



What the Telecommunications Regulatory Review heard through engagement

February 2026



Table of Contents

ACKNOWLEDGEMENT, PRIVACY AND USE OF AI	3
1. Acknowledgement	3
2. Privacy	3
3. Use of AI	3
INTRODUCTION	4
4. Introduction.....	4
5. Engagement approach.....	4
6. Methodology and terms used in this report.....	6
EXECUTIVE SUMMARY	7
7. Background	7
8. Engagement overview.....	7
9. Key themes and insights	7
10. Contrasting views and tensions.....	8
11. Conclusion.....	9
ACCESS TO TELECOMMUNICATIONS SERVICES	10
12. Telecommunications Service Obligations.....	10
13. Access to basic fibre services	15
RULES ABOUT FIBRE	20
14. Governance reform in Local Fibre Companies.....	20
15. Layer 1 unbundling	25
16. Fibre deregulation review process	28
17. Exemption process for services above Layer 2.....	32
18. Legacy obligations.....	35
HOW LEVIES ARE CALCULATED	38
RULES THAT PROTECT AND INFORM CONSUMERS.....	44
TAKING A PROPORTIONATE REGULATORY APPROACH.....	48
OTHER FEEDBACK	52



Acknowledgement, Privacy and Use of AI

1. Acknowledgement

The Ministry for Regulation (the Ministry) thanks everyone who contributed to the Telecommunications Regulatory Review. We appreciate the time and insights provided by individuals, organisations, and stakeholder groups throughout the engagement process.

2. Privacy

We have considered all feedback received in preparing this summary. To protect privacy, we removed personal details from submissions. Where quotes are included for illustrative purposes, they are attributed by stakeholder category rather than by name. Where there was only one representative from a particular category, attribution is shown as “Other interested group” to preserve anonymity. If you have concerns about how we have represented your submission, please contact us at reviews@regulation.govt.nz.

If you wish to access or correct your personal information, you can make a request under the Privacy Act¹ by emailing privacy.officer@regulation.govt.nz.

3. Use of AI

The Ministry has used Artificial Intelligence (AI) tools to support this review, in line with the Government Chief Digital Officer’s Responsible AI Guidance for the Public Service: GenAI. AI (Copilot) was used to support submissions analysis and some aspects of the preparation of this report. The Ministry has reviewed all content developed using AI tools to ensure it is accurate.

¹ The Ministry’s guide to making a Privacy Act request can be found [here](#).



Introduction

4. Introduction

The Ministry for Regulation (the Ministry) undertook a review of the telecommunications regulatory system to ensure that regulation remains fit for purpose as technology and market conditions evolve. Throughout this process, the Ministry listened to and carefully considered the views shared with us.

In keeping with our commitment to transparency and accountability, this report presents the views and insights shared by regulated parties, industry and consumer groups, and individual consumers during engagement and consultation.

This summary does not represent the Ministry’s position or conclusions.

5. Engagement approach

The Ministry used a two-phase engagement process to gather insights from stakeholders and the public.

5.1. Phase One: Targeted Stakeholder Engagement

Between 9 and 30 June 2025, the Ministry met with regulated parties, industry and consumer groups, and international regulators primarily through online meetings. These discussions focused on how the current regulatory system operates in practice (i.e. the status quo). Where needed, the Ministry conducted follow-up meetings to clarify feedback or collect additional information and data to support cost-benefit analysis. **Table A** identifies the types of stakeholders who participated in direct engagement meetings.

Table A: Stakeholder Engagement – Status Quo Assessment

Type of stakeholder group	Number
Consumer groups	1
Dispute resolution providers	2
Industry groups	3
Local Fibre Companies (LFC)	4
Mobile Network Operators (MNO)	2
Mobile Virtual Network Operators (MVNO)	1



Retail Service Providers (RSP)	2
Satellite service providers	2
Wireless Internet Service Providers	1
Other interested groups	1
Total	19

5.2. Phase Two: Consultation

Between 28 August to 25 September 2025, the Ministry publicly consulted on the status quo and options for change through its online engagement hub. The Ministry received 36 submissions – 31 via the hub, and five via email. Some submitters used both channels to provide additional feedback. An additional submission was received 22 days after the consultation closed. Although it was considered, it did not raise new points and is not reflected in the quantitative data provided in this report.

Table B identifies the types of stakeholders who submitted during consultation. Submitters could self-select multiple categories to describe themselves. To avoid double counting, the Ministry has assigned each submitter to a single group.

Table B: Consultation – options for change

Type of stakeholder group	Submissions
Individuals	8
Consumer groups	4
Dispute resolution providers	2
Industry groups	4
Local Fibre Companies (LFC)	4
Mobile Network Operators (MNO)	3
Mobile Virtual Network Operators (MVNO)	1
Retail Service Providers (RSP)	2
Satellite service providers	1
Wireless Internet Service Providers (WISP)	2
Other interested groups	5
Total	36



6. Methodology and terms used in this report

The Ministry has quantified the themes and statements made by submitters. The data in this report show the proportion of submitters who responded to a specific question. Submitters could choose which sections or questions to respond to, and not every submitter answered every question.

The terms below, which are used throughout this report, are based on prior Ministry engagement reports and are defined as follows:

‘**most**’ means 50% or more ($50\% \leq x$)

‘**many**’ means between 30% and 50% ($30\% \leq x \leq 50\%$)

‘**some**’ means between 12% and 30% ($12\% \leq x < 30\%$)

‘**a few**’ means less than 12% ($x < 12\%$).

Please refer to the **Terms and Definitions** section of the Telecommunications Regulatory Review report for definitions of key terms and regulatory concepts referenced in this Summary of Engagement.



Executive Summary

7. Background

The Ministry for Regulation (the Ministry) undertook a comprehensive review of the telecommunications regulatory system (the Review) to ensure it remains fit for purpose in a rapidly evolving technological and market landscape. Through this process, the Ministry engaged with regulated parties, consumers, and regulators, capturing a wide range of perspectives via targeted stakeholder engagement and public consultation. This summary reflects their views.

8. Engagement overview

The Ministry engaged with a wide range of stakeholders, including fibre and wireless providers, consumer and industry groups, dispute resolution bodies, individual consumers, and international regulators. This ensured the Ministry's analysis reflected local views and international practices. The process included direct meetings and a public consultation, resulting in submissions from diverse communities. Most responses (**78%**) were received from organisations. Consumer groups and individuals made up the remainder of the submissions (**22%**) and provided both urban and rural perspectives.

9. Key themes and insights

- **Access and affordability:** There was strong consensus on the need for affordable, reliable telecommunications services, with particular emphasis on supporting rural, low-income, and disabled users to promote digital inclusion and equity.
- **Competitive positioning:** Stakeholders views were influenced by the type of provider they are and how they compete. Fibre wholesalers generally favoured more flexible regulatory rules to support innovation and investment, including the removal of legacy constraints such as the Government Share and ownership caps. Retailers, by contrast, emphasised the importance of preserving open access and the wholesale-only model, expressing concern that removing visible safeguards could undermine competition and consumer protections. Contrasting positions may reflect a preference for regulatory settings that limit the strategic positions of rival providers.



- **Legacy obligations:** Most stakeholders agreed that legacy regulatory requirements such as the Telecommunications Service Obligation (TSO)², copper-era deeds, and directory services are increasingly outdated. There was broad support for streamlining or phasing out these obligations, provided that essential consumer safeguards are preserved and transitions are carefully managed.
- **Levy reform:** Submitters widely called for a simpler, more transparent levy system, favouring a flat percentage model applied to defined retail services and calculated in advance. There was strong opposition to audit and certification requirements, which were seen as unnecessary.
- **Consumer protections:** Stakeholders supported clearer, enforceable rules for retail service quality and dispute resolution, especially for vulnerable and rural users. However, concerns were raised about regulatory complexity and the cost burden on smaller providers.
- **Proportionality and regulatory burden:** There was strong support for embedding cost-benefit principles into regulatory practices and ensuring that regulatory interventions are justified, proportionate, and streamlined, particularly for smaller and emerging providers.

10. Contrasting views and tensions

While there was broad agreement on the need for change, stakeholders expressed divergent views on the pace, scope, and sequencing of reforms. Tensions emerged between calls for regulatory simplicity and the need to maintain robust consumer protections and market safeguards. Some notable differences were:

- **Regulatory models and consumer protections:** Some industry groups and providers preferred retaining co-regulatory models and existing retail service quality rules, citing lower compliance costs and greater flexibility. Others advocated for stronger, enforceable rules led by the Commerce Commission to ensure consistent consumer protections.
- **Safeguards and evidence-based change:** While most stakeholders supported streamlining legacy obligations and levy reform, a minority cautioned against removing established safeguards or making changes without robust evidence and careful transition planning.

² The **Telecommunications Service Obligations** are requirements agreed with select service providers to enable the supply of certain telecommunications services that would otherwise not be available commercially or affordably.



- **Divergent priorities for key regulatory tools:** Opinions varied on the future of the TSO, Anchor Services, and Geographically Consistent Pricing. Some favoured immediate reform to reflect market changes, while others emphasised the need for continuity and strong consumer protections.
- **Balancing simplicity with safeguards:** The desire for regulatory simplicity and efficiency often conflicted with calls to maintain robust consumer protections and market safeguards, highlighting the challenge of achieving both objectives.
- **Flexibility, innovation, and market stability:** Stakeholders were divided on whether to prioritise flexibility and innovation by removing legacy structures or to retain these structures to manage market power and support market stability.
- **Pace, scope, and sequencing of reform:** There was broad consensus on the need for change, but differing views on how quickly and extensively reforms should proceed, particularly regarding levy methodology, legacy obligations, and the tension between preserving competition and expanding fibre networks.

11. Conclusion

Stakeholders broadly acknowledged the need for a modern, simpler, and more proportionate regulatory framework that supports competition, innovation, and consumer outcomes. While consensus exists on many issues, the Review also highlighted areas of ongoing debate and the importance of evidence-based, consultative reform. This summary presents the views heard through engagement and consultation, without representing the Ministry's position or conclusions.



Access to Telecommunications Services

12. Telecommunications Service Obligations

12.1. What we heard about the status quo

12.1.1. Overview

Stakeholders broadly agreed that the current Telecommunications Service Obligations (TSO) system is outdated and misaligned with modern technologies and market realities. There was strong support for reviewing the TSO to better reflect current consumer needs, rural connectivity options, and the evolving competitive landscape.

Many stakeholders highlighted that the TSO makes it harder to move customers off the copper network and adopt more efficient alternative technologies like satellite, fixed wireless, and mobile services.

12.1.2. Thematic summary

- **Legacy technology and obsolescence:** The TSO requires support for outdated services (e.g., fax, dial-up), creating barriers to retiring copper networks. While Chorus can transition customers to newer technologies, it must maintain copper infrastructure where customers are unwilling or unable to move, which slows the shift to fibre and modern alternatives.
- **Market alternatives and coverage:** Most rural copper users now have access to at least one alternative technology, such as fixed wireless or satellite. Many now have access to at least three options, including mobile. Wireless internet service providers (WISPs) and community networks are expanding fibre deployment, challenging the view that copper is the only viable rural solution.
- **Economic and technical realities:** Maintaining copper networks is increasingly costly and difficult due to a shrinking pool of skilled technicians. Satellite providers highlighted their growing ability to efficiently serve remote areas, with falling equipment costs and partnerships supporting universal service goals.



