



**Ministry for Regulation
Te Manatū Waeture**

Telecommunications Regulatory Review

Final Report

March 2026



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Executive summary

1. Reviewing telecommunications regulations

Twenty-five years ago, New Zealand's telecommunications regulatory system was designed to support copper networks, landline calling, and a telecommunications market dominated by a few large businesses. Today, our outdated telecommunications regulations are struggling to keep pace with a world of advanced digital technology. Fibre and mobile networks are widespread, and consumers expect fast, affordable, and reliable connectivity. The regulatory system lags behind an evolving sector and emerging technologies.

2. The scope of the Telecommunications Regulatory Review

In June 2025, the Ministry for Regulation launched a review of the telecommunications regulatory system. We sought to understand the current rationale for regulating the sector and whether, at a fundamental level, the regulatory system is fit for purpose. Where the system isn't working, we investigated how it could be made more effective and efficient to deliver social and economic outcomes for New Zealanders.

Through consultation with regulators, regulated parties, consumer advocates, and the public we found that, while some elements of the regulatory system are working well, there are changes we need to make now to enable a digitally connected future for New Zealand.

3. Our findings

The telecommunications industry requires regulation. The fundamentals of the industry create issues around competition and access to services which need to be managed by government intervention. However, there are notable issues with the current regulations that are holding back the industry, increasing costs, stopping innovation and limiting competition:

- The justification for regulation has changed, as users move to new technologies and new businesses enter the market.
- Outdated rules are making it difficult for the market to modernise, especially as technology is constantly changing.
- The regulations are often complex and difficult to navigate, and could be simplified.
- Many regulations take the same approach to compliance regardless of the risk, scale, or impact of issues.

4. Our 22 recommendations towards establishing a simple, modern and dynamic regulatory system

We are submitting 22 recommendations to modernise telecommunications regulation. Making these changes will drive cost reduction, incentivise competition and innovation, and improve services to consumers. If implemented, these reforms will deliver \$35 million to \$45 million in net benefits over the next decade, while making the system easier for businesses to navigate and ensuring quality connectivity and safeguards for consumers.

Our recommendations span five key areas, described below.

Fair access to services

The Telecommunications Service Obligations rely on outdated copper technologies that no longer serve consumer needs. Other legacy rules like Anchor Services have limited impact and hinder innovation but may still support competition.

We're recommending focusing on the future by supporting consumers to transition from outdated copper connections to newer, better technology. These changes aim to simplify the requirements for providers, and target transition supports to where consumers need it most.

Rules about fibre

Oversight of the fibre market is currently fragmented, rigid and burdensome, with many rules that have become outdated and unnecessary as the market has evolved over time.

We're recommending that the regulatory processes are streamlined, duplication is removed, and rules are consolidated.

Calculating industry levies

Industry is currently forced to use complex mechanisms to calculate their levy contributions, with no certainty on what their contribution will be from one year to the next.

We're recommending simplifying the way that levies are calculated, reducing the compliance burden and making the system fit for the future, whatever technologies we're using to connect.

Protecting consumers

Self-regulation by industry to ensure consumer protections has led to gaps and limited enforcement, and a system that is dominated by the biggest players.

We're recommending consolidating the rules to make the system easier for businesses of all sizes and types to navigate and taking a risk-based approach to consumer protection.

Ensuring a balanced regulatory approach

The Commerce Commission monitors the performance of the telecommunications sector, investigates issues where required, and publishes information about the sector. However, this regulatory work can place complex, resource-intensive demands on the sector.

We're recommending embedding proportionality and transparency into the Commerce Commission's regulatory practices towards efficient regulation and building trust across the sector.



The rationale for the Telecommunications Regulatory Review

In the 2023 / 2024 financial year, the telecommunications sector generated about **\$5.69 billion in retail revenue.**

Telecommunications services provide consumers with **access to essential services** for...

- education
- emergencies
- health
- business

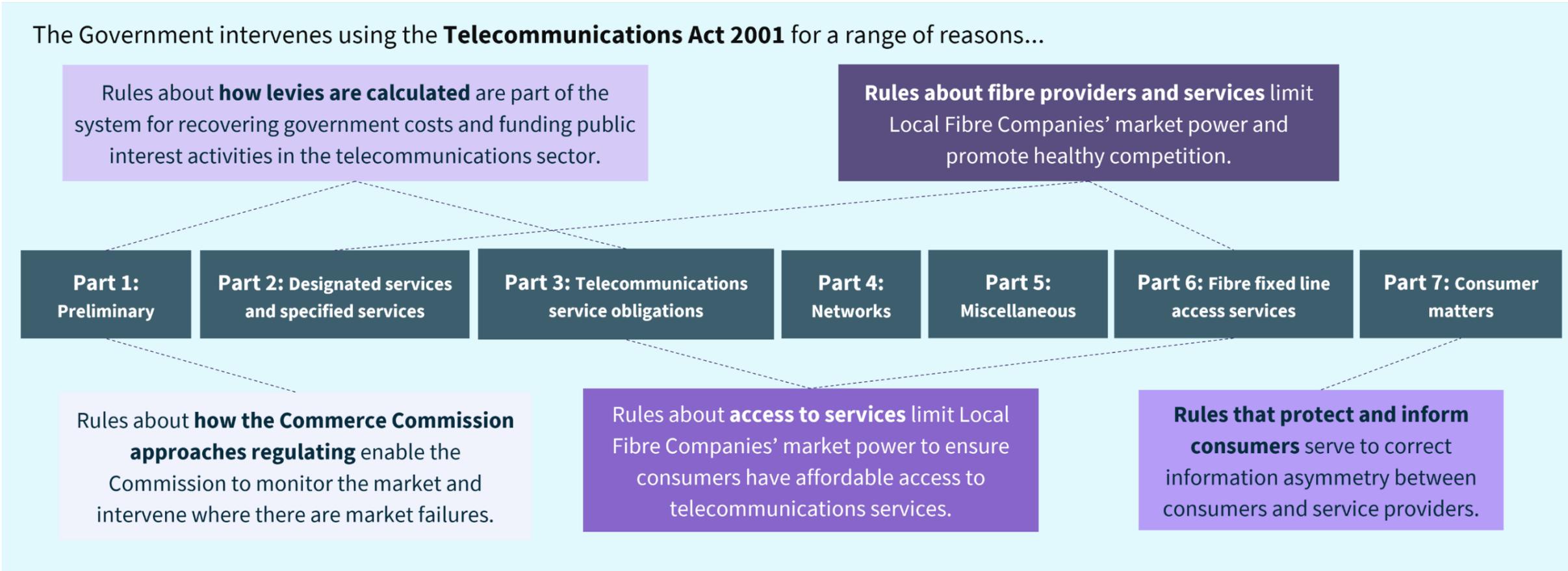
Telecommunications businesses **have different functions.** Some **own or operate networks**, some **retail services**, and some do both.

