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Dear Daniel

Public Version

Unbundled Copper Local Loop Backhaul (UCLL Backhaul) and Unbundled Bitstream Access Backhaul (UBA Backhaul) Standards Terms Determinations (STD) – request for information for review of links subject to the UCLL Backhaul and UBA STDs under section 30R of the Telecommunications Act 2001

1. This letter responds to the Commission's request for information (RFI) as part of the announced third competition assessment review for UCLL Backhaul links dated 2 June 2010.

Preliminary views regarding the framework for these section 30R reviews

2. Firstly, we'd like to make some comments with regard to the preliminary views presented in the RFI. The Commission has acknowledged the potential impact that the UFB and RBI projects may have in competition in the backhaul market. We support the Commission's willingness to reassess how competition reviews are conducted in the backhaul markets at such time as information and market certainty surrounding these initiatives becomes available.
3. I'd also like to draw attention to a minor drafting error in paragraph 9. of the letter. It states:

"Chorus submitted that should the Commission concluded that TelstraClear does not exert a competitive constraint on links where only Chorus and Telecom are present, a cautious regulatory approach should be taken, especially with regard to pricing..."

4. Telecom should be replaced with TelstraClear. This is a minor point but could cause confusion. We agree that pricing is out of the scope of the competition assessment reviews being conducted.

Chorus response to section 30R review request for information

5. This section sets out Chorus' response to the Commission's questions, and draws attention to any changes to information provided by Chorus in our previous review submission dated 28 August 2010.
6. The Chorus fibre network currently provides Backhaul over all of the sample Primary Links provided by the Commission. Our network also connects to all of the parent Points of Interconnect listed (the Secondary links).

7. We would like to provide an update to the Commission on which operators we consider to be our competition in the Backhaul market. This list has grown since our review provided on 28 August 2010:

- TelstraClear
- Vector
- FX Networks
- Citylink
- Smartlinx
- Christchurch City Networks Ltd
- Tasman Fibre Network
- Velocity Networks

8. In addition, as we presented in our letter dated 20th April 2010, we consider that the following companies (members of the NZ Regional Fibre Group consortium) are lines companies that are entering or have entered the regional fibre market. While some of the operators presented below are yet to commence network build, others such as Unison in Hawkes Bay and NorthPower in Whangarei are rolling out credible fibre networks within their regions. As such we consider them to be at least potential competitors in the Backhaul market:

- | | |
|-------------------------|-------------------------|
| - Alpine Energy | - WEL Networks |
| - Aurora Energy Limited | - Westpower |
| - Counties Power | - Unison |
| - Eastland Group | - Electricity Ashburton |
| - Electra | - Enable Networks |
| - Northpower | - Horizon Energy |
| - Powernet | - Waipa Networks |

9. Chorus also considers that we may face competition which is not limited on a number of primary links defined by the Commission as having a "limited" competition status. These links are presented in the table in Appendix A of this letter. Chorus considers the Commission should revisit these links to determine if the competition status of "limited" is still valid.

10. The reason that we consider competition may now exist on these links is due to the presence of competitor networks which are capable of offering backhaul services in these areas. Chorus only has access to publicly available information about where our competitors' networks are located, and this is often imprecise. We are heavily reliant on the National Broadband Map¹ to identify which areas our competitors have network. The links highlighted in Appendix A are largely identified based on what is presented in the National Broadband Map, but we recognise this is imperfect information.

11. As such, we request that the Commission review what information is presented by our competitors in response to this RFI in relation to these specific links. We believe that on these links our competitors' networks are close enough to exert competitive constraint, but we cannot be sure of their precise location (for example whether they pass within 1-2 km of our Exchanges, or slightly further). As we only have access to publicly available information, it is impossible for us to accurately verify how close these networks really are.

¹ Available at www.broadbandmap.govt.nz/map/

Consequently we rely on our competitors providing the Commission accurate information about their network location in order to accurately determine the competition status of particular links.

Additional Primary Links

12. On June 30 Chorus provided the Commission with a report outlining the latest list of unbundled Exchanges. This letter also provided [

] **Chorus COI** We believe the competition status of these links we highlight should also be assessed given the presence of competition in these regions.

