



Office of Hon Amy Adams

Member of Parliament for Selwyn

Minister for the Environment

Minister for Communications and Information Technology

Associate Minister for Canterbury Earthquake Recovery

6 November 2013

Mark Ratcliffe
Chief Executive Officer
Chorus
PO Box 632
Wellington 6140

By email

Dear Mark

I am writing in response to the Commerce Commission's announcement yesterday setting a final UBA price of \$10.92, and your statement to the NZX outlining the potential financial implications for Chorus from the reduced price.

In that statement, you said that you intended to, "discuss with the Crown whether Chorus is still a credible UFB partner in the way intended at demerger and how Chorus might deliver the balance of its programme despite the very material funding gap in Chorus' business implied by this decision."

The Government has committed to an investment of \$929 million in Chorus as a UFB partner, and is committed to rolling out the UFB programme given the significant benefits it offers to New Zealanders.

In order to be sure we have a robust understanding of the implications on Chorus' delivery of its share of the UFB programme, I have directed the Ministry of Business, Innovation and Employment to work with Crown Fibre Holdings to commission independent advice on Chorus' financial position and capability to deliver on its contractual obligations to the government. I am seeking your full co-operation with this.

This work is intended to assess the impact of the Commission's decisions on both the Unbundled Copper Local Loop (UCLL) and Unbundled Bitstream Access (UBA) prices on Chorus' ability to deliver on its contractual commitments under the Ultra-Fast Broadband and Rural Broadband Initiatives. At the end of the review, I have asked for a report to be provided directly to me. It is my intention to make a copy of that report available publicly (with any commercially sensitive material redacted). The consulting firm will be asked to assess the scope for Chorus to manage its obligations within the constraints of the reduced revenue.

In your statement to the NZX, you also said that you would review "Chorus' current capital management settings, including capital structure, dividend policy and the potential need for a large future equity raising". It is our expectation that post the Commission's decision, Chorus will be looking to consider all avenues within its power to meet its obligations. The results from your analysis will therefore be an important contribution to the Government's consideration of options.

I would be grateful if you could advise by Monday 18 November the steps Chorus intends to take following your review.

Yours sincerely

Hon Amy Adams
Minister for Communications and Information Technology