Mobile, broadband and voice services are delivered using a range of technologies. Some technologies are older. For example, **copper** uses existing telephone lines. **Different technologies have different availability** across New Zealand, including between urban and rural areas. For example, **fibre** is less available in rural areas, while **satellite** technologies are mainly used by rural and remote consumers.

The **purpose of the Telecommunications Regulatory Review** was to ensure that the regulatory system remains fit for purpose considering technology and market changes.

For our **analysis**, the Review asked **4 questions** about issues with the regulatory system:

- What is the **rationale for government intervention?**
- If there is a **market failure**, what is the proportionate response, including if the Government takes action?
- What are the **costs and benefits** of regulating?
- How is the regulatory system working, including **compared to other countries?**





The Ministry for Regulation’s findings and recommendations for change

The Review makes
22
recommendations
across three themes

Modernisation

Outdated rules make innovation difficult in a dynamic market where technology is continually changing. The regulatory system needs to be resilient to change, requiring modernisation.

Simplification

The regulatory system is overly complex, making it challenging to navigate. Streamlined, simplified rules will make compliance easier for businesses.

Proportionality

The regulatory system was designed to address a range of market failures. Regulatory actions to address these issues should be targeted to the scale, risk and impact of specific issues.

Access to services

The Telecommunications Service Obligations are outdated and inefficient with unsustainable costs tied to copper networks. Other overlapping requirements reduce the effectiveness of access and affordability mechanisms.



Recommendations 1-4



Modernisation – supports new and better technologies for consumers.



Simplification – removes outdated requirements for providers.



Proportionality – targets support based on risk to consumers.

Rules about fibre

Issues with fibre regulation include fragmented oversight, procedural rigidity, and outdated rules, creating burdensome compliance processes, limiting innovation and imposing unnecessary costs despite reduced risks in a more mature sector.



Recommendations 5-10



Modernisation – streamlines processes to make innovation easier.



Simplification – consolidates the rules, reducing compliance burdens.



Proportionality – recalibrates the rules to match reduced sector risk.

How levies are calculated

The levy system is overly complex, requiring resource-intensive, bespoke financial reporting, creating uncertainty for industry year-to-year, and imposing unnecessary requirements on small providers.



Recommendations 11-16



Modernisation – makes the levy design adaptable to an evolving market.



Simplification – reduces administrative burdens for liable providers.



Proportionality – tailors assurance requirements to appropriate risk levels.

Rules that protect and inform consumers

Existing rules support consumers and competition, but industry self-regulation has led to limited enforcement and gaps in consumer protections. Actions on consumer issues should be tailored to risk.



Recommendations 17-20



Simplification – makes the system easier to navigate for providers.



Proportionality – ensures regulatory action prioritises significant risks to consumers.

Taking a proportionate regulatory approach

While information gathering is critical to good regulation, the Commerce Commission’s information requests can be burdensome and unclear, highlighting the need for a more proportional approach to monitoring the sector.



Recommendations 21-22



Proportionality – ensures the Commerce Commission’s approach balances compliance for providers with the need to monitor sector risks.

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Part I: The context for this review



Chapter 1 – Introduction

1. Acknowledgement

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

2. Introduction

This section outlines the structure of this report, and the rationale, purpose and scope of the Review. It also summarises the Review’s process, including engagement and analysis of the options for change.

2.1. Structure of this report

This report is broken into three parts.

2.1.1. Part I: The context for this review

- **Chapter 1** outlines the purpose and scope of the Review and describes the process of carrying out the Review.
- **Chapter 2** sets out a snapshot of the current telecommunications sector and the regulatory system.

2.1.2. Part II: Issues, findings and recommendations

- **Chapters 3 – 7** set out issues and the Review’s findings and recommendations for parts of the regulatory system, including the rules about:
 - access to telecommunication services
 - fibre technologies and service providers
 - how government levies for telecommunications providers are calculated and the assurance process
 - protecting and informing consumers
 - the Commerce Commission’s (the Commission) approach to taking regulatory action.

2.1.3. Part III: After the Review

- **Chapter 8** sets out the next steps following this review.

2.2. Reason for the Telecommunications Regulatory Review

One of the functions of the Ministry is to carry out regulatory reviews of different sectors. These reviews are to improve the quality of the formal and informal rules (or regulations) and support better outcomes for New Zealanders.

These regulatory reviews enable the Ministry to:

- engage with people impacted by regulation
- identify how an existing regulation could or should be improved, including where repealing a regulation may be appropriate.

Telecommunications services like mobile and broadband are vital to New Zealand. They provide people with ways to connect with each other, operate businesses, and access essential services like health and education. Telecommunications services are critical to New Zealand businesses and support the growth of the economy. For the 2023/24 financial year, the total retail revenue for the telecommunications sector was estimated to be \$5.69 billion.¹

The rules that govern the telecommunications sector include how services are operated and delivered to consumers. Together, they form a regulatory system.

2.3. Purpose and scope of the Review

The purpose of the Review was to ensure that the regulatory system remains fit for purpose considering technology and market changes. The Terms of Reference (ToR) sets out the scope, approach to the Review, how the Ministry for Regulation will engage with stakeholders, as well as the timeline for the Review and the approach to implementing any recommendations.² The ToR notes that the scope of the Review was focused on the Telecommunications Act 2001 (the Act). The Act is the primary regulatory tool for the telecommunications sector. Relevant secondary rules were also included, e.g. the Telecommunications Operators (Commerce Commission Costs) Levy Amendment Regulations 2022. The ToR also specified that the Review would not consider:

- the amount and use of the Telecommunications Development Levy (TDL)
- the Radiocommunications Act 1989, including how radio spectrum is allocated
- the Telecommunications (Interception Capability and Security) Act 2013
- the vertical separation rules for wholesale and retail fibre services that apply to each Local Fibre Company (LFC) including Chorus
- the Resource Management Act 1991

¹ Commerce Commission (June 2025) *2024 Telecommunications Monitoring Report*:

<https://www.comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/annual-telecommunications-market-monitoring-report/>.