Chorus UCLL Backhaul Services

13. There has also been a change to the prices charged for backhaul services that we outlined in our last review letter on 28 August 2010. Chorus provides the regulated 100 Mbps and 1 Gbps backhaul services defined in the UCLL Backhaul STD to Access Seekers. However we have introduced new rates for Distance Groups 1 & 2 (as specified in the UCLL Backhaul STD Price Terms). On both regulated and commercial links the prices for Distance Groups 1 & 2 are now set below the regulated price. The table below outlines the new pricing structure, which was announced to the market on 16 June this year:

Distance Band	100 MB	1 GB	STD Price?
0km < radial distance ≤ 5km (distance group 1)	\$600 / month	\$1,600 / month	No
5km < radial distance ≤ 10km (distance group 2)	\$1,100 / month	\$2,100 / month	No
10km < radial distance ≤ 15km (distance group 3)	\$2,181 / month	\$5,301 / month	Yes
15km < radial distance ≤ 20km (distance group 4)	\$2,586 / month	\$6,287 / month	Yes
20km < radial distance ≤ 25km (distance group 5)	\$2,938 / month	\$7,142 / month	Yes
25km + (distance group 6)	Exponential of [4.6300 + (0.5071x ln(radial distance)) + (0.3858 x ln(100))]	Exponential of [4.6300 + (0.5071 x ln(radial distance)) + (0.3858 x ln(1000))]	Yes

14. Chorus commercial information contained in the confidential version of this letter is identified within square brackets ([]) and has been removed from this public version.
15. We appreciate the opportunity to provide information as part of this review, and as always should you require any further information or clarification please don't hesitate to contact me.

A handwritten signature in blue ink, appearing to read 'Justin Tighe-Umbers'. The signature is stylized, with a large 'J' and 'U' and a smaller 'T' and 'H' in between, connected by a horizontal line.

Justin Tighe-Umbers
Manager, Regulatory Affairs

**APPENDIX A – PRIMARY LINKS WHERE CHORUS BELIEVES
COMPETITOR NETWORKS MAY BE IN PROXIMITY**

Local Exchange	Parent POI	Current Assessment Status	Potential Backhaul Network Providers nearby
Kamo	Whangarei	Limited	Northpower, Telstra Clear
Kensington	Whangarei	Limited	Northpower, Telstra Clear
Greenhithe	Torbay	Limited	Vector, Telstra Clear
Red Beach	Torbay	Limited	Vector, Telstra Clear
Whitford	Howick	Limited	Vector, Telstra Clear
Brymer	Hamilton	Limited	FX Networks, Velocity, Telstra Clear
Cambridge	Hamilton	Limited	FX Networks
Flagstaff	Hamilton	Limited	FX Networks, Velocity, Telstra Clear
Te Rapa	Hamilton	Limited	FX Networks, Velocity, Telstra Clear
Whakatane	Tauranga	Limited	FX Networks, Telstra Clear
Hastings	Napier	Limited	Unison, FX Networks, Telstra Clear
Havelock North	Napier	Limited	Unison, FX Networks, Telstra Clear
Marewa	Napier	Limited	Unison, FX Networks, Telstra Clear
Taradale	Napier	Limited	Unison, FX Networks, Telstra Clear
Waikanae	Porirua	Limited	FX Networks, Telstra Clear
Petone	Naenae	Limited	FX Networks, Citylink, Telstra Clear, Vector, Smartlinx3
Johnsonville	Wellington	Limited	FX Networks, Citylink, Telstra Clear
Upper Moutere	Nelson	Limited	Network Tasman
Ashburton	Christchurch	Limited	Electricity Ashburton
Kaiapoi	Christchurch	Limited	Enable, FX Networks, Telstra Clear
Mount Pleasant	Christchurch	Limited	Enable, Telstra Clear
New Brighton	Christchurch	Limited	Enable, Telstra Clear
Fendalton	Christchurch	Limited	Enable, Telstra Clear
Lincoln	Christchurch	Limited	Enable, Telstra Clear

APPENDIX B – [

] Chorus COI