- Vulnerable consumers and accessibility:** While some protections exist to accommodate medical needs, broader issues like affordability and device access remain. Barriers persist for disabled users (e.g., inaccessible websites, reliance on voice identification). Submitters expressed concern about the phase-out of Teletypewriter services³, lack of contingency planning, and over-reliance on single providers in rural areas without robust consumer protections.
- Regulatory clarity and reform:** The TSO’s technology-neutral wording confuses rural consumers and complicates transitions to better alternatives. Submitters suggested the TSO no longer reflects the competitive landscape, citing the availability of market alternatives.

12.2. What we heard about the options for change

The Ministry sought feedback on whether to:

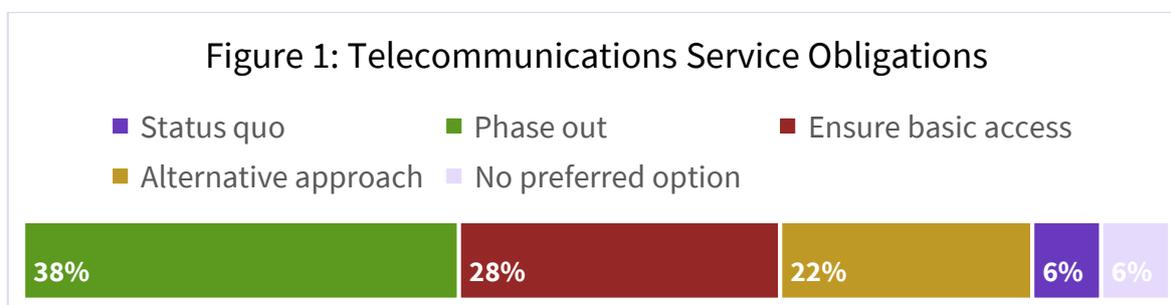
- maintain current TSO requirements for home telephone service (Option 1)
- phase out these requirements in line with Chorus’ copper network retirement by 2030 (Option 2)
- replace the TSO with measures to ensure access to basic telecommunications, either through direct financial support or by contracting companies to provide affordable services where not commercially viable (Option 3).

Submitters could also propose alternatives or indicate no preference.

The Ministry also sought feedback on whether submitters had concerns about the potential removal of directory services (white page listings, printed telephone books and directory assistance).

12.2.1. Quantitative insights

Telecommunications Service Obligations (TSO)

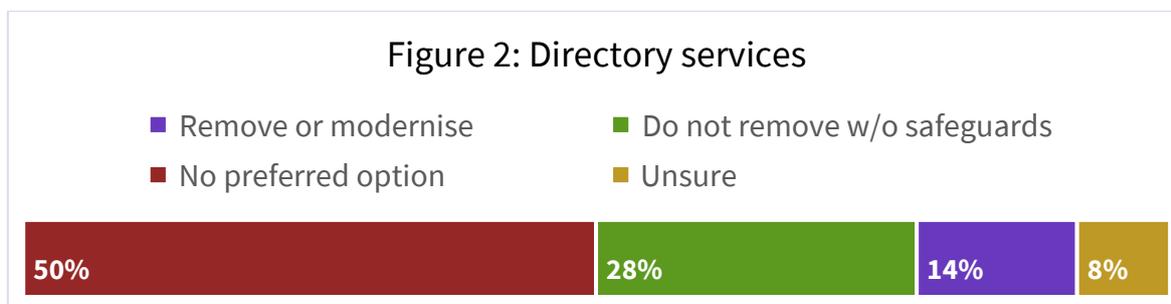


³ The **Teletypewriter service** supports people who are Deaf, Deafblind, hard of hearing, or have speech impairments to make phone calls.



- Many stakeholders (**38%**) supported phasing out the TSO, arguing that the current framework is outdated and misaligned with modern technologies. They favoured a planned withdrawal aligned with Chorus’ copper retirement timeline planned for 2030.
- Some (**28%**) supported replacing the TSO with a new model to ensure basic service, such as direct financial support to consumers or contracting providers to deliver basic services in unprofitable areas.
- Some (**22%**) proposed alternative approaches, as described below.
- A few (**6%**) supported retaining the TSO until a reliable alternative voice service is in place.
- A few (**6%**) did not express a preference for any option.

Directory services



- Most submitters (**50%**) did not express a preference.
- Some (**28%**) cautioned against full removal without adequate safeguards. They recommended maintaining directory services on a request basis (e.g., through libraries or post offices) or ensuring that alternative means of accessing contact information are accessible and affordable for all.
- A few (**14%**) called for the removal or modernisation of directory obligations, arguing that the current requirements are increasingly out of step with consumer behaviour and impose unnecessary costs on providers.
- A few (**8%**) were unsure.

12.2.2. Proposed alternatives

A few providers proposed alternatives to the TSO that built upon Option 3 but offered more flexibility and modernisation. Key features included:

- **Technology-neutral universal service schemes:** Replace the TSO with a consumer-choice model that allows eligible users to select from a panel of providers (e.g. satellite, mobile, fibre, fixed wireless) offering basic services that meet minimum standards.



- **Direct financial support to consumers:** Rather than funding legacy infrastructure, provide subsidies to individuals or households to help them afford modern telecommunications services.
- **Competitive contracting:** Use government contracts to fund service delivery in commercially unviable areas, with providers selected based on cost-effectiveness and coverage.
- **Migration safeguards:** Ensure copper withdrawal is accompanied by a clear, stakeholder-agreed transition plan, including protections for medical alarm users and rural communities.
- **Redefining “basic service”:** Update definitions to include Voice over Internet Protocol⁴, broadband, and messaging services as essential utilities, with minimum performance standards that evolve over time.

12.2.3. Key concerns

Stakeholders raised concerns about both the current TSO requirements and with changing them.

Key concerns raised about the TSO were:

- **Obsolescence:** The TSO mandates obsolete services, creating confusion and inefficiencies.

Submitter perspectives

The current TSO, focused on legacy copper voice services, does not reflect modern digital needs such as internet access for social connectivity, education, health, and employment opportunities. – **Other interested group**

- **Consumer confusion:** Many users are unaware whether the TSO applies to their address or what it guarantees.
- **Barrier to modernisation:** The TSO delays copper retirement and investment in modern networks.

Key concerns raised about changes to the TSO were:

- **Risk to vulnerable users:** Removing the TSO without appropriate safeguards could leave rural, elderly, and disabled users without reliable voice services. Similarly,

⁴ **Voice over Internet Protocol** is a way to make phone calls using the internet rather than using traditional (copper) phone lines, allowing consumers to make calls from computers, smartphones or special VoIP phones, often at lower cost and with extra features like video calls and voicemail-to-email.



changes to directory services must ensure that vulnerable consumers, such as the elderly, those in rural areas, and people without reliable internet, are not left without practical means of accessing essential contact information.

Submitter perspectives

Many rural households, especially older people and those in areas with limited or unreliable internet, still rely on directory services. These services are often the only practical way to find contact details for essential services, neighbours or businesses when online access is patchy, unavailable or out of reach due to digital literacy issues. – **Consumer group**

- **Lack of clarity on replacement:** Some submitters warned against removing the TSO before a new service framework is in place. There was broad support for a managed transition, including clear communication, targeted support for affected users, and ongoing monitoring to ensure no one is left behind. Similar concerns were raised about removal of directory services.

12.2.4. Additional insights

- **Broad consensus** that the TSO is no longer fit for purpose and should be retired or replaced. Similarly, there was support for exploring technology-neutral, modern solutions for the current directory services, such as digital directories or enhanced voice-based assistance, to ensure continued access for all New Zealanders.

Submitter perspectives

The TSO is obsolete and removing it should be part of the focus on solving the real challenges facing rural New Zealand – particularly the persistent digital equity gap between urban and rural communities. – **Local Fibre Company**

Societal needs have evolved considerably and the way people access information has transformed. The natural attrition of the aging population – the main users of printed directories – has led to a decreasing user base for these services. Younger generations overwhelmingly prefer digital alternatives, making the production of printed directories increasingly redundant. – **Industry stakeholder**

- **Diverging views** on whether to phase out the TSO immediately or retain it until a new scheme is implemented.

Submitter perspectives

Many rural households still depend on copper landlines because mobile coverage and broadband can be patchy and vulnerable to power cuts. ... Keeping the obligation ensures no one is left without a reliable way to make calls, particularly in an emergency. Many medical alarms currently in use also rely on the copper networks. – **Consumer group**



- **Consumer groups** emphasised affordability, accessibility, and the need for inclusive service definitions.
- **Industry stakeholders** focused on reducing compliance costs and enabling technology transitions to contemporary communication practices. These views applied to both the TSO and directory services.
- **Providers that serve rural and remote consumers (e.g. WISPs, satellite)** advocated for competitive, technology-neutral models that empower consumer choice.
- **Some submitters** cautioned against conflating the TSO with a universal service obligation (USO), noting that the TSO does not guarantee affordable access for customers.

Submitter perspectives

We agree that the current copper-based TSO is outdated and increasingly unsustainable. However, the core issue is not the technology, but ensuring that everyone in Aotearoa New Zealand has ongoing, affordable access to essential voice and basic telecommunications services, regardless of location or income. – **Consumer group**

13. Access to basic fibre services

13.1. What we heard about the status quo

13.1.1. Overview

Stakeholders expressed a range of views on the current regulatory settings for **Anchor Services** and **Geographically Consistent Pricing (GCP)**. While some stakeholders acknowledged the original intent of these rules was to promote affordability and equity, many questioned whether they remain fit for purpose in today's market. Concerns centred on the rigidity of Anchor Service definitions, the investment disincentives created by GCP, and the broader impact of these rules on innovation, competition and rural connectivity.

13.1.2. Thematic summary

Anchor Services

- **Misalignment with market:** A few stakeholders stated that Anchor Services are no longer aligned with consumer needs. They noted that the regulated specifications are too rigid and do not reflect the diversity of service offerings now available in the market.



- **Zero uptake:** No one has taken up Broadband Anchor Services since regulation began, suggesting that market forces already provide basic services at competitive prices.
- **Compliance burden:** Maintaining Anchor Services imposes costs on providers, particularly when the products are unused. These obligations were described as unnecessary and inefficient.
- **Digital equity limitations:** While some providers offer discounted fibre products for low-income consumers, they emphasised that Anchor Services do not support digital equity goals effectively. The current framework restricts the ability to design low-cost services.

Geographically Consistent Pricing

- **Cross-subsidisation concerns:** A few stakeholders noted that the GCP model results in urban customers effectively subsidising rural users. This cross-subsidy can distort competition and reduce incentives to invest in high-cost rural areas.
- **Investment disincentives:** A few stakeholders indicated that GCP makes it difficult to justify expanding networks into rural areas, where construction and maintenance costs are much higher.
- **Retailer preferences:** Uniform pricing was seen as simplifying commercial arrangements with Retail Service Providers (RSPs) but also limiting flexibility. One stakeholder noted that retailers prefer consistent pricing, and GCP can prevent providers from tailoring offers to local conditions.
- **Alternative technologies:** A few providers highlighted the growth of fixed wireless and satellite services as evidence that competition is already delivering affordable rural connectivity, reducing the need for GCP.