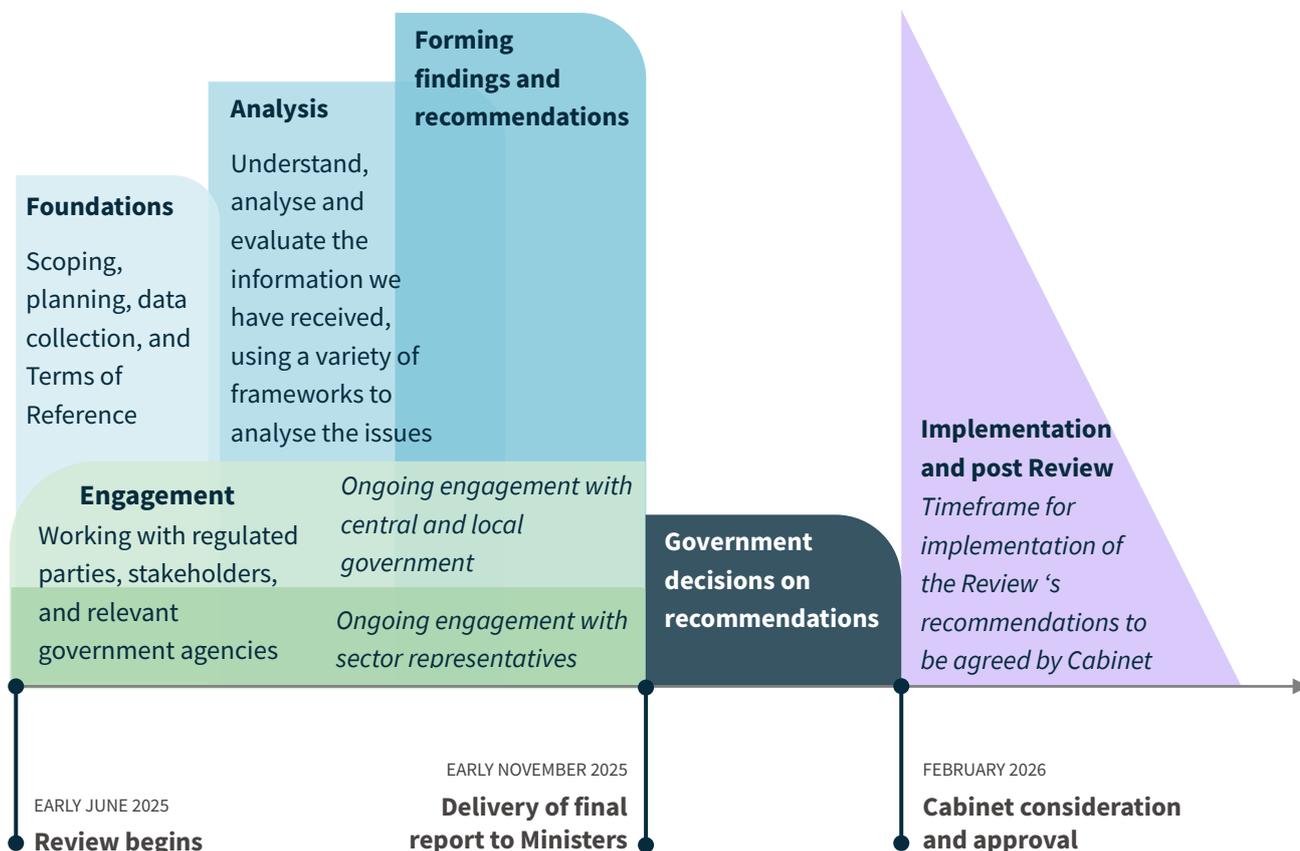
² Ministry for Regulation (June 2025) *Terms of Reference for the regulatory review of the telecommunications sector*:
<https://www.regulation.govt.nz/about-us/our-publications/terms-of-reference-for-the-regulatory-review-of-the-telecommunications-sector/>.

- the Commission’s Copper Services Investigation.³

2.4. Review process and approach to engagement and analysis

The Review began with the release of its ToR on 3 June 2025.⁴ The Review has followed a phased process for engagement, analysis, and developing recommendations for Joint Ministers to seek endorsement by Cabinet (see Figure 1 below).

Figure 1: Process for the Telecommunications Regulatory Review



2.4.1. Engagement

The Ministry sought to hear from a diverse range of voices from the sector during the Review. There were two main phases of engagement:

³ Commerce Commission (August 2025) *Copper Services Investigation under section 69AH of the Telecommunications Act*: <https://www.comcom.govt.nz/regulated-industries/telecommunications/projects/copper-services-investigation/>.

⁴ See footnote 2.

Phase 1	Targeted engagement with industry, industry groups, user groups, community and business groups, and international regulators. We met with 19 providers and groups over the course of this phase.
Phase 2	Public consultation on the options over a four-week period through the Ministry's engagement hub. This phase included 36 submissions from individuals, industry and consumer groups.

Appendix 1 – Summary of Engagement describes both phases of engagement and key themes that emerged, which have informed the Ministry's analysis of the issues, findings and options.

The Ministry has also collaborated with agencies including the Ministry of Business, Innovation and Employment (MBIE) and the Commission, to support the Review and to ensure alignment between the Review and related government processes. A senior officials group consisting of members from the Ministry, MBIE and the Commission provided additional oversight. While the Ministry has collaborated closely with other agencies, it is independent and can make comments and recommendations that may not be supported by others.

2.4.2. Analysis

As set out in the Review's ToR, the process for analysing issues and developing options sought to answer several questions:

- What is the **rationale for government intervention** (e.g. a market failure)?
- If there is a **market failure**, what is the proportionate response, including if the Government takes action (e.g. through co-regulation)?
- What are the **costs and benefits of regulating**, and how do those costs and benefits impact businesses, consumers and government?
- How is the regulatory system working, including when compared to **similar regulatory systems in other countries**?

A market is a collection of buyers and sellers that interact to exchange products and services.

Markets are usually the most efficient way to allocate resources for the net benefit or welfare of businesses and consumers. For markets to be efficient and maximise welfare, they must:

- be competitive
- include all the necessary information for decision-making
- account for all social costs and benefits in market prices.

Market failure happens when these (and some other) conditions are not met. Sometimes regulation is an effective way to resolve market failures and ensure that a market can maximise welfare again.

The Review's approach to answering these questions is described in **Appendix 2 – Analytical Framework**. Our approach included quantitative cost-benefit analysis of issues where we received sufficient data to robustly estimate costs and benefits across the sector (for an example, see **Appendix 3 – Cost-Benefit Analysis of Proposed Regulatory Changes to the Telecommunications Service Obligations**). The Review also undertook substantive desktop analysis to refine our findings.

We used a series of internal and external workshops with MBIE and the Commission to test and peer-review our understanding of the issues, our findings and our provisional options for change.

2.4.3. Independent assurance of findings

The Review's findings and recommendations have been peer-reviewed by MOTU Research⁵ (MOTU). MOTU found that the Review's recommendations are well supported by evidence, and support modernisation, simplification and proportionality. MOTU highlighted that the Review recommendations would improve regulatory alignment between New Zealand and similar countries, which can reduce barriers to entry for international providers and thereby support competition and innovation.

2.4.4. Use of artificial intelligence (AI)

The Ministry has used AI tools to support this Review, in line with the Government's 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 Review team has reviewed all content developed using AI tools to ensure it is accurate.

⁵ MOTU Research is an independent economics and public policy institute: <https://www.motu.nz/>.

Chapter 2 – Context

1. Telecommunications sector overview

This section of the report outlines the structure of the telecommunications sector in New Zealand. This includes the groups of service providers that define the market, and significant trends in technology and the market.

This Review has not undertaken a detailed market study or competition analysis; the Commerce Commission (the Commission) holds this responsibility. The information provided below has been sourced from publications produced by the Commission and the Ministry of Business, Innovation and Employment (MBIE).

