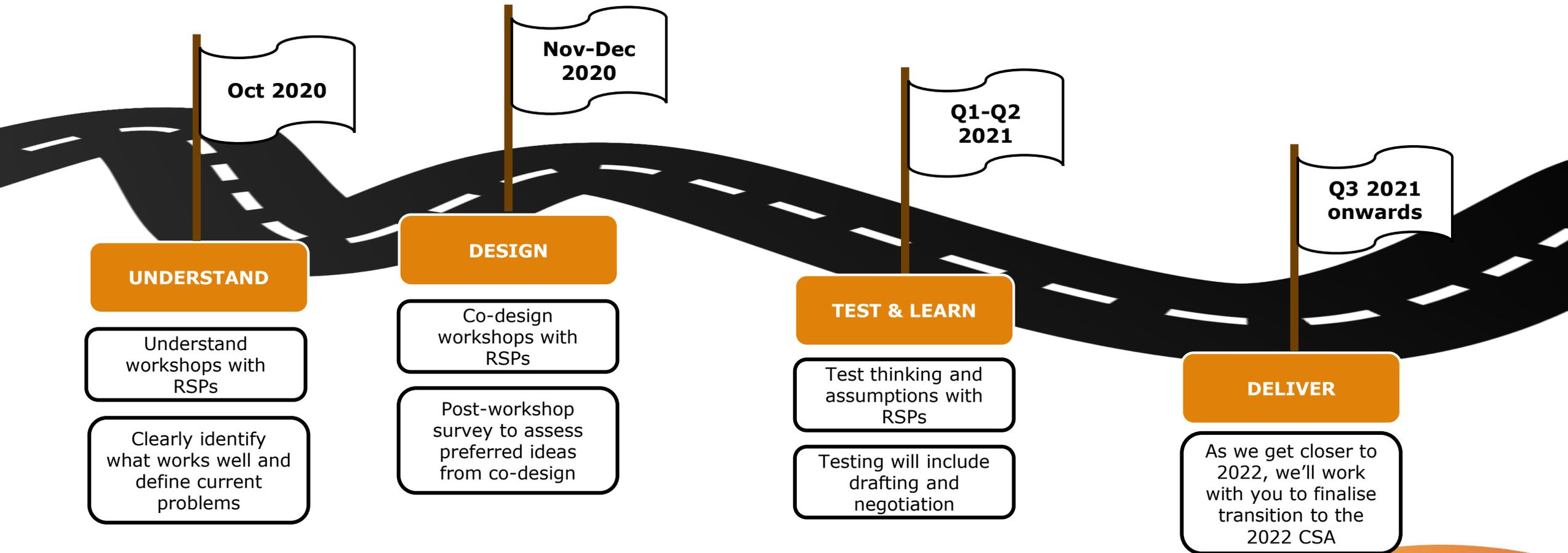
What is in scope for substantive change?

- The current contractual terms are made up of:
 - general terms and operations manuals (Category 1 Terms); and
 - service level terms, service descriptions and price lists (Category 2 Terms).
- Substantive changes are required in relation to Category 1 Terms.
- Format changes are likely all that be will required in relation to Category 2 Terms. We don't anticipate substantive changes to these terms because:
 - service level terms – these were negotiated and implemented only recently so a subsequent reviews (and possible changes) within such a short period seems unnecessary;
 - service descriptions - our products aren't changing as part of this transition; and
 - price lists - our prices aren't changing as part of this transition.

Proposed road to delivery

Our proposed timeline from now until the end of 2021 is set out below at a high-level.

We've provided more details about the planned activity for 2020 in the next slide. Once we are close to completing the 'understand and design' phases, we'll give you more detail about activity during the test and learn, and deliver phases.



Workshops

Understand (October 2020)

- We will run 3 workshops with all RSP attendees invited to opt-in for their preferred date / time. These will be held on: Wednesday 28th AM, Thursday 29th AM, and Friday 30th AM. Each will be approx. 3hrs long.
- The purpose of these sessions is to understand what RSPs believe is working well and current challenges (and their root cause issues).
- Outputs:
 1. Clear list of what has been working well (to keep / build upon)
 2. Affinity map – all pain points grouped into key themes and prioritised by attendees
 3. Key root cause issues captured – this will form the basis of what we look to address in our co-design sessions
- To get the most out of these sessions, we recommend attendance from a range of subject matter experts – across commercial, operational, technical and legal.