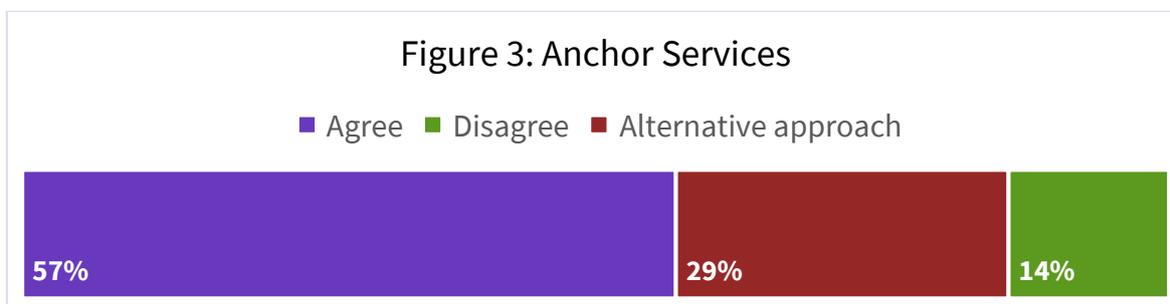
13.2. What we heard about the options for change

The Ministry sought feedback on recommendations to require the Commerce Commission (the Commission) to review both GCP and Anchor Services as part of the 2027 regulatory reset, to assess whether current or alternative rules better achieve GCP's objectives and to consider a phased repeal of Anchor Services.



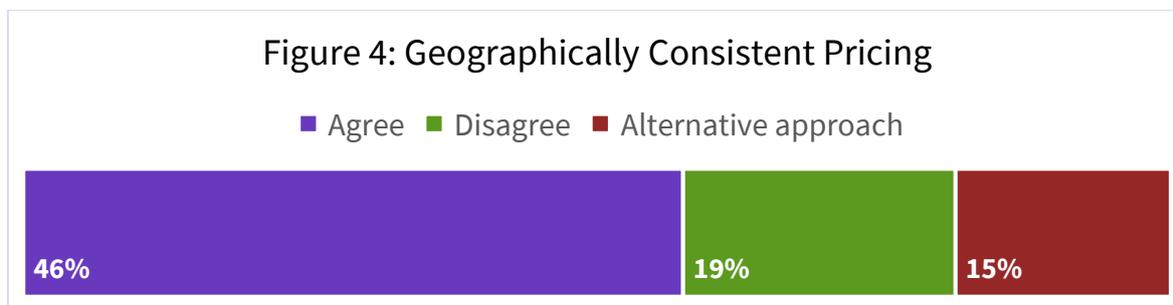
13.2.1. Quantitative insights

Anchor Services



- Most stakeholders (**57%**) supported the recommendation to review Anchor Services at the next regulatory reset. These submitters generally viewed Anchor Services as a useful safeguard but acknowledged that the specifications may be outdated and should be reassessed to better reflect current consumer needs and market conditions.
- Some stakeholders (**29%**) proposed alternative approaches, as described below.
- Some stakeholders (**14%**) opposed the recommendation, arguing that Anchor Services are redundant, impose unnecessary compliance costs, and have seen little to no uptake. These submitters favoured full repeal rather than a phased review.

Geographically Consistent Pricing



- Many stakeholders (**46%**) supported the recommendation to review GCP, with most emphasising the importance of maintaining safeguards against regional pricing discrimination while allowing for greater pricing flexibility in high-cost areas.

Submitter perspectives

We support a review [of GCP] provided it focuses on consumer outcomes. – **Consumer group**

- Some stakeholders (**19%**) opposed the recommendation, viewing GCP as a critical regulatory tool that ensures fairness and universal access. These submitters cautioned against any changes that could undermine equity for rural and remote consumers.



Submitter perspectives

In the absence of GCP, Chorus could raise prices in regions where fibre is the only viable option while cutting prices in areas where it faces a greater risk of losing customers. The result would be consumers facing a “postcode lottery” for fibre prices. – **Mobile Network Operator**

- Some stakeholders (**15%**) proposed alternative approaches, as described below.

13.2.2. Proposed alternatives

Anchor Services

Some submitters emphasised the need for flexibility to support affordability and innovation, particularly for low-income and low-usage consumers. Proposed alternatives included:

- redefining Anchor Services to support digital equity (e.g. introducing lower-bandwidth and lower-cost fibre products)
- aligning specifications with minimum universal service standards (e.g. 40 Mbps⁵)
- evolving the Anchor Service specifications to reflect the most widely adopted product tier.

Geographically Consistent Pricing

A few submitters sought to balance cost-reflective pricing with equitable access. Proposed alternatives included:

- introducing regional pricing flexibility based on actual infrastructure costs
- implementing targeted affordability mechanisms for underserved communities
- reviewing service parity across Local Fibre Companies (LFCs).

13.2.3. Key concerns

Anchor Services

- Anchor Services were viewed as outdated and misaligned with consumer needs. A few said that the specifications are too high to serve low-income users effectively. Others noted that the products are unused and impose unnecessary compliance burdens. Concerns were also raised about the potential for price increases if anchor safeguards are removed.

⁵ **Mbps** stands for megabits per second. It is a unit used to measure data transfer speed, which is how much data can move through a network connection in one second.



Submitter perspectives

These regulated anchor products are set at speeds and price points that do not address the needs of low-income or low-usage individuals. Many in our community require more affordable, lower-bandwidth options currently blocked by anchor product definitions. –

Other interested group

Geographically Consistent Pricing

- A few said that GCP distorts pricing signals and disincentivises fibre expansion in high-cost areas. Others noted that GCP applies to all fibre services, including backhaul⁶ and co-location⁷, which are competitive and location-dependent, making compliance inefficient. Concerns were also raised about the risk of cross-subsidisation if GCP is removed and noted regulatory asymmetry between Chorus and large providers of other technologies (mobile, fixed wireless, and satellite).

Submitter perspectives

We welcome the review of the GCP framework and strongly advocate for the inclusion of affordability considerations for low-income communities. We encourage regulators to explore alternative tools that balance nationwide consistency with regional affordability and infrastructure realities. - **Other interested group**

13.2.4. Additional insights

- A few submitters emphasised that Anchor Services and GCP are part of a broader regulatory framework designed to constrain monopoly power. They cautioned against dismantling these safeguards in isolation, warning that doing so could undermine the competitive retail market structure and consumer protections.
- A few submitters proposed that any review of Anchor Services or GCP should be evidence-based, consultative, and coordinated with broader regulatory reviews to avoid unintended consequences.

⁶ **Backhaul** is the part of the network that connects local internet or phone services to the main network or internet backbone.

⁷ **Co-location** means putting equipment from different companies in the same building or site so they can share space and connect easily.



Rules about fibre

14. Governance reform in Local Fibre Companies

14.1. What we heard about the status quo

14.1.1. Overview

Local Fibre Companies (LFCs) expressed strong support for modernising and simplifying the fibre regulatory system by removing legacy constitutional controls, ownership restrictions, and government share provisions. They view these controls as outdated and misaligned with the current maturity of the fibre market.

Stakeholders emphasised that the existing regulatory system, which includes the economic regulation in Part 6 of the Telecommunications Act 2001 (the Act) and the Fibre Open Access Deeds required under Part 4AA of the Act, already provides sufficient oversight. They noted that constitutional controls now act as a barrier to innovation, investment and operational efficiency, particularly for smaller LFCs.

One consumer group supported removing constitutional controls for the three smaller LFCs, noting that this would help level the playing field with Chorus. They highlighted that the rules limit the smaller LFCs' ability to grow, compete effectively and respond to market opportunities.

No other groups provided comment on the LFCs governance rules during Phase One of the Ministry's engagement.

14.1.2. Thematic summary

- **Obsolescence of constitutional controls:** Stakeholders described the Government Share and ownership restrictions as legacy tools that no longer serve a practical purpose. One noted that these rules were designed for a post-demerger environment but are now redundant given the structural separation and comprehensive regulatory oversight in place.
- **Administrative burden:** Some LFCs highlighted the inefficiencies caused by requiring Ministerial approval for routine corporate changes. One cited a 1,000-day delay to approve a change, while another described the constitution as a “cumbersome” and “unusual” regulatory instrument.
- **Preference for deed-based or legislative oversight:** LFCs suggested shifting regulatory obligations from company constitutions into deeds or legislation, noting



this would preserve necessary safeguards while enabling more agile governance and reducing duplication across regulatory instruments.

- Consistency across providers:** They noted that not all LFCs are subject to the same shareholder caps, creating an uneven playing field. They called for alignment across the LFCs to support fair competition and investment.
- Impact on innovation and market responsiveness:** Some LFCs described how constitutional and business line restrictions (BLRs)⁸ have slowed their ability to respond to market opportunities, such as deploying wireless services or forming partnerships. One noted that legal costs and approval delays are especially burdensome for smaller providers.
- Retail rules and consumer experience:** One LFC expressed frustration that constitutional constraints prevent them from offering services that could improve customer experience, such as technical support, despite being blamed for issues outside their control.

14.2. What we heard about the options for change

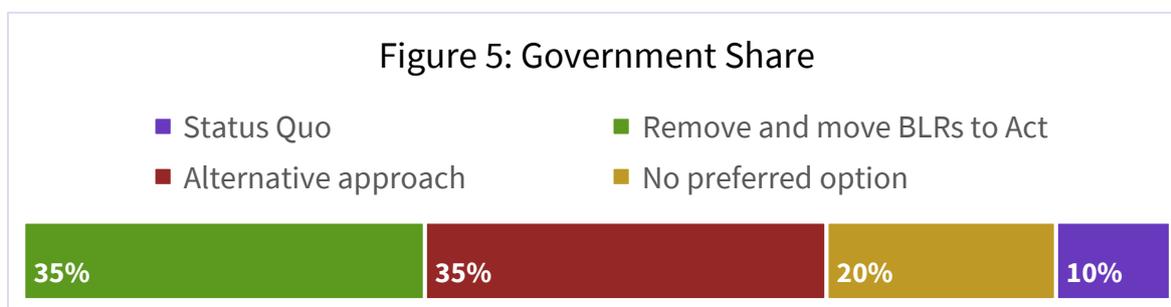
The Ministry sought feedback on whether to retain the Government Share with ongoing Ministerial approvals (Option 1) or remove the Government Share and move BLRs to legislation (Option 2).

For ownership restrictions, options were to retain shareholder caps in constitutions (Option 1) or remove them and rely on existing legislation such as the Overseas Investment Act 2005, Takeovers Code, and Commerce Act 1986 (Option 2).

Submitters could also propose alternatives or indicate no preference.

14.2.1. Quantitative insights

Government Share

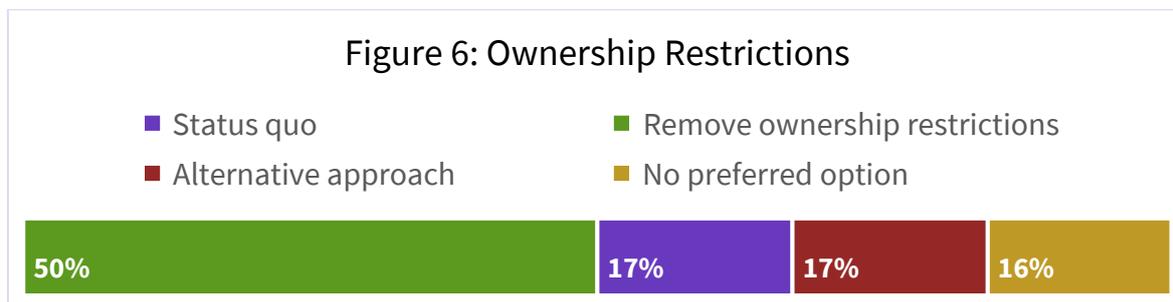


⁸ Business line restrictions are the rules that prevent the LFCs from retailing telecommunications services.