1.1. Sector an area of rapid growth and change

Telecommunications networks form an essential part of New Zealand’s national infrastructure. However, rapid changes to the market and the technological landscape over the last 25 years have created a complex environment for the sector, with diverse technologies, services, and service providers.

1.1.1. A range of technologies available to consumers

A variety of technologies is used to deliver the mobile and broadband services consumers use:

- **Copper** – Uses existing telephone lines. This is an older technology, and use is declining in both urban and rural areas.
- **Hybrid-Fibre Coaxial (HFC)** – Uses fibre cables and copper ‘coaxial’ cables and is available in Wellington and Christchurch.
- **Fibre** – Uses fibre-optic cables. This newer technology is now available to 87 per cent of the population with the completion of the Ultra-Fast Broadband (UFB) programme.
- **Mobile and fixed wireless** – Use radio waves over cellular networks (e.g. 4G, 5G) or smaller, regional non-cellular networks.
- **Geostationary Earth Orbit (GEO)** – Uses stationary satellites and a ground-based satellite dish. GEO satellites sit about 35,000km above the earth’s surface and cover a fixed area.
- **Low-Earth Orbit (LEO)** – Uses a constellation of moving satellites and a ground-based satellite dish. LEO satellites revolve close to the earth’s surface (160km to 2,000km).

1.1.2. A range of different businesses delivering telecommunications services

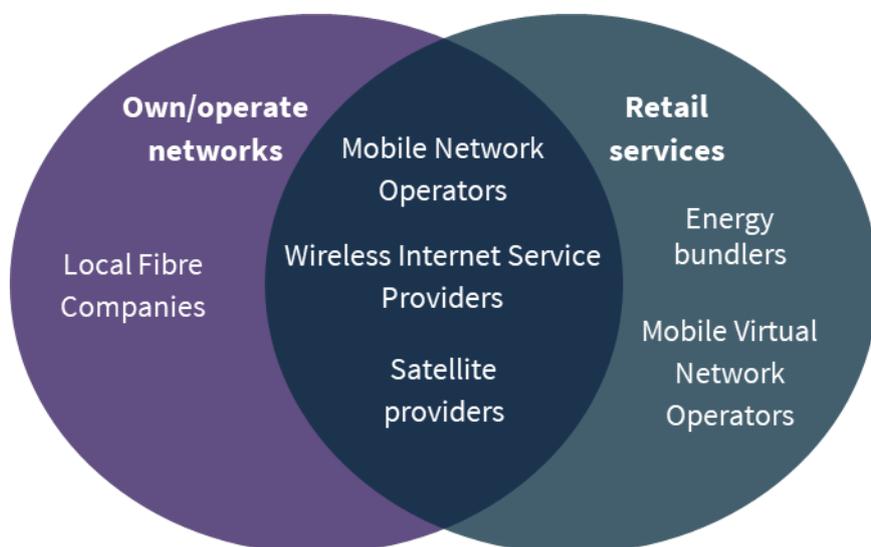
The New Zealand telecommunications market includes providers that operate and own mobile or broadband networks at the wholesale level. Many other providers retail services to consumers using those networks. Some providers have both wholesale and retail functions.

The sector is structured around different kinds of service provider, including:

- **Local Fibre Companies (LFCs)** – Four companies (Northpower Fibre Limited (Northpower), Chorus Limited (Chorus), Tuatahi First Fibre Limited (Tuatahi) and Enable Networks Limited (Enable)) both built and continue to provide wholesale access to most of New Zealand’s fibre network. Chorus is the largest LFC and provides over 70 per cent of the fibre network. Regulation restricts LFCs from selling fibre directly to consumers – they are wholesale only.
- **Mobile Network Operators (MNOs)** – Providers that own, operate and retail New Zealand’s mobile network. These providers can also retail fibre broadband services.
- **Mobile Virtual Network Operators (MVNOs)** – Providers that deliver mobile and broadband services but do not own or operate the actual network. They buy wholesale services from MNOs.
- **Wireless Internet Service Providers (WISPs)** – Smaller providers operating mostly in rural areas. WISPs own and operate wireless networks for retail broadband services. They have previously used mainly non-cellular wireless technology, but some now use cellular fixed wireless and fibre.
- **Satellite providers** – Providers that use GEO or LEO satellite technology to deliver mobile and broadband services, mostly in rural areas.
- **Energy bundlers** – Electricity providers that also retail mobile and broadband services.

Figure 2 below shows how the different kinds of businesses operate across the various sections of the telecommunications market.

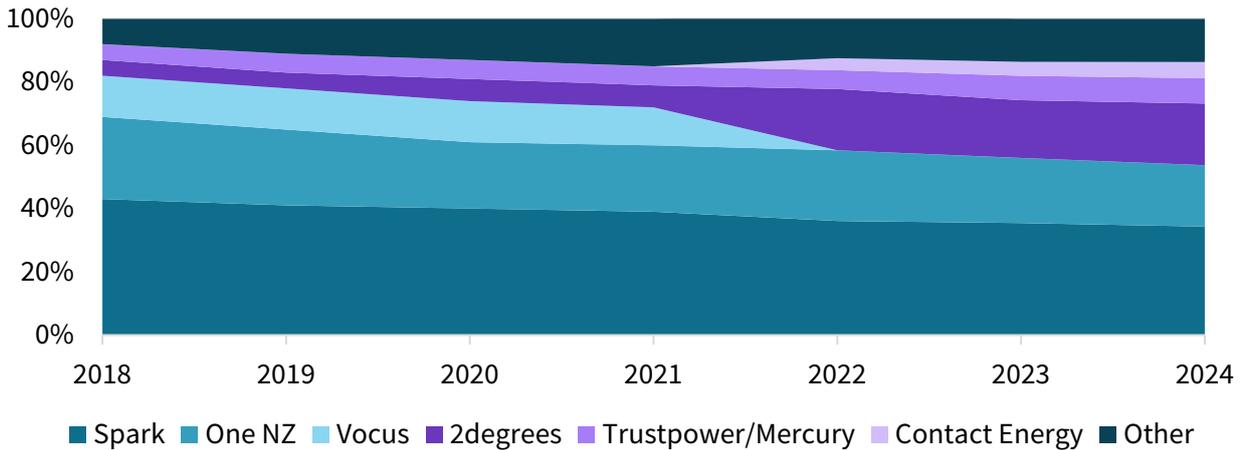
Figure 2: Functions of different businesses across the market



1.2. A concentrated market, with limited competition in some areas

New Zealand’s telecommunications market is concentrated. This means a small number of businesses have most of the control over prices, services and innovation (see Figure 3 below).