Design (November 2020)

- We will run 3 workshop sessions between 16–20 November, with all RSP attendees invited to opt-in for their preferred date. Specific details for these sessions will be shared closer to the time.
- The purpose of these sessions will be to generate a high volume of possible solutions to tackle the key issues identified in the Understand workshops.
- Output: Clear list of ideas which can be prioritised and filtered down
- To get the most out of these sessions, we recommend the attendees include those who participated in the Understand workshops. This will help to ensure continuity and familiarity with the content, context, and approach.

At this stage we are planning for all workshops to be virtual (via Zoom + Miro). If COVID-19 alert levels change, we may consider changing the 28th and 29th October sessions to face to face. If this happens, they will be held in Auckland at either Chorus House or the Chorus Lab.

We understand face to face sessions may present challenges to those based outside Auckland, so we'll ensure the Friday 30th October session is still held virtually. None of the workshops will combine in person and virtual attendees as – in our experience – this raises challenges for ensuring active and equal participation from all attendees.

We would also value RSP feedback on which of the ideas from the Design workshop sessions are preferred. We plan to run a subsequent survey to understand your preferences so that the ideas arising across all workshops can be considered by everybody.

We've developed [Terms of Reference](#) to govern the transition process.

Initial findings – internal workshops

Over the last few months we held internal workshops to understand the pain points and challenges under the existing contractual arrangements from a Chorus perspective. Various teams across Chorus participated to help us identify our learnings to date.

4 key themes were identified

Inflexibility causing
wasted time and effort

Complexity causing
wasted time and effort

Ambiguity causing
confusion and
disagreements

Distrust causing
unnecessary friction

These themes show up across 6 key areas within the existing general terms:

1. Change (all varieties of operational and commercial changes being introduced – including processes, new products, and withdrawal of products)
2. Disputes
3. Liability, indemnity and insurance
4. Payment terms and security
5. End customer; direct dealings and End User Terms
6. Operations manuals

What about the other LFCs?

Transition from current framework

- A key principle underlying the UFB roll-out was national uniformity of services and terms for Crown funded networks, and Chorus and LFCs have substantially similar contractual frameworks for fibre services.
- In addition to being UFB partners, Chorus and other LFCs are competitors in telecommunications markets and are mindful of their obligations under the Commerce Act 1986.
- We've had initial discussions with the other LFCs to explore at a high level the possibility of transitioning to a new contractual framework for fibre services including process issues and timeframes. We think their involvement is important given the significance of the transition to the industry.

Role in transition process

- We've developed **Terms of Reference** to govern this Chorus-led transition process including the role of LFCs within that process:
 - The other LFCs have agreed to take a passive observer role as part of this process. They will be invited to attend all workshops and meetings (where practicable and on the basis that no competitively sensitive information is exchanged) and have access to all relevant collateral developed through this process (i.e. workshop pack, workshop output summaries, draft contractual terms etc.).
 - There will be no agreement or understanding between Chorus and other LFCs regarding their respective contractual frameworks for fibre services; each party will continue to make independent commercial decisions.

New regulation – what applies?

- It is important to note there is a difference in those new regulations which apply to Chorus and to the other LFCs. Chorus is subject to both price-quality and information disclosure regulation, whereas the other LFCs are subject to information disclosure regulations only.
- Chorus and LFCs will make independent decisions informed by their respective regulatory environments and commercial considerations.

Our ask of you

Your participation and input will help shape a contractual framework which is 'fit for purpose' not only for Chorus but for all of industry. We strongly encourage you to participate fully to get the most benefit from this transition process.

1. Let us know who is our key contact

Please confirm the name and contact email address of our key contact by email to 2022csa@chorus.co.nz by **21 October**.

While we are keen to have a range of subject matter experts involved, it would be helpful to know who our primary point of contact should be throughout this transition project.

2. Let us know who from your team will participate in the Understand workshop

Please confirm the names and contact email addresses of those who will attend by email to 2022csa@chorus.co.nz by **21 October**.

We believe that to get the most out of this process it would be valuable to have input and insights from a range of subject matter experts – for example, we recommend representation across commercial, operational/technical and legal teams.

If you have any questions about who should attend, please contact your Account Team in the first instance.

3. Let us know your preference on the structure of the 2022 CSA

Please give us your feedback on structure by email to 2022csa@chorus.co.nz by **30 October**.

We are considering two possible approaches:

- Option 1: Using the existing contractual terms as a starting point, with a mark-up to reflect our agreed contractual framework developed from our agile engagement; or
- Option 2: Start with a blank page, with supporting collateral provided by us to support your review of the initial draft (i.e. key differences with existing terms summarised, clause cross-referencing etc).

Our current preference is to start with a blank page, as it is consistent with our agile engagement.