- Many submitters (**35%**) supported removing the Government Share and moving BLRs to legislation. These submitters viewed the Government Share as outdated and unnecessary emphasising that the fibre market has matured, Crown funding has been repaid, and robust regulatory safeguards already exist to prevent anti-competitive behaviour.
- An equal proportion (**35%**) proposed alternative approaches as described below.
- Some (**20%**) had no preferred option. These submitters either expressed uncertainty about the implications of removing the Government Share or deferred to other stakeholders more directly affected.
- A few (**10%**) supported the status quo. These submitters said that the existing framework, though imperfect, still provides necessary safeguards. They cautioned that removing the Government Share could introduce unintended consequences if not carefully managed and preferred to retain current settings until further evidence justified change.

Ownership restrictions



- Most submitters (**50%**) supported removing ownership restrictions from LFC constitutions. They viewed shareholder caps as outdated and unnecessary. A few submitters echoed these views, noting that Crown funding has been repaid and that inconsistent treatment across LFCs undermines fairness and investor confidence.
- Some (**17%**) supported retaining ownership restrictions (shareholder caps). They expressed caution about removing ownership restrictions, citing the need to preserve structural separation and protect against undue influence from large shareholders. While they acknowledged the administrative burden, they viewed the rules as a symbolic safeguard that reinforces the wholesale-only model.
- Some (**17%**) proposed alternative approaches, as described below.
- Some (**16%**) expressed no preference.



14.2.2. Proposed alternatives

Government Share

- **Retain Government Share but improve the decision-making process:** A few submitters proposed introducing statutory timeframes or enforceable processes for Ministerial approvals. The aim was to address concerns about delays and uncertainty, while maintaining government oversight of critical infrastructure.
- **Remove Government Share and move BLRs to a deed⁹ (not legislation).** A few proposed removing the Government Share and moving BLRs from constitutions to a deed rather than to legislation. Deeds were seen as more flexible and proportionate for rules that do not require high-level public accountability.
- **Retain Government Share and adjust BLRs** to permit LFCs to compete in wholesale fixed wireless and content delivery services.

Submitter perspectives

“In summary, retaining the Government Share ensures accountability and fairness, while lifting Line of Business Restrictions enables innovation, competition, and broader service reach, both of which are essential for a growth and inclusive telecommunications sector.” –

Other interested group

Ownership restrictions

- **Retain ownership restrictions but improve process:** Some submitters supported retaining ownership restrictions but called for process improvements, such as statutory timeframes for approvals or clearer criteria for decision-making.

14.2.3. Key concerns

- **Unintended consequences:** Submitters who supported retaining the Government Share or ownership restrictions cautioned that removing these controls could introduce unintended consequences if not carefully managed. They preferred to retain current settings until further evidence justifies change.
- **Structural separation and market integrity:** Some submitters emphasised the need to preserve structural separation and protect against undue influence from large shareholders, especially given the Crown’s past investment and the possibility of future public contributions.

⁹ A **deed** is a formal written promise that is legally binding on the organisation that signs it, unlike legislation which creates rules that apply to everyone and can only be changed by Parliament. A deed can be amended more easily, without going through the Parliamentary process.



- **Community interests and local control:** Others warned that removing rules could make it easier for overseas or non-local investors to gain control, potentially shifting the focus away from community interests.

14.2.4. Additional insights

- **No single alternative:** Submitters proposed a range of alternatives, including retaining the Government Share with reforms, using deeds instead of legislation, imposing statutory timeframes, and allowing limited retail activity.
- **Organisation type matters:** LFCs tended to favour flexibility (deeds, revenue caps), while retailers and industry groups emphasised process improvements or maintaining oversight.
- **Broad support for adjusting BLRs:** Across several organisation types, including LFCs, Mobile Network Operators (MNOs), and industry groups, there was a clear theme that current BLRs are too rigid or outdated and should be adjusted to better reflect today's market and technology environment.
- **Strong support for removing ownership restrictions and relying on existing legislation:** Most LFCs and a few industry submitters said that modern regulatory frameworks, including the Telecommunications Act 2001, Commerce Act, Overseas Investment Act, and Takeovers Code, already provide robust protections against anti-competitive behaviour and national security risks.

Submitter perspectives

With alternative regulatory frameworks already providing oversight of investments ..., the separate shareholding restrictions are an additional and unnecessary overlay. The effect of this is extra cost, uncertainty, and potential for delay for prospective investors ... disincentivising investment. – **Local Fibre Company**



15. Layer 1 unbundling

15.1. What we heard about the status quo

15.1.1. Overview

Some stakeholders described Layer 1 unbundling¹⁰ as a legacy regulatory approach that is not well aligned with the current utility-style fibre regulatory model. They reported that unbundling has not been used in practice, citing high costs, technical complexity, and a lack of commercial demand.

RSPs and some LFCs discussed the potential for shifting unbundling from the physical (Layer 1) level to the service (Layer 2) level, such as through virtual unbundling or wavelength division multiplexing¹¹, which could lower costs and improve market entry conditions.

LFCs noted that the regulatory burden of maintaining Layer 1 unbundling capability is significant, highlighting sunk costs and ongoing compliance requirements.

15.1.2. Thematic summary

- **Legacy regulation and market maturity:** LFCs view Layer 1 unbundling as a vestige of historic competition policy, not suited to the current fibre market, which is characterised by strong retail competition and widespread adoption of fibre and fixed wireless services.
- **Economic and technical barriers:** LFCs emphasised that the costs and complexity of providing physical unbundling are high, and there is little to no commercial uptake. One noted that regulatory obligations require them to maintain spare capacity and support for unbundling, even where it will never be used.
- **Alternative approaches:** RSPs and some LFCs discussed the potential for Layer 2 or virtual unbundling as a more practical and cost-effective alternative, which could reduce operational burdens and facilitate competition by lowering input costs for retailers.

¹⁰ **Layer 1** refers to the physical part of the fibre network, such as cables and hardware, and does not include software or internet services. Unbundling at this level allows other providers to access the physical network and offer their own services.

¹¹ Virtual unbundling and wavelength division multiplexing let providers share fibre capacity using software or light channels, instead of physically splitting the fibre as currently required.



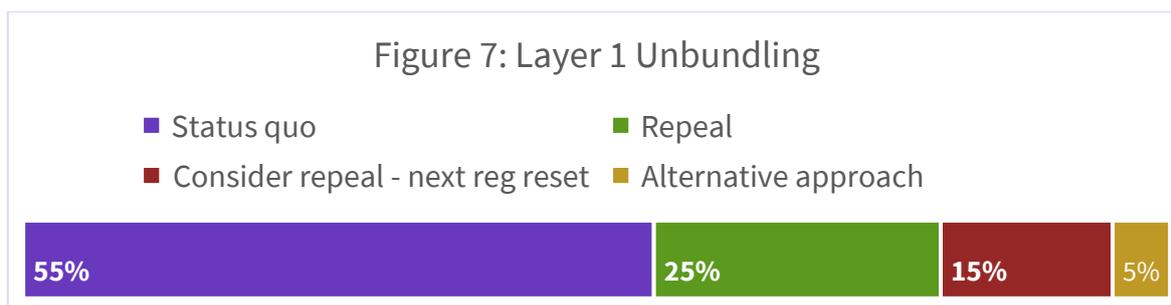
- Regulatory duplication and complexity:** One LFC highlighted that unbundling requirements add to regulatory duplication and complexity, with recent investigations by the Commission illustrating the compliance burden without clear consumer benefit.
- Uniform pricing and retailer preferences:** One LFC noted that uniform pricing across their network simplifies arrangements with RSPs, and that their business strategy focuses on increasing connections within their existing footprint rather than expanding unbundling options.

15.2. What we heard about the options for change

The Ministry sought feedback on whether to retain Layer 1 unbundling requirements (Option 1), repeal them (Option 2), or consider repeal as part of the 2027 regulatory reset (Option 3). Submitters could also propose alternatives or indicate no preference.

15.2.1. Quantitative insights

Layer 1 unbundling



- Most submitters (**55%**) support retaining Layer 1 unbundling. Mostly RSPs and some industry groups supported keeping the requirement, viewing it as a safeguard against monopoly power.
- Some (**25%**) supported repeal, citing high cost and operational burdens without consumer benefit.
- Some (**15%**) supported considering repeal as part of the next regulatory reset in 2027, as a middle-ground position. They felt that while Layer 1 unbundling is not currently viable, it may be premature to remove the obligation entirely without a comprehensive review of market conditions and alternative approaches (such as virtual or wavelength unbundling).
- A few (**5%**) proposed alternative approaches, as described below.

15.2.2. Proposed alternatives

- International approaches:** Some suggested that international models (e.g., virtual or wavelength unbundling,) could be considered as alternatives but noted that these are



not currently feasible in New Zealand’s fibre network. Their rationale was that these alternatives could offer a more practical and cost-effective way to facilitate competition and innovation.

- **Transfer oversight:** One submitter proposed transferring oversight of unbundling obligations to MBIE.

15.2.3. Key concerns

- **Economic viability:** A few submitters emphasised that Layer 1 unbundling is not economically viable under current market and technical conditions. They pointed to the lack of commercial uptake, the evolution of alternative technologies (such as fixed wireless and Layer 2 bitstream services), and international precedent as reasons why the obligation is now out of step with market realities.

Submitter perspectives

Unbundling at scale, and the theoretical benefits it would bring, has not, and will not occur in New Zealand. – **Local Fibre Company**

- **Regulatory burden:** The ongoing costs and operational inefficiencies associated with maintaining unbundling capability were highlighted as disproportionate to any potential benefit.
- **Safeguard value:** RSPs and industry groups stressed the importance of retaining Layer 1 unbundling as a safeguard (even if uptake remains low) to constrain monopoly behaviour, noting that removing the obligation could weaken competitive pressure and limit future regulatory options.

Submitter perspectives

While Layer 1 services have not been taken up, it remains an important option in the regulatory framework that potentially constrains Chorus behaviour. – **Mobile Network Operator**

- **Implementation flaws:** There was broad agreement that the current implementation is flawed (i.e. unviable terms and technical complexity) and should be reviewed, regardless of whether the obligation is retained or repealed.

15.2.4. Additional insights

- Most submitters agreed that any changes to Layer 1 unbundling should be evidence-based and coordinated with broader regulatory reviews to avoid unintended consequences.



- Some noted that international precedent does not support mandatory Layer 1 unbundling in comparable markets, and that New Zealand's experience reflects global trends.

16. Fibre deregulation review process

16.1. What we heard about the status quo

16.1.1. Overview

Stakeholders expressed a range of views on the fibre deregulation process, generally supporting streamlining the process and favouring a shift from the current two-step approach to a single-step or more agile process. They see the existing process as resource-intensive, duplicative, and a barrier to timely adaptation to market and technological changes, especially as the telecommunications industry matures. They emphasised that a streamlined process would reduce administrative burden, provide greater certainty for planning and investment, and better reflect the competitive realities of the market.