Figure 3: Providers' shares of residential and business broadband connections

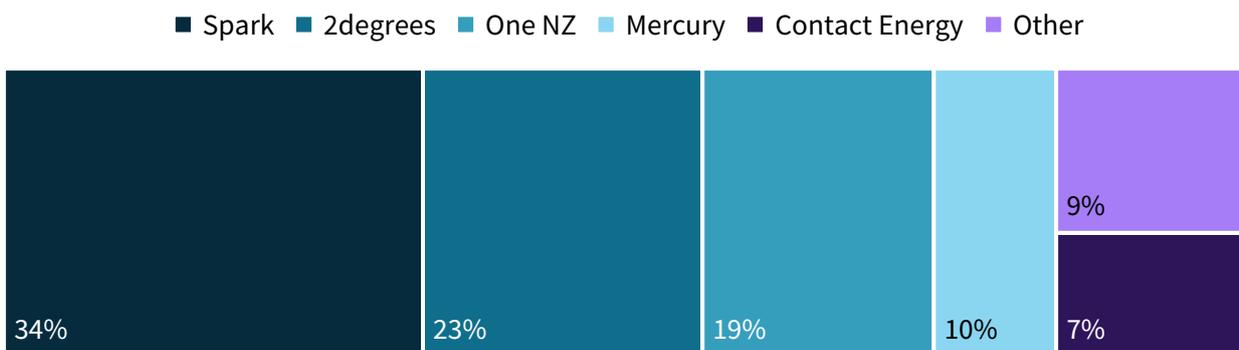


Note: Data from the Commerce Commission's 2024 Telecommunications Annual Monitoring Report.

Chorus, the dominant wholesale provider, and the other three LFCs have monopolistic control of the wholesale fibre networks in their respective areas across New Zealand. Access rules have contributed to ensuring the retail broadband market is feasibly competitive.⁶

The mobile market is concentrated also. Three MNOs have a strong presence across the country – Spark, One NZ, and 2degrees – holding 75 per cent⁷ of the broadband market in areas where fibre broadband is available (see Figure 4 below). These MNOs also provide retail broadband services. Many smaller retailers exist, but they serve fewer consumers and so have less market influence. The regulatory system puts some competitive pressure on this concentrated market. For example, “wholesale only” access rules for fibre allow all retail providers equal access to wholesale fibre.

Figure 4: Residential broadband market share in urban areas



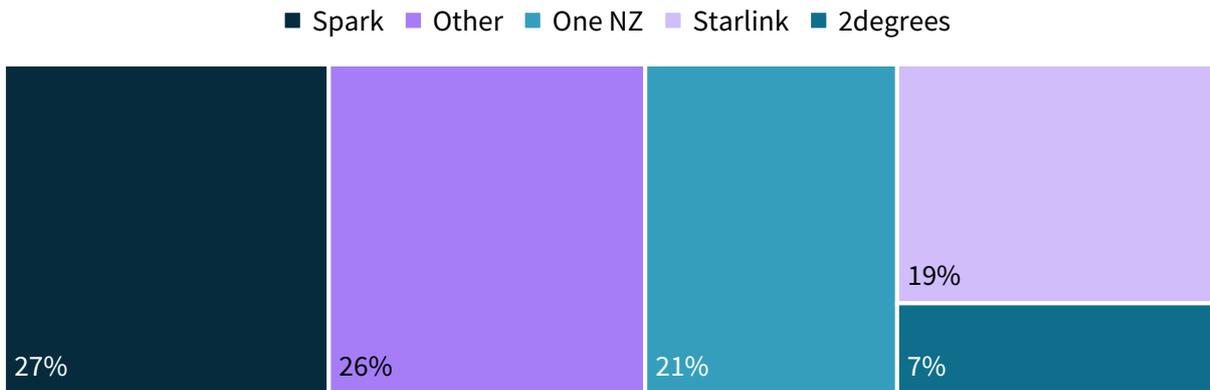
Note: Data from the 2024 Telecommunications Annual Monitoring Report. Figures are rounded to zero decimal places.

⁶ Richard Feasey (October 2025) *Recommendations for telecommunications regulation in New Zealand: A report for the Commerce Commission*: [https://www.comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/topic-papers-other-reports-and-studies/feasey-report-on-telecommunications-regulation-in-nz/communications regulation in NZ](https://www.comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/topic-papers-other-reports-and-studies/feasey-report-on-telecommunications-regulation-in-nz/communications%20regulation%20in%20NZ) | Commerce Commission.

⁷ Commerce Commission (June 2025) *2024 Telecommunications Monitoring Report*: <https://www.comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/annual-telecommunications-market-monitoring-report/>.

Without the same availability of fibre networks, the rural telecommunications market looks significantly different from the urban market. Spark, One NZ, and 2degrees together hold 55 per cent⁸ of the rural market, making the rural market less concentrated than the urban market (see Figure 5 below). New technologies and business models have reduced the concentration of the rural broadband market too. The fastest-growing provider in rural areas is Starlink (a satellite provider), which has become the third-largest rural broadband provider, ahead of 2degrees.

Figure 5: Residential broadband market share in rural areas



Note: Data from the 2024 Telecommunications Annual Monitoring Report. Figures are rounded to zero decimal places.

The growth of Starlink shows how global satellite networks are changing competition in rural telecommunications markets despite start-up costs. Amazon’s Project Kuiper is also expected to enter the New Zealand market soon, further increasing rural competition.

1.3. Market trending towards new businesses and technologies

A range of new businesses is entering the telecommunications market, including energy retail providers. Providers that bundle telecommunications and energy services are one of the fastest-growing segments of the telecommunications market. For example, Mercury and Contact Energy have doubled their share of the market over the last five years – from 6 per cent to 13 per cent.

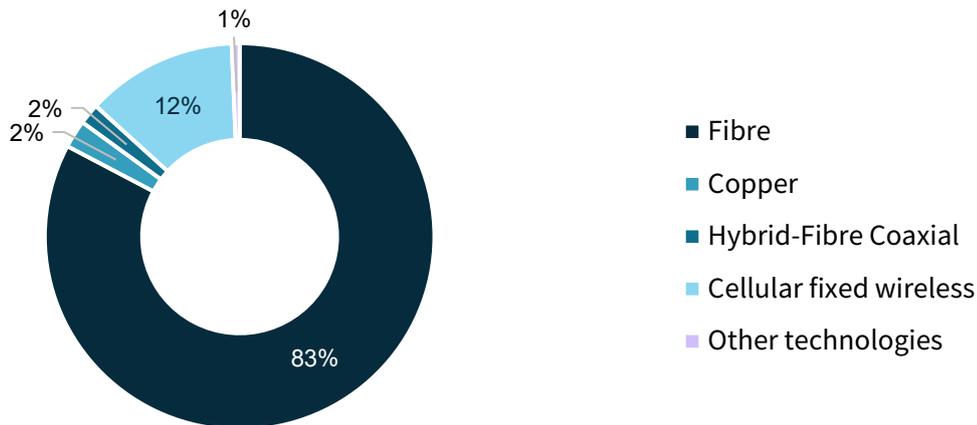
Consumers who live in urban areas can choose from a wide array of telecommunications technologies. Fibre technologies are the most common option, with 83 per cent of urban households choosing fibre products and services.⁹ Fixed wireless broadband, which is provided using mobile networks (especially 4G), is used by 13 per cent of urban households.¹⁰ Fewer consumers have chosen 5G fixed wireless options. Figure 6 below illustrates the different broadband technologies and what proportion of urban consumers choose these different options.

