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## STOCK EXCHANGE ANNOUNCEMENT

## 18 April 2024

## Commerce Commission releases draft expenditure decision for PQP2 (2025-2028)

The Commerce Commission has released a draft decision on Chorus' proposed fibre expenditure allowances for the second price-quality period (PQP2) from 1 January 2025 to 31 December 2028.

In October 2023, Chorus proposed operating expenditure of approximately \$840 million (nominal) and capital expenditure of \$1.5 billion (nominal) for PQP2. The capital expenditure amount was revised downwards to about \$1.3 billion in February 2024 when Chorus removed about \$200 million of proposed discretionary investment for further fibre network expansion.

The Commission's draft decision proposes that Chorus' expenditure be limited to (in nominal terms):

- \$691 million operating expenditure
- \$1,126 million capital expenditure.

The draft decision assesses the full \$1.5 billion capital expenditure proposal which Chorus originally submitted and the Commission measures reductions against this original amount.

Chorus Chief Corporate & Regulatory Officer Julian Kersey said Chorus is undertaking a detailed review of the draft decision and will make submissions identifying the likely consumer outcomes of the reductions that have been proposed.

"Chorus has a strong track record of building and operating a world class fibre network. Our expenditure proposal built on our success to date and was based on extensive stakeholder input and a desire to continue developing the capability and reliability of fibre broadband for consumers. The proposal was stress tested by an Independent Verifier whose role is to ensure that our proposed capital and operating expenditure is 'prudent and efficient' and 'consistent with good telecommunications industry practice'.

"We acknowledge the Commission's acceptance of 87% of our amended capital expenditure proposal but are disappointed by the draft decision on operating expenditure. The Commission's proposed allocation of costs between our fibre and non-fibre business does not reflect our overwhelming focus on our fibre services and the sharply declining demand for copper-based services. High-speed broadband plays an increasingly important role for homes and business across Aotearoa. It is critical that we have allowances that are sufficient to let us meet consumers' expectations for reliable, uncongested broadband," he said.

The Commission's draft expenditure decision is available here <u>https://comcom.govt.nz/regulated-</u> <u>industries/fibre/projects/chorus-fibre-price-quality-path-from-2025#projecttab</u>. A final expenditure decision is scheduled to be released in Q3 of 2024.

A draft decision on the maximum allowable revenue for PQP2 is scheduled to be released in Q4 of 2024.

Authorised by:

Mark Aue Chief Executive Officer

## ENDS

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