16.1.2. Thematic summary

- **Support for streamlining:** Stakeholders supported streamlining the fibre deregulation process. They described the current two-step approach as slow, resource-intensive, and not well-suited to a fast-changing market. A single-step or more agile process was seen as a way to reduce administrative burden, provide greater certainty for planning and investment, and better reflect the maturity of the telecommunications industry.
- **Need for safeguards and evidence:** While stakeholders favoured a more efficient process, they emphasised that deregulation should only occur when there is clear, sustained evidence of effective competition. There was concern that moving too quickly could risk removing important consumer protections while fibre remains a monopoly in many regions.
- **Regulatory consistency and confidence:** Stakeholders highlighted the importance of maintaining consistency across the telecommunications regulatory system. They cautioned that changes to the deregulation process should be coordinated with other regulatory settings to avoid fragmentation, regulatory uncertainty, or erosion of investor and consumer confidence.
- **Balance between flexibility and oversight:** There was broad agreement that the deregulation process should balance flexibility, so regulation can adapt to technological and market changes, with ongoing oversight to protect consumers and ensure fair competition. Some stakeholders suggested that the regulator should retain



discretion to determine the most appropriate process, provided there are clear guidelines and robust stakeholder consultation.

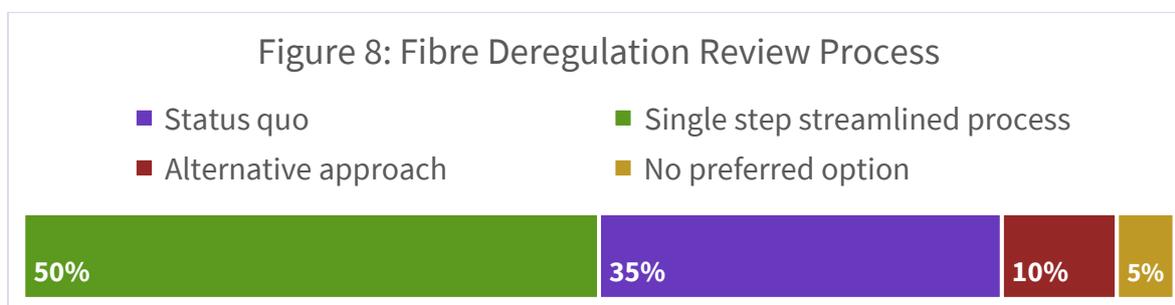
- Resource and compliance burden:** LFCs noted that the current process can be resource-intensive for both regulators and providers, especially smaller operators. Streamlining was seen as a way to reduce compliance costs and administrative burden, freeing up resources for innovation and service improvements.
- Risk of premature deregulation:** A few stakeholders, particularly those representing consumer interests, expressed concern that a single-step process could lead to premature deregulation before competitive constraints are fully established. These stakeholders warned this could undermine consumer protections and market stability.

16.2. What we heard about the options for change

The Ministry sought feedback on whether to retain the current two-step process for fibre deregulation reviews (Option 1) or adopt a single step streamlined process (Option 2). Submitters could also propose alternatives or indicate no preference.

16.2.1. Quantitative insights

Fibre deregulation review process



- Most submitters (**50%**) supported a single step deregulation review process, highlighting the need for greater efficiency and timeliness in regulatory decisions.
- Many (**35%**) supported keeping the current two-step deregulation review process, viewing it as an important safeguard against premature deregulation.
- A few (**10%**) proposed alternative hybrid or modified approaches, as described below.
- A few (**5%**) expressed no preference.

16.2.2. Proposed alternatives

- Hybrid or modified approaches:** A few submitters, including LFCs, MNOs and industry groups, suggested hybrid models that combine elements of both the single-step and two-step processes. A few proposed retaining a two-step process but introducing



statutory timeframes for each step to ensure timely decisions. Others recommended giving the Commission discretion to select the most appropriate process based on the circumstances or the specific service under review.

- **Tailored reviews:** Some submitters advocated for a more flexible approach, allowing the deregulation review process to be tailored to the market context or the nature of the service being considered for deregulation.

Submitter perspectives

Removing the reasonable grounds review step does not necessarily mean the Commission would be required to carry out a full deregulation review before the start of each regulatory period. We are mindful of the need to avoid the costs of unnecessary reviews. We consider other mechanisms could be created to ensure deregulation reviews are only carried out where there is justification. – **Local Fibre Company**

- **Enhanced stakeholder consultation:** A few submitters emphasised the importance of robust stakeholder consultation and suggested that any changes to the process should be accompanied by clear guidelines to ensure transparency and accountability.

16.2.3. Key concerns

- **Risk of premature deregulation:** Submitters who supported the two-step process or alternatives cautioned that moving to a single-step process could allow deregulation before there is clear evidence of sustained competitive constraints. They warned this could remove important consumer protections while fibre remains a monopoly in many regions. This could also increase compliance costs and divert resources from other priorities.

Submitter perspectives

In practice, the current two-step process strikes the right balance. It ensures that deregulation is not ignored where competitive conditions genuinely justify it, but it also provides a filter to avoid wasting resources on full reviews where market conditions are unchanged. – **Mobile Network Operator**

- **Regulatory consistency and confidence:** A few submitters cautioned that changing the fibre deregulation process in isolation could undermine consistency across the telecommunications regulatory system and erode investor and consumer confidence in the stability and predictability of regulation.

Submitter perspectives

Any change to simplify the fibre review process would need to be mirrored in other areas where the Commission has a statutory duty to periodically consider deregulation.



Selectively altering the process only for fibre would risk regulatory inconsistency and undermine confidence in the broader framework. – **Mobile Network Operator**

- **Potential for regulatory gaming:** A few submitters cautioned that a streamlined process could be exploited by parties seeking deregulation for commercial advantage, leading to unnecessary or poorly justified reviews.

16.2.4. Additional insights

- **Alignment with best practice:** Some submitters who support a single-step process noted that streamlining would bring telecommunications regulation in line with best practice in other regulated industries, such as electricity and gas, where more agile review processes are common.

Submitter perspectives

[Provider] believes a thorough single step process will speed up decision making, reduce costs for both regulators and market participants that ultimately will benefit end users. – **Retail Service Provider**

- **Importance of proportionality:** There was broad agreement that the deregulation review process should be proportionate to the scale and nature of the market changes being considered. A few submitters emphasised that regulatory interventions should be justified by clear evidence and deliver net public benefit.
- **Need for regulatory certainty:** Both supporters and opponents of change highlighted the importance of regulatory certainty for business planning and investment. Submitters noted that predictable and transparent processes help maintain confidence among investors, industry participants, and consumers.
- **Role of the Commission:** Some submitters suggested that the Commission should be given greater discretion to determine the most appropriate review process, provided that this is supported by clear statutory guidance and robust stakeholder engagement.
- **Reasonable grounds assessment:** Submitters suggested that the problem may not be that the process requires two steps, but how the Commission applies the test for reasonable grounds.

Submitter perspectives

Based on our more recent observations, if an issue has been identified, the problem may not be with the two-step process per se, but rather that at times the assessment the Commerce Commission has taken at the first step may be more substantive than it needs to be. Some of the assessments at step 1, for example, may most appropriately be undertaken as part of step 2. – **Mobile Network Operator**



17. Exemption process for services above Layer 2

17.1. What we heard about the status quo

17.1.1. Overview

Stakeholders described the current exemption process for services above Layer 2 as administratively burdensome and commercially impractical, primarily due to the requirement for consultation with all potentially affected parties, including direct competitors, before any exemption can be granted. It was noted that the process is largely unused. This is seen as a significant deterrent to innovation, particularly for those seeking to launch new or niche services.

While the process was recognised as a safeguard to protect the wholesale-only model and ensure robust scrutiny, many questioned whether it remains proportionate or fit for purpose in the current competitive market.

17.1.2. Thematic summary

- **Commercial sensitivity and non-use:** A few stakeholders noted the exemption process has never been used, mainly because it requires public disclosure of commercially sensitive information to competitors, which strongly discourages proposals for new services.
- **Procedural rigidity and administrative burden:** The process is seen as highly burdensome, requiring lengthy consultation, detailed disclosures, and responses to feedback, often extending approval timelines to a year or more, even for low-risk proposals.
- **Barrier to innovation and first-mover disadvantage:** A few stakeholders said that revealing business plans before launch undermines innovation incentives, as it risks losing first-mover advantage and exposes them to competitive responses.
- **Safeguard for market structure:** Some retail providers and user groups support the current process, viewing it as an important safeguard to prevent LFCs from competing directly with retailers and to ensure robust scrutiny of changes to the wholesale-only model.
- **Calls for proportionality and reform:** A few stakeholders advocated for a more proportionate, risk-based approach, such as fast-tracking low-risk services while retaining full scrutiny for higher-risk proposals, to reduce burden and encourage innovation without compromising market integrity.

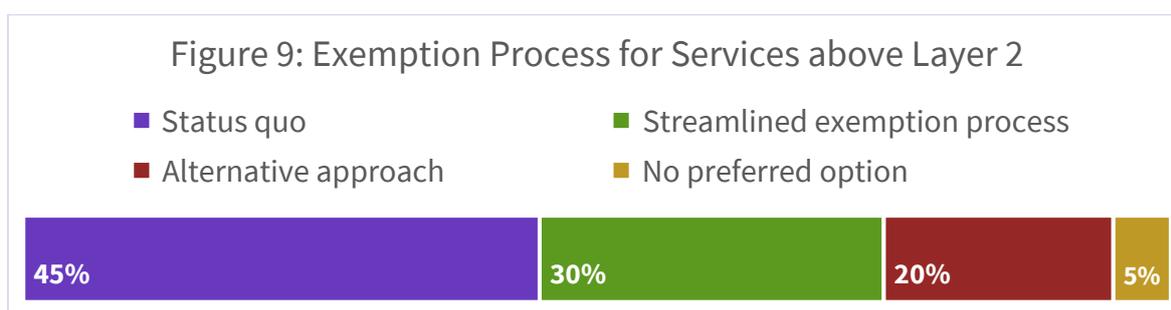


17.2. What we heard about the options for change

The Ministry sought feedback on whether to retain the current exemption process, requiring consultation even for low-risk and non-core services (Option 1), or to introduce a streamlined, fast-track exemption process to ensure timely approvals (Option 2). Submitters could also propose alternatives or indicate no preference.

17.2.1. Quantitative insights

Exemption process for services above Layer 2



- Many submitters (**45%**) supported retaining the current process as a critical safeguard for the wholesale-only model and competition.
- Many (**30%**) supported streamlining the exemption process, including a fast-track for low-risk and non-core services. These submitters, mainly LFCs and some industry groups, found the current process overly rigid and burdensome, and favoured a risk-based or tiered approach to reduce compliance costs and encourage innovation.
- Some (**20%**) proposed hybrid or modified approaches, as described below.
- A few (**5%**) expressed no preference.

17.2.2. Proposed alternatives

- **Hybrid or tiered approaches:** Some submitters supported a hybrid or tiered approach to streamlining the exemption process. They proposed that the current, more rigorous process be retained for higher-risk or contentious proposals, while a faster, simplified process (such as fast-tracking or self-certification) could be introduced for low-risk or non-core services. They emphasised that clear and objective definitions of “low risk” and “non-core” services would be essential to ensure the effectiveness and consistency of this approach.
- **Discretion and statutory timeframes:** A few submitters suggested allowing the Commission discretion to determine the appropriate level of consultation or introducing statutory timeframes to ensure timely decisions.



- Remove or replace the rule:** A few submitters recommended removing the rule on wholesale services above Layer 2 entirely or replacing the current exemption process with a more flexible mechanism, such as introducing a revenue cap for non-fibre services or allowing targeted approval for specific service types, to better support innovation and responsiveness in the telecommunications industry.

17.2.3. Key concerns

- Risk to structural separation:** Many supporters of the status quo expressed concern that streamlining the exemption process could weaken the wholesale-only model and allow LFCs to compete directly with retailers, undermining competition and consumer choice. These submitters, primarily retailers, valued mandatory consultation for transparency and scrutiny and cautioned against changes that could weaken structural separation.

