

12 November 2015

Public

Submission for Chorus in response to

Draft Liability Allocation Determination under sections 84 and
85 of the Telecommunications Act 2001 for 1 JULY 2014 to 30
JUNE 2015

SUBMISSION

This is Chorus' submission on the Commission's draft liability allocation determination for the Telecommunications Development Levy (TDL) for 1 July 2014 to 30 June 2015 (draft LAD).

Our comments on the draft LAD relate to:

- Chorus' inability to pass through the costs of the TDL
- The Commission's compliance review of parties' qualifying revenue information

As the methodology and approach to this year's draft LAD is the same as the approach to the FY13/14 LAD, we refer the Commission to Chorus' previous submissions on any other matters.

Regulated prices should include the TDL

We have commented on our inability to pass-through the TDL during consultations on previous LADs and during consultations processes for setting the prices of UCLL and UBA. We should be able to recover the costs of the TDL in the same way as other liable persons, including through our prices.

By way of example, Transpower and Vector are regulated parties subject to the TDL. Their respective input methodologies allow the TDL levy to be treated as a pass-through cost for their pricing purposes and they are not subject to efficiency targets or adjustments. This approach is simple and non-controversial. A similar approach should and can be applied to Chorus.

We are awaiting the Commission's draft determination relating to the final pricing principle (FPP) review of the UBA and UCLL prices. While the Commission's revised draft decision on the FPP proposed that the TDL costs be included in the TSLRIC modelling, a 40% efficiency adjustment was applied meaning Chorus would not be recovering the full TDL cost. If the Commission does not properly address this as part of the FPP, then it must be addressed as part of the process.

Chorus supports the Commission's compliance review

Chorus continues to support the Commission's compliance review which includes checking the calculations of qualifying liable persons for compliance with the qualified revenue notice, and adjusting qualified revenues according to its findings.