⁸ Commerce Commission (June 2025) 2024 Telecommunications Monitoring Report: <https://www.comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/annual-telecommunications-market-monitoring-report/>.

⁹ Commerce Commission (June 2025) 2024 Telecommunications Monitoring Report: <https://www.comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/annual-telecommunications-market-monitoring-report/>.

¹⁰ See footnote 9.

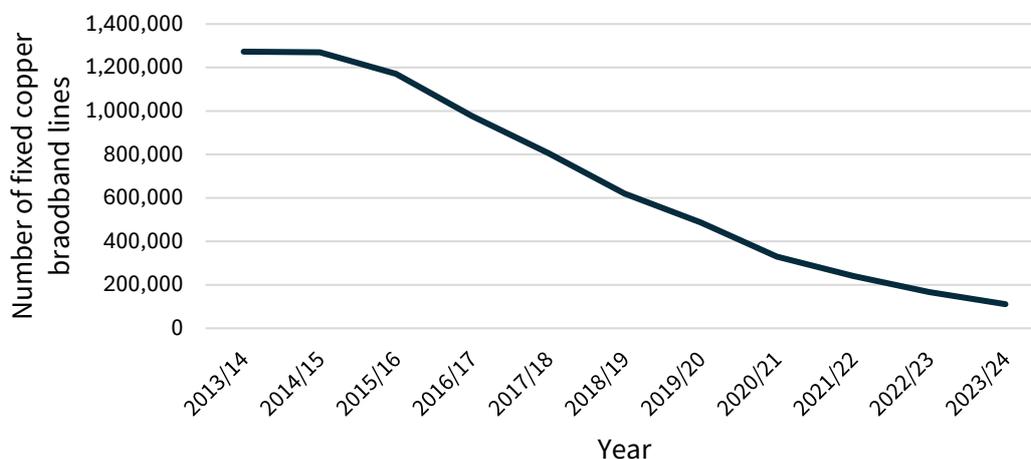
Figure 6: Estimated urban residential broadband connections by technology type



Note: Data from the 2024 Telecommunications Annual Monitoring Report. Figures are rounded to zero decimal places.

Chorus operates the copper network across New Zealand. The copper network used to cover 98 per cent of premises throughout the country. However, Chorus is retiring copper, which is an older and slower technology, in urban areas where it is no longer required by regulation. During 2023 and 2024, rural copper connections decreased by 18 per cent (around 16,000 connections),¹¹ and urban copper connections reduced by 52 per cent (around 40,000 connections).¹² Chorus intends to retire all copper services in urban areas by the end of 2026. Figure 7 below demonstrates the declining number of fixed copper broadband lines across New Zealand over the last decade.

Figure 7: Estimated number of copper broadband lines 2013/14 – 2023/24



Note: Data from the 2024 Telecommunications Annual Monitoring Report.

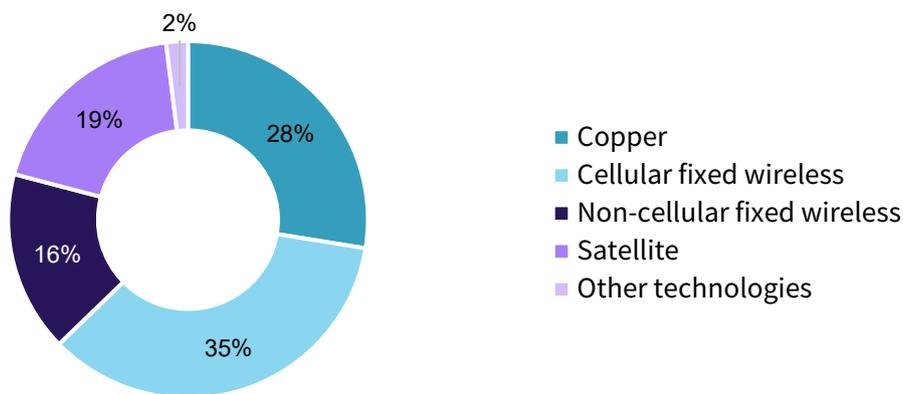
¹¹ Commerce Commission (August 2025) *Copper Services Investigation under section 69AH of the Telecommunications Act*: <https://www.comcom.govt.nz/regulated-industries/telecommunications/projects/copper-services-investigation/>.

¹² See footnote 11.

Copper services are still regulated in rural areas where fibre is not available. However, the Commission has recommended to the Minister for Media and Communications that this regulation be removed¹³ as copper networks are costly to maintain and operate, use is declining, and other technologies are readily available. Copper connections now make up only 28 per cent of rural connections, with consumers generally moving to satellite connections (40 per cent of consumers that switch) or 4G wireless (40 per cent of consumers that switch).¹⁴

Satellite options now include services that are as fast and reliable as some urban alternatives, and Chorus is planning to retire rural copper networks by 2030. Figure 8 below shows the different technologies chosen by rural consumers.

Figure 8: Estimated rural residential broadband connections by technology type



Note: Data from the 2024 Telecommunications Annual Monitoring Report. Figures are rounded to zero decimal places.

The rural market is also trending towards wireless options, such as cellular fixed wireless broadband and non-cellular wireless options from regional providers. WISPs serve 16 per cent of rural households. However, as more rural consumers have shifted to satellite options, WISPs have started investing in fibre to remain competitive.

2. Regulatory system overview

This section of the report outlines the core regulatory roles, the significant milestones in the development of the regulatory system, and the key elements of the regulation for specific businesses and technologies.

2.1. Commerce Commission and MBIE monitor and regulate market

The Minister for Media and Communications is responsible for the telecommunications regulatory system. The Commission and MBIE are the agencies responsible for advising the Minister on the telecommunications regulatory system.

¹³ Commerce Commission (August 2025) *Copper Services Investigation under section 69AH of the Telecommunications Act*: <https://www.comcom.govt.nz/regulated-industries/telecommunications/projects/copper-services-investigation/>.

¹⁴ See footnote 13.

2.1.1. The Commission is New Zealand's primary telecommunications regulator

The Commission works to ensure that the telecommunications market is competitive, and consumers are protected. It achieves this by:

- regulating specific services through setting prices and terms of access
- monitoring and reporting on the performance and any changes in the market
- administering the levies providers pay to the Government each year.

2.1.2. MBIE provides policy advice around telecommunications to the Government

MBIE is also responsible for developing parts of the regulatory system and administers specific rules.

The Treasury and the Minister of Finance have a role in decisions about the Crown's investment and strategic interests in the telecommunications sector as well, particularly on fibre infrastructure.