Submitter perspectives

It is RSPs that innovate, not Layer 2 providers. The status quo helps keep fibre wholesale and retail services separate, promoting competition and preventing LFCs from competing directly with retailers. - **Industry group**

- Unintended consequences:** Submitters warned that a fast-track or less rigorous process could result in exemptions being granted for services that are not truly low risk, potentially leading to market distortions or reduced transparency.

Submitter perspectives

Expanding the remit of Chorus and the LFCs to offer services beyond Layer 2 (including Layers 3 to 7) would enable them to deliver a broader range of digital services and drive further innovation. However, it is important to recognise that such a move could also impact other industry participants who currently provide these higher-layer services. Without appropriate safeguards, there is a risk that competition could be removed, making it more challenging for other providers to maintain, compete or grow their market share. - **Other interested group**

- Defining “low-risk” services:** There was concern about how “low-risk” or “non-core” services would be defined in practice, and whether the Commission would have sufficient guidance to make consistent and fair decisions.
- Administrative complexity:** Some submitters noted that introducing new processes or hybrid models could add complexity or ambiguity, rather than reducing compliance costs.



17.2.4. Additional insights

- **International comparisons:** Some submitters referenced international models that do not restrict wholesale services to Layer 2, or where exemption processes are more flexible and tailored to the level of risk. These examples were cited as evidence that a more proportionate and innovation-friendly approach is possible.
- **Innovation and market responsiveness:** There was broad agreement that the regulatory framework should support timely innovation and adaptation to market changes, while maintaining appropriate safeguards for competition and consumers.
- **Importance of consultation:** Even among those supporting streamlining, many submitters emphasised the importance of retaining some form of consultation or oversight for higher-risk proposals, to ensure transparency and protect the integrity of the market structure.

18. Legacy obligations

18.1. What we heard about the status quo

18.1.1. Overview

Stakeholders said that old rules and agreements (such as Deeds of Open Access Undertakings for copper, operational separation agreements, and Rural Broadband Initiative (RBI) Deeds) are now too complicated, overlap, and are increasingly out of step with today's telecommunication industry. They said the rules were originally put in place to ensure structural separation and fair network sharing by Chorus, as well as encouraging competition during the copper and early fibre eras. However, they are now view as outdated, administratively burdensome, and misaligned with industry's current needs.

18.1.2. Thematic summary

- **Obsolescence and redundancy:** Most LFCs and a few industry groups characterised legacy deeds and agreements as “legacy tools” that have served their purpose but are now largely redundant. They noted that the copper network is being retired, RBI contracts have expired, and industry is now governed by more modern regulatory frameworks.
- **Administrative burden:** Multiple submitters highlighted the compliance costs and inefficiencies associated with maintaining and reporting on legacy deeds.
- **Complexity and duplication:** Stakeholders pointed out that overlapping obligations under the Act, deeds, and industry-specific rules create unnecessary complexity and can hinder efficiency and innovation.



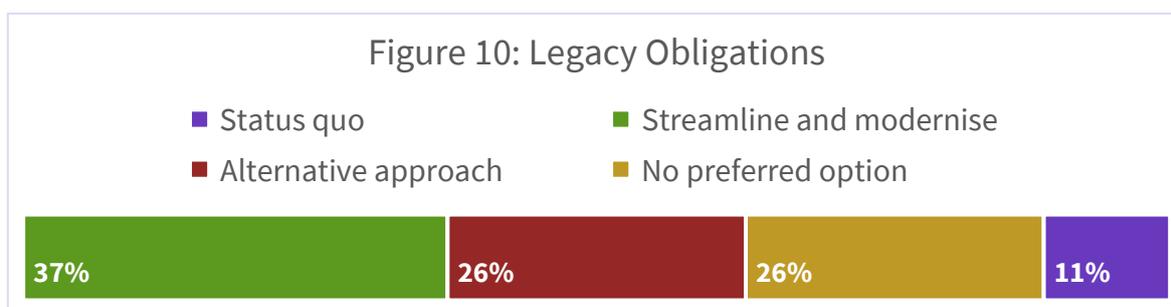
- Safeguards and consumer protections:** While most agreed that many legacy obligations are obsolete, some submitters emphasised the need to ensure that any remaining consumer protections or market safeguards are preserved in the transition to a streamlined framework.

18.2. What we heard about the options for change

The Ministry sought feedback on whether to retain legacy deeds and agreements (Option 1), or streamline and modernise them, phasing out the Copper Deed with copper withdrawal, removing obsolete requirements, and consolidating any that remain relevant (Option 2). Submitters could also propose an alternative option or indicate no preference for any option.

18.2.1. Quantitative insights

Legacy obligations



- Many submitters (**37%**) supported streamlining and modernising legacy Deeds and agreements. These submitters favoured phasing out the Copper Deed in alignment with copper withdrawal, removing obsolete and redundant requirements, and consolidating any residual obligations into more modern instruments.
- Some (**26%**) proposed alternative approaches, as described below.
- Some (**26%**) expressed no preference.
- A few (**11%**) supported retaining legacy Deeds and agreements. These submitters said that some deeds still provide necessary safeguards, particularly for rural or legacy services, and cautioned against removing them without careful review.

18.2.2. Proposed alternatives

- Maintain RBI Open Access Deed:** A few submitters, particularly from industry groups, advocated for retaining the Deed of Open Access Undertakings for the RBI, arguing that these remain important for ensuring fair access in rural areas.



Submitter perspectives

For legacy withdrawals or technology migrations, require no-material-harm tests for affected users, with clear migration support, continuity safeguards for critical services, and transparent timelines. – **Industry group**

18.2.3. Key concerns

- **Risk of losing safeguards:** Some submitters cautioned that streamlining or removing legacy obligations could inadvertently eliminate important consumer protections or market safeguards, especially for rural users or in areas where competition remains limited.
- **Complexity of transition:** A few submitters noted that the legacy deeds are highly technical documents, and that careful consultation and review are needed to ensure that critical safeguards are not lost in the process of consolidation or repeal.

Submitter perspectives

These are highly technical documents and it's unlikely to be clear cut what provisions are obsolete and can be deleted or consolidated into relevant legislation. Even then, it's unclear what the [impact] of consolidating backward looking and legacy infrastructure related commitments into legislation might be. – **Mobile Network Operator**

- **Continuity for critical services:** There was broad agreement that any withdrawal of legacy obligations should be accompanied by clear migration support, continuity safeguards for critical services, and transparent timelines.

18.2.4. Additional insights

- **Alignment with modern regulation:** Many submitters emphasised that the industry is now governed by robust, modern regulatory frameworks, and that legacy Deeds should be phased out to reduce compliance costs and administrative burden.
- **Consultation and evidence-based review:** Stakeholders called for an evidence-based, consultative approach to reviewing legacy obligations, with particular attention to the needs of rural and vulnerable users.
- **Focus on consumer outcomes:** A few consumer groups and industry participants stressed that any changes to legacy obligations should prioritise consumer outcomes, including affordability, reliability, and access to essential services.



How Levies are Calculated

18.3. What we heard about the status quo

18.3.1. Overview

Stakeholders across the telecommunications industry expressed widespread dissatisfaction with the current levy framework, describing it as complex, opaque, and costly to administer. The retrospective calculation based on qualified revenue was seen as outdated and inconsistent with government guidance on good levy design. Many noted that the current model makes it difficult to explain the levy's impact to consumers and to transparently pass costs through.

18.3.2. Thematic summary

- **Complexity and administrative burden:** Most submitters described the current Telecommunications Development Levy (TDL) and Telecommunications Regulatory Levy (TRL) as expensive and resource-intensive for both government and industry. The bespoke revenue calculations required for the TDL process were highlighted as particularly burdensome, with some providers estimating annual compliance costs of \$50,000–\$100,000 per company.
- **Lack of transparency:** The retrospective qualified revenue model was criticised for making it nearly impossible to communicate the levy's impact to end users or to pass costs through transparently. Providers and consumers alike struggle to understand how the levy contributes to the cost of services.
- **Audit and reporting requirements:** Mandatory audits and director certifications were widely viewed as unnecessary, given the existing regulatory reporting processes. Many submitters said that these requirements add cost without delivering commensurate benefits.
- **Scope and fairness:** There was broad agreement that the scope of levied services should be clearly defined—typically as broadband, standalone voice, mobile, and national data connections—to reduce ambiguity and compliance costs. Some submitters also raised concerns about the fairness of the current model, particularly for smaller or emerging providers.

18.4. What we heard about the options for change

The Ministry sought feedback on multiple components of the telecommunications levy methodology, including whether to retain the current approach of basing the TDL on a



proportion of total industry revenue (Option 1), or set the levy as a fixed percentage, either as a flat rate for all qualifying liable persons or as a tiered rate based on classification (Option 2). Submitters could also propose alternatives or indicate no preference.

The options for other components of the levy methodology included:

- keeping the current requirement for external auditing (Option 1) or removing it in favour of regulator investigative powers (Option 2)
- keeping the TDL and TRL separate (Option 1) or merging them (Option 2)
- keeping the current approach of charging the levies to both retailers and wholesalers (Option 1) or charging only retailers (Option 2).

Submitters could also propose alternatives or indicate no preference.

Cohesive message on levy reform

- Stakeholders are united in their call for comprehensive levy reform. The current system is widely viewed as outdated, complex, and costly, with little transparency for providers or consumers. There is strong support for a new model based on a flat percentage applied to clearly defined retail services, calculated and set in advance, and with the levy applied at the retail level only. Mandatory audits and director certifications are seen as unnecessary, and there is broad agreement that any new model must be transparent, fair, and administratively efficient.
- While there are different views about the details, such as whether to merge the TDL and TRL, or how to structure contributions for smaller providers, the overarching message is clear: levy reform should be approached as a package, with careful attention to transparency, simplicity, and consumer outcomes. Ongoing consultation and evidence-based implementation will be essential to ensure that the new framework delivers on its promise of a fair, efficient, and future-proof telecommunications industry.

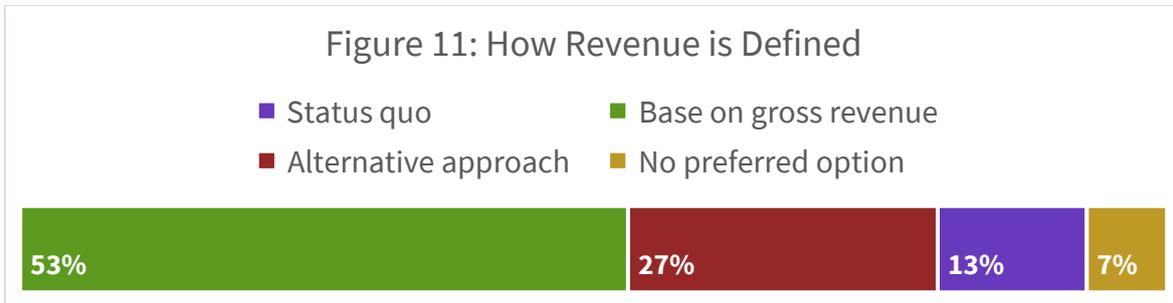
Submitter perspectives

We would not support this change to gross revenue if other levy issues are not addressed, including those needed to bring transparency. The levy issues need to be considered together. – **Industry group**

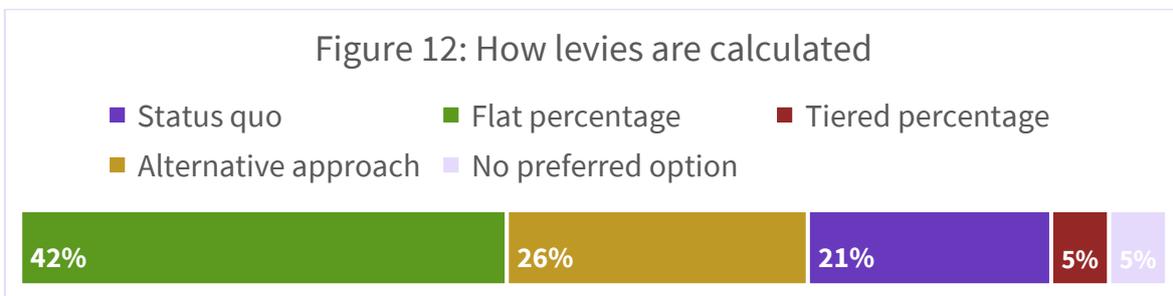


18.4.1. Quantitative insights

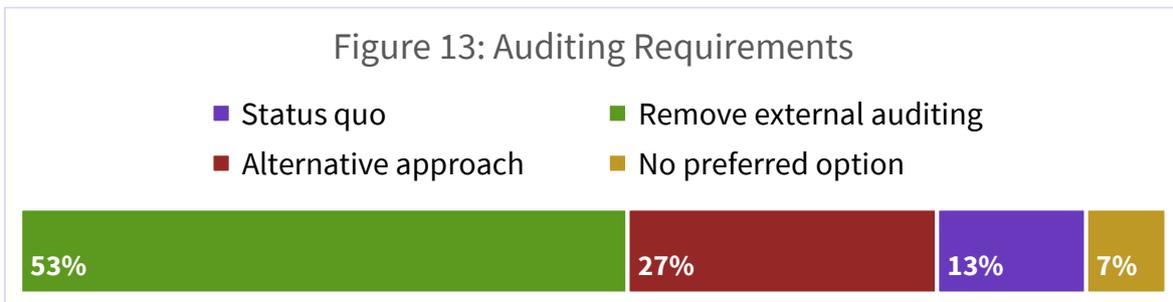
How revenue is defined



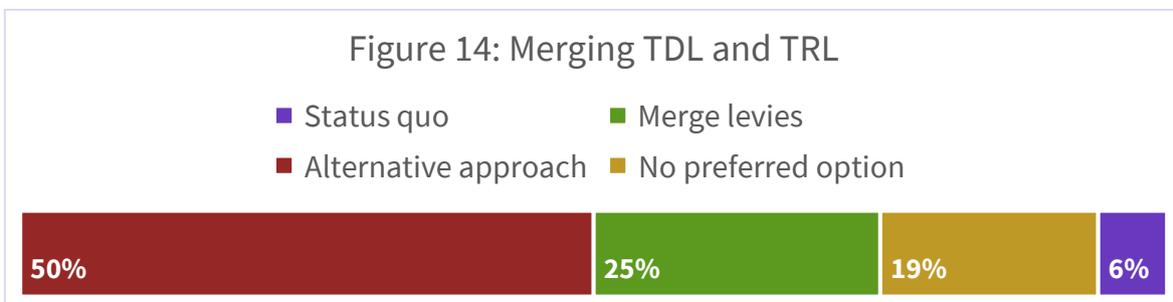
How levies are calculated



Auditing requirements

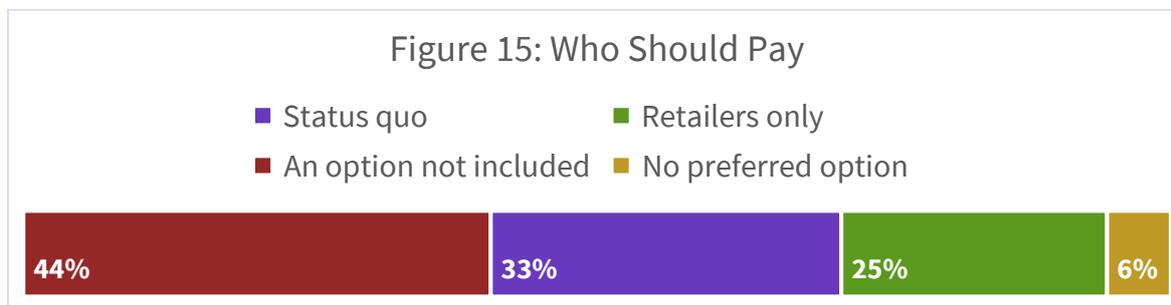


Merging the TDL and TRL





Who Should Pay



- Most submitters (**53%**) supported a flat percentage model applied to defined retail services, which was seen as more transparent, easier to administer, and better aligned with Treasury and Auditor-General principles.
- Many (**42%**) called for the levy to be calculated and set in advance, using existing financial and regulatory reporting data, rather than retrospectively.
- Most (**53%**) widely opposed mandatory audits and director certifications, with submitters favouring reliance on existing regulatory reporting and spot checks as needed.
- Most (**50%**) favoured merging the TDL and TRL, so long as fibre-related TRL components were kept separate.
- Many (**44%**) supported applying the levy to retail providers only, with wholesale costs adjusted accordingly. However, some preferred retaining the current model to avoid disproportionate burdens on retailers.

18.4.2. Proposed alternatives

- **Flat percentage model:** The most widely supported reform was to replace the current qualified revenue model with a flat percentage applied to defined retail services. This would simplify administration, improve transparency, and allow providers to clearly communicate levy costs to consumers.

Submitter perspectives

Under the industry proposed approach, the levy is based on a percentage of retail revenue, which translates to a percentage of retail prices for prescribed retail services. A levy described in this way would be transparent to providers and end-users. Further, the proposed approach is less complex and simpler to apply. – **Mobile Network Operator**

- **Retail-only application:** Many submitters favoured applying the levy only to retail providers, with the expectation that wholesale prices would be adjusted accordingly. This was seen as the least complex approach and would avoid double-charging.



- **Remove audit and director certification requirements:** There was strong support for removing mandatory audits and director certifications, with a few submitters suggesting that existing regulatory reporting and spot checks would provide sufficient assurance.
- **Merge TDL and TRL (except fibre sub-levy):** Some supported merging the TDL and the general TRL for simplicity but emphasised that fibre-specific TRL components should remain separate to ensure that retail providers do not subsidise the regulation of fibre companies.

Submitter perspectives

Merging the TDL and TRL would make the efficiency of the Commerce Commission effort to capture the levy be more transparent. – **Retail Service Provider**

- **Tiered contributions:** A few submitters suggested tiered structures to support smaller providers, but most preferred a flat percentage for simplicity and fairness.

Submitter perspectives

This [tiered] approach would also encourage market diversity and competition by lowering barriers to entry for new and emerging players. – **Other interested group**

- **Status quo defenders:** A minority defended the qualified revenue model, citing its established legal basis and alignment with public network usage.

18.4.3. Key concerns

- **Risk of unintended consequences:** Some submitters cautioned that shifting to a gross revenue model could inadvertently capture revenue from private networks or unrelated services, and that careful definition of the levy base is essential.

Submitter perspectives

Moving to gross telecommunications revenue would capture revenue from private telecommunications networks and services that are far-removed from the beneficiaries of the levy schemes. - **Other interested group**

- **Transparency and pass-through:** There was broad agreement that any new model must enable transparent pass-through of levy costs to end users, and that the levy amount should be set in advance to facilitate budgeting and communication.
- **Impact on smaller providers:** Some submitters emphasised the need to ensure that any new model does not disproportionately burden smaller or emerging providers, and that tiered or threshold-based approaches could help maintain fairness and competition.



- **Consumer protections:** Consumer groups stressed that levy reform should not reduce consumer protections or increase retail prices, particularly for vulnerable or rural users.

Submitter perspectives

Any reform to the TSO or TDL should ensure that vulnerable groups — including older people living in aged care homes, particularly in rural areas — continue to receive affordable and reliable connectivity. – **Consumer group**

18.4.4. Additional insights

- **Alignment with best practice:** Many submitters referenced government guidance and international best practice, emphasising the need for a forward-looking, transparent, and administratively efficient levy model.
- **Consultation and implementation:** There was strong support for ongoing consultation with industry and consumer groups to ensure that any new model is workable, fair, and delivers the intended benefits.



Rules that protect and inform consumers

18.5. What we heard about the status quo

18.5.1. Overview

Stakeholders expressed strong interest in improving consumer protections, especially in relation to retail service quality (RSQ) and dispute resolution.

While most organisations supported the intent of consumer-focused regulation, many raised concerns about regulatory complexity, cost burdens, and the limited effectiveness of current schemes.

There was broad support for clearer, fairer, and more proportionate regulation, with emphasis on accessibility for vulnerable groups, transparency in marketing, and streamlined dispute resolution.

18.5.2. Thematic summary

Retail Service Quality

- **Broad support with reservations:** Most stakeholders supported RSQ principles but emphasised the need for proportionate regulation. Some noted diminishing returns from newer proposals meant to improve retail service quality.
- **Market incentives:** A few providers said that competition already drives service quality, cautioning against regulatory complexity.

Dispute resolution

- **Mixed views:** Smaller retailers valued the Telecommunications Dispute Resolution Scheme but raised concerns about administrative burden and cost. One provider preferred Utilities Disputes Limited for simplicity. One opposed mandatory schemes, citing inefficiencies and negative experiences in Australia.

Marketing practices

- **Misleading claims:** A few stakeholders criticised larger providers for promoting 5G as superior to fibre, contributing to consumer confusion.

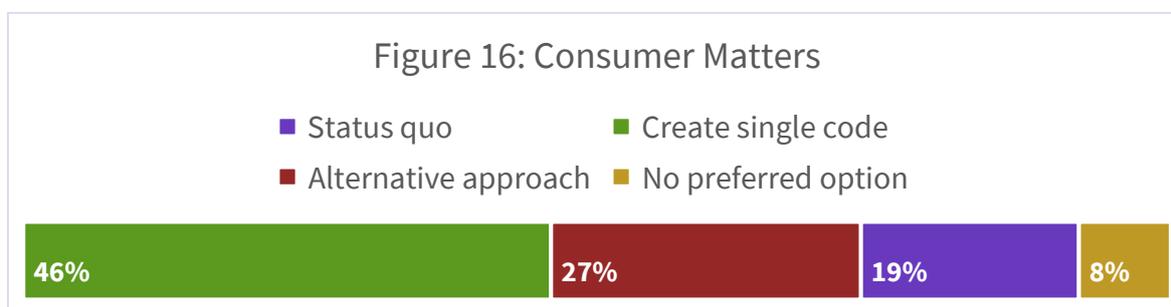


18.6. What we heard about the options for change

The Ministry sought feedback on whether to maintain the current voluntary Commission guidelines and the New Zealand Telecommunications Forum’s (TCF) role in making industry codes (Option 1) or create a single enforceable Commission code for RSQ and remove the TCF’s code-making role from the Act (Option 2). Submitters could also propose alternatives or indicate no preference.

18.6.1. Quantitative insights

Consumer matters



- Many submitters (**46%**) supported creating a single enforceable Commission code, citing the need for consistent consumer protections, especially for vulnerable and rural users.
- Some (**27%**) preferred the status quo, arguing that the current co-regulatory model with the TCF works well and avoids unnecessary regulatory burden.
- Some (**19%**) proposed alternative approaches, as described below.
- A few (**8%**) did not express a preference for any option.