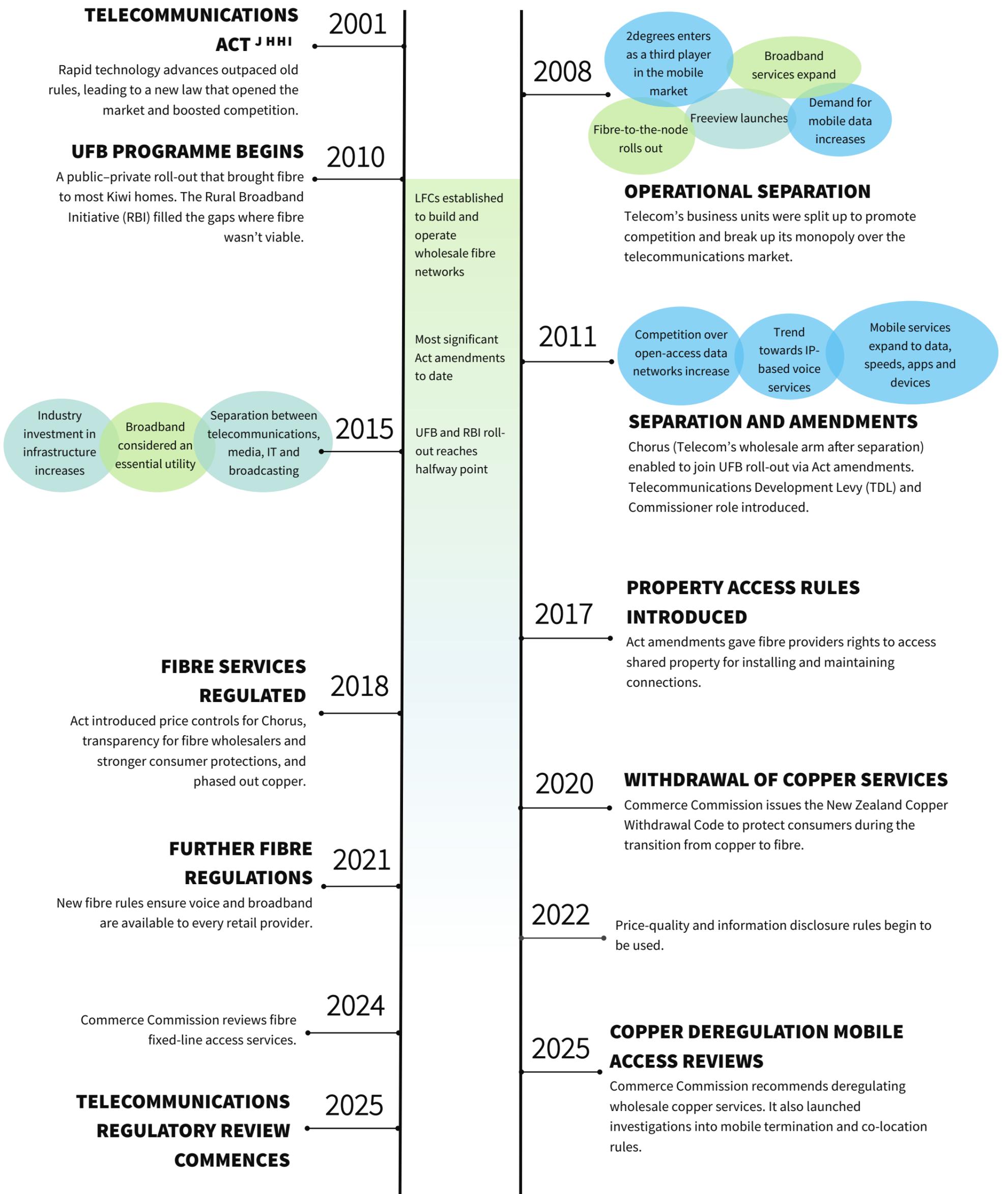
2.2. Regulatory system has evolved over time

Rules for telecommunications in New Zealand are primarily set under the Telecommunications Act 2001. The telecommunications sector had previously been regulated under the Commerce Act 1986. In 2001, this Act introduced a regulatory system specifically tailored to the telecommunications sector. The diagram below sets out the evolution of the Act.



Evolution of Telecommunications Regulation in New Zealand

● Market trend/milestone for mobile services ● Market trend/milestone for internet services ● Market trend/milestone for the broader telecommunications sector



Part II: Issues, findings and recommendations



3. Parts of regulatory system working well

Through engagement with the sector, the Review identified elements of the regulatory system that are working well. These include:

- **Practice by regulatory bodies:** The Commission and MBIE were praised for their open, consultative engagement. Both agencies are seen as responsive and transparent, fostering trust and constructive dialogue throughout the regulatory review process. The Commission is described as receptive to feedback and genuinely committed to reducing regulatory burden, evidenced by changes in alignment with sector input. MBIE is recognised for their willingness to seek views and collaborate with industry.
- **Price-quality rules:** These rules are recognised by Chorus (the only company the regulations apply to) as effective and well administered. They describe the core price-quality and information disclosure framework as “appropriate in principle”, noting that it provides sufficient regulatory oversight and effective review mechanisms, and does not require further focus in the Review.
- **Dispute resolution:** This has been a key area of focus for the Commission as part of its work on retail service quality, with its most recent review completed in December 2024. Recommendations from the Commission’s review included increasing consumer awareness of, and accessibility to, the dispute resolution scheme. MBIE is also progressing further work that addresses issues raised through that review. As such, the Review has deemed this work sufficient, and therefore no changes are being recommended in this area.
- **Fibre Information Disclosure (Fibre ID):** The Commission undertakes a transparent process involving engagement and consultation with affected parties when making or amending Fibre ID requirements. The Commission has also disclosed how they are considering the costs to regulated providers through its recent draft framework for Fibre ID reviews. Regulated providers are generally supportive of the effort the Commission has made to reduce the regulatory burden in this area, and therefore the Review is not recommending changes.

4. Parts of regulatory system need improvement

Through the Review, issues with the regulatory system have been identified across five main areas:

- rules about access to telecommunication services
- rules for fibre providers and services
- how government levies for telecommunications providers are calculated
- rules about retail service quality for protecting and informing consumers
- how proportionality is considered in decisions about regulatory work.

These issues are set out in detail in the chapters that follow.

For the five areas where issues have been identified with the regulatory system, the Review has made recommendations for improvement across three themes:

Modernisation – Outdated rules make innovation difficult in a dynamic market where technology is continually changing. The regulatory system needs to be resilient to change, requiring modernisation.

Simplification – The regulatory system is overly complex, making it challenging to navigate. Streamlined, simplified rules will make compliance easier for businesses.

Proportionality – The regulatory system was designed to address a range of market failures. Regulatory actions to address these concerns should be targeted to the scale, risk and impact of specific issues.