18.6.2. Proposed alternatives

- **Commission code with co-regulation:** A few submitters proposed alternative approaches that build on Option 2 (single Commission code) but retain co-regulation with the TCF. Key features include:
 - Replacing the RSQ section of the Act with a Consumer Protection section that applies to all operators (retail and wholesale).
 - Amending the Act to clarify thresholds for intervention, for example requiring the Commission to demonstrate that competition is not delivering effective outcomes before intervening.
 - Embedding cost-benefit analysis and overlap checks with existing consumer law before introducing new obligations.



- Removing outdated provisions of the Act to avoid duplication and regulatory clutter.
- **Single TCF code:** A few submitters proposed replacing the various TCF codes with a single TCF code, approved by the Commission, that applies to all providers even if they are not TCF members.
- **Independent framework:** One submitter proposed replacing the current co-regulatory model with an independent framework including an independent code repository and a reformed governance structure to replace the TCF's role, with equal representation across all tiers of service providers and balanced voting rights.

18.6.3. Key concerns

- Industry groups and smaller providers warned that a Commission-led code could increase compliance costs and stifle innovation.
- Submitters highlighted several concerns with the current system, including a lack of enforceability, inconsistent treatment of consumers, and the exclusion of fibre wholesalers from consumer protection rules.

Submitter perspectives

We consider all providers, and all consumers, should be covered by the Code. We also consider a single enforceable code is preferable to voluntary codes. – **Consumer group**

18.6.4. Additional insights

- There was broad consensus that the current system is unclear, inconsistent, and not strong enough to protect consumers, especially vulnerable and rural users.
- Some submitters called for a review of existing regulation before introducing new rules, saying that the telecommunications industry has matured and consumer complaints have declined since 2016.
- Submitters expressed concern that fibre wholesalers are not held to the same standards as retailers, despite engaging directly with consumers.
- **Value of co-regulation:** Industry stakeholders generally favour the status quo, highlighting that industry involvement in code development ensures rules are practical, proportionate, and responsive to technological change. They caution that removing industry from the process could result in less workable and more costly regulation.



Submitter perspectives

A co-regulatory approach offers several important advantages over a purely regulatory model: industry expertise and practicality, innovation and flexibility, responsiveness, and lower compliance costs. – **Industry group**

- **Support for proportionality:** A few submitters said that new rules should be justified by clear evidence of harm and meet a proportionality threshold.

Submitter perspectives

The real issue today is not who makes the rules, but that the legislation gives the Commission an open-ended ability to issue new retail service quality rules without a clear, rigorous and proportionate threshold for intervention. – **Mobile Network Operator**



Taking a proportionate regulatory approach

18.7. What we heard about the status quo

18.7.1. Overview

Stakeholders broadly acknowledged the importance of regulatory oversight in the telecommunications industry to protect consumers and ensure competition. Many submitters, however, raised concerns about the proportionality, clarity, and cost-effectiveness of current regulatory processes. There was a strong view that the regulatory system often imposes disproportionate compliance burden, particularly on smaller providers.

Stakeholders noted that compliance obligations (such as information disclosure, information monitoring and RSQ reporting) are complex, resource-intensive, and sometimes disproportionate to their impact. Some stakeholders suggesting that current interventions did not reflect market realities. There was strong support for simplifying processes, tailoring obligations to provider size and risk, and ensuring that regulatory efforts are prioritised and proportionate to their intended outcomes.

18.7.2. Thematic summary

- **Proportionality is essential:** Most submitters agreed that regulatory interventions must be proportionate to the scale and nature of the problem being addressed.
- **Impact on smaller providers:** Smaller operators highlighted that even modest regulatory requirements can divert critical resources away from service delivery.
- **Risk of regulatory overreach:** A few submitters noted that poorly scoped or duplicative regulation can stifle innovation, increase costs, and reduce consumer choice.

18.8. What we heard about the options for change

The Ministry sought feedback on how to ensure the Commission's telecommunications regulatory work is transparent and proportionate by:

- continuing to use Letters of Expectation set by Ministers (Option 1),
- adding an overarching purpose statement in the Act requiring consideration of costs and benefits for all regulatory work (Option 2), or

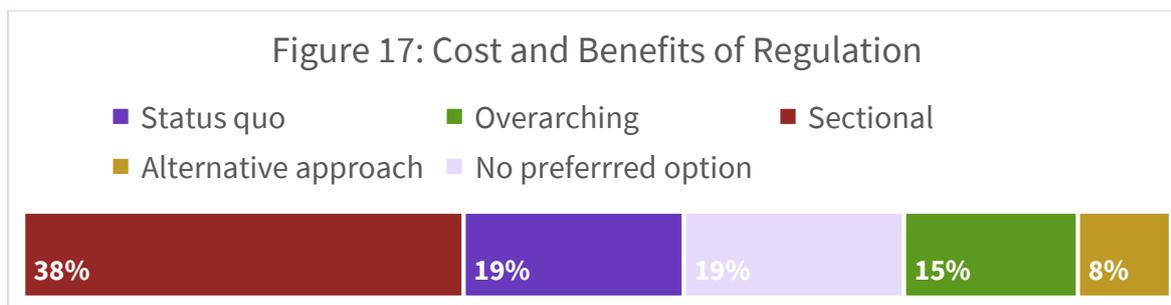


- adding sectional purpose statements for specific areas in the Act such as information monitoring, RSQ, and information disclosure (Option 3).

Submitters could also propose alternatives or indicate no preference.

18.8.1. Quantitative insights

Cost and benefits of regulation



- Many submitters (**38%**) supported sectional purpose statements, favouring targeted requirements for cost–benefit analysis, particularly for discretionary regulatory actions such as creating new codes or requesting extensive information from providers.
- Some (**19%**) supported the status quo. These submitters said the current system already allows for proportionality and that additional legislative requirements would be a disproportionate response.
- Some (**19%**) had no preferred option. These submitters either deferred to other stakeholders or expressed uncertainty about the implications of reform.
- Some (**15%**) supported overarching cost–benefit analysis. They noted this would improve transparency, accountability, and efficiency in regulatory decision-making.
- A few (**8%**) submitters who selected ‘another option’ did not include direct alternative options *per se*. Proposals included commentary on ensuring any changes did not limit regulatory flexibility, ensuring regulatory obligations maintain competition, and ensuring the framework does not entrench competitive imbalances.

18.8.2. Proposed alternatives

- Cost–benefit analysis should be embedded in the regulatory purpose or principles, rather than as a prescriptive requirement for every action.
- The Commission should be required to consult with stakeholders to test the problem definition and the practicality of proposed remedies before introducing new obligations.



18.8.3. Key concerns

- **Scope of cost-benefit requirements:** While many supported targeted application, some advocated for an overarching requirement, and a few opposed applying cost-benefit tests to foundational regulatory tools such as Information Disclosure for fibre.

Submitter perspectives

Introducing a cost-benefit hurdle for fibre services Information Disclosure would risk undermining the entire framework. By design, the benefits of disclosure are broad and long-term – enabling benchmarking, deterring anti-competitive behaviour, and building trust in the regulatory system. – **Mobile Network Operator**

- **Risk of over-engineering:** Some submitters warned that overly prescriptive requirements could themselves become burdensome, especially for smaller providers. They cautioned that imposing a blanket requirement could risk adding unnecessary bureaucracy and slowing down regulatory responses.

Submitter perspectives

Requiring the Commission to consider costs and benefits is good regulatory practice. But it needs to be applied in a targeted way. A blanket requirement for a full cost-benefit analysis on every action would only add bureaucracy and slow down decision-making. – **Other interested group**

- **Consumer protections:** Consumer groups emphasised that cost-benefit analysis should not become a barrier to necessary consumer protections, especially for vulnerable users.

Submitter perspectives

The benefit to consumers of effective regulation towards ongoing access to the essential telecommunications services people need for their health, wellbeing and participation are not conservatively estimated and undervalued relative to the easier quantifiable costs submitted by industry. – **Consumer group**

18.8.4. Additional insights

- There was broad consensus that regulatory interventions should be guided by clear cost-benefit principles and that compliance and reporting requirements should be streamlined, especially for smaller providers.

Submitter perspectives

For smaller operators like [Provider], proportionality is not a theoretical issue – it can mean the difference between having staff focused on delivering better service to farmers and rural



households or diverting scarce resources into compliance activities that may not deliver real benefits for customers. – **Other interested group**

- Stakeholder consultation was supported by some and seen as essential to test the problem definition and the practicality of proposed remedies.



Other feedback

18.9. What we heard about other issues

Submitters and stakeholders raised several issues that were either outside the scope of this Review or more appropriately addressed by other agencies.

18.9.1. Out of scope

- **TDL existence, amount and use:** Some stakeholders supported using the levy to improve affordability and digital equity, suggested rebalancing it to help regional providers expand rural infrastructure, and proposed allocating TDL funds for Māori workforce development and training. Regarding the TDL, the Review's scope was limited to consideration of the methodology for allocating the levy across telecommunications service providers and consumers. The other matters were out of scope of the review.
- **Resource Management Act 1991 (RMA):** A few stakeholders cited RMA rules (e.g., wetlands, protected trees) as barriers to rural fibre rollout, criticised environmental and contractual hurdles for government-funded infrastructure and noted planning challenges for hybrid rural networks. The RMA was expressly out of scope of the Review.
- **Radiocommunications Act 1989 and spectrum allocation:** Some stakeholders called for faster, more predictable spectrum approvals (especially in the 28 GHz band), and criticised policies that favour large MNOs. The Radiocommunications Act was expressly out of scope of the Review.
- **Commission's copper services investigation:** A few stakeholders referenced the Commission's copper deregulation findings to support arguments for modernising legacy obligations. The Commission's ongoing copper services investigation was expressly out of scope of the review.

18.9.2. Referred to other agencies for consideration

- **Support for disabled users:** A few stakeholders highlighted interpreter shortages, underfunding, and systemic obstacles (e.g., inaccessible websites, voice identification), as barriers to accessibility, and called for infrastructure upgrades, better privacy protections, data-sharing, and tailored dispute resolution. We believe these issues are best addressed by MBIE.



- **Digital equity:** Some advocated for levy-funded affordability programs and neutral hosting to support remote Māori communities, subsidised fibre pricing, community partnerships, and emphasised satellite broadband to bridge the digital divide. We believe these issues are best addressed by MBIE.
- **Business line restrictions:** A few stakeholders described the BLRs as outdated and overly rigid, limiting their ability to innovate, expand services into rural communities, and respond to market opportunities. Given the implications for competition and market structure, the Ministry views reforms to BLRs are best led by MBIE and the Commission.
- **Substitutions:** A few stakeholders reported that fixed wireless and satellite services are increasingly acting as substitutes for fibre, especially in rural and price-sensitive markets. Those stakeholders noted customer movement from fibre to lower-cost wireless options and that the current regulatory system does not recognise these alternatives as genuine substitutes. Because this issue requires a competition assessment, the Ministry considers it is best addressed by the Commission.
- **Phone booths:** One submitter raised concerns about the future regulatory treatment of phone booths, noting that the current framework may limit the adoption of modern, low-cost alternatives and the ability to maintain services in areas where phone booths continue to be relied on. This issue was raised during the consultation period but was not included in the consultation questions or options presented to submitters. As a result, views on phone booths were not tested across stakeholders and are not reflected elsewhere in this summary. The feedback is recorded here for completeness and transparency and was considered and analysed further by the Ministry outside the formal consultation process.