In the following chapters, we explain how the Review's recommendations align with these three themes. For each chapter, we outline:

- the background and context for each identified part of the regulatory system
- the reason for regulating – why the Government intervenes (e.g. to address a market failure) and the costs and benefits of intervention
- how this part of the regulatory system currently works, including existing rules, roles and responsibilities
- the Review's findings, including comparative analysis with international examples
- the Review's recommendations for addressing these findings, including how each recommendation works towards modernisation, simplification or proportionality.

Chapter 3 – Access to telecommunications services

This chapter discusses the rules about ensuring access to telecommunications services. The Telecommunications Regulatory Review (the Review) found that the current system is outdated, particularly the Telecommunications Service Obligations (TSOs) that collectively ensure access to services in rural and remote areas. Most consumers have moved away from copper networks to faster technologies like fibre, wireless and satellite. However, low-income households in rural areas still face affordability challenges for switching to more modern telephone and broadband services. Anchor Services and Geographically Consistent Pricing (GCP) rules may ensure access and affordability as well, but their effectiveness is uncertain. The Review’s recommendations aim to modernise and simplify rules about access and affordability, while aligning the regulatory system with current consumer risks and needs.

The table below sets out the Review’s findings, and our recommendations, for addressing issues with these rules.

Findings and associated recommendations

Findings	Recommendations
<p>Finding A: Meeting the Telecommunications Service Obligations is increasingly inefficient and financially unsustainable for providers.</p> <p>Finding B: The Telecommunications Service Obligations are out of step with contemporary consumer needs and service options.</p>	<p>Recommendation 1: Phase out the Telecommunications Service Obligations and provide targeted financial support to low-income households to transition from outdated copper networks to newer technologies.</p>
<p>Finding C: The existing rules for phone booths are based on copper technology, discouraging providers from modernising phone booths to provide internet services.</p>	<p>Recommendation 2: Clarify the rules for phone booths to ensure that the rules are technology neutral, encouraging modernisation.</p>
<p>Finding D: There has been no uptake of Anchor Services reported, but the rules may still support competition.</p>	<p>Recommendation 3: The Commerce Commission should review Anchor Services in 2026.</p>

Finding E: There is overlap between Geographically Consistent Pricing and other price-quality rules.

Recommendation 4: The Ministry of Business, Innovation and Employment should consider whether Geographically Consistent Pricing should be retained, repealed or modified following the Commerce Commission’s review of Anchor Services.

1. Context

Telecommunications services include both telephone and broadband services. Access to telephone services is essential for people to be able to reach emergency services such as fire, police or ambulance services. Telecommunications products and services also enable consumers to connect with each other and participate in the economy. Reliable, high-speed connectivity is now essential for accessing services such as remote work,¹⁵ online education,¹⁶ digital business operations¹⁷ and virtual healthcare.¹⁸

The Telecommunications Act 2001 (the Act) includes the TSOs.¹⁹ The TSOs require the supply of select telecommunications services to consumers through agreements with specific providers.

There are three primary sets of rules that are intended to ensure that fibre broadband is affordable. These rules only apply to Chorus (the largest fibre provider):

- **Price-quality rules** set revenue caps and service standards.
- **Anchor Services** are basic phone and internet services that must be offered at regulated prices.
- **Geographically Consistent Pricing (GCP) rules** keep prices lower in less populated areas (e.g. rural areas) where fibre is available by requiring standard prices for fibre services, regardless of where consumers live.

Chorus, to whom the price-quality rules apply, considers that these rules provide sufficient regulatory oversight and effective administrative and review mechanisms. However, there are questions about the relevance and effectiveness of Anchor Services and GCP rules.

¹⁵ Stats NZ (September 2024) *Work from home statistics: September 2024 quarter*.

¹⁶ Flexible Learning Association of New Zealand (June 2024) *Report into School Sector Distance Learning*.

¹⁷ Ministry of Business, Innovation and Employment (July 2024) *Digital capability of New Zealand businesses*.

¹⁸ Digital Health Association (November 2024) *HNZ aims for 10 per cent digital care delivery by mid-2025: <https://www.dha.org.nz/hinz-ehealthnews/hnz-aims-for-10-percent-digital-care-delivery-by-mid-2025/#:~:text=Health%20New%20Zealand%20%E2%80%93%20Te%20Whatu%20Ora%20has,slightly%20up%20from%206.7%20percent%20in%20quarter%20three>*.

¹⁹ Part 3 of the Telecommunications Act 2001.

2. The reason for regulating

Government intervention in respect of the access to and affordability of telecommunications services is based on public interest, network externalities, and the need to limit the monopolistic market power of fibre providers. The economic rationale below describes in detail this basis for regulating.

Economic rationale

Government intervention occurs for the purposes of ensuring affordability for the public. **Public interest** includes where people should have access to emergency services and the economic benefits of high-speed connectivity. However, providers cannot deliver access in all areas at a price everyone, including those on low incomes, can afford.

Network externalities describe the benefits that result from more people having access to telecommunications services. As more people use telecommunications services, these services become more useful, and valuable, to everyone. Where providers are able to charge high prices with little competition (e.g. in rural areas) it can be challenging to ensure more people have affordable access to services.

The Government therefore also intervenes to limit **market power** for Local Fibre Companies (**LFCs**) to ensure that fibre services are set at competitive levels. This is especially important in rural areas where fibre is available but there are fewer providers and consequently less pressure on pricing.

3. How the existing rules work

3.1. Telecommunications Service Obligations (TSOs)

3.1.1. Spark and Chorus provide TSO-aligned services by agreement with the Crown

The TSOs were introduced in 2001. The Government has agreements (deeds) with Spark and Chorus to make sure that telephone services are available to consumers across the country at a fair price.

These deeds are recognised under the Act²⁰ and include a series of formal commitments from Spark and Chorus to the Crown. These commitments provide for the following:

- free local calling and 111 emergency calling (note that the Review is not considering changes to the delivery of 111 emergency calling)
- capping the cost of rental or line subscription so that it can only increase at the same rate as inflation
- allocation and directory listing of a seven-digit local telephone number
- access to 018 directory assistance (chargeable per call)

²⁰ Part 3 of the Telecommunications Act 2001.

- dial-up internet access
- fax calling.

The services are currently delivered via copper connections using older and slower technology. However, the deeds do not specify how the services must be delivered, so it would be possible for delivery using alternative technologies. The Commerce Commission (the Commission) has recently recommended to the Minister for Media and Communications that the wholesale copper network be deregulated. This would not change the current TSO requirements for Chorus. Chorus would still need to keep its copper network to meet their TSO commitments, unless it replaces the copper lines with an alternative technology. Chorus is planning to retire its copper network by 2030.

3.2. Anchor Services

In the early stages of fibre roll-out and the transition from copper networks, it was uncertain whether essential broadband and voice services would be available at generally affordable prices without regulatory safeguards in place. The Government introduced rules about Anchor Services to ensure that basic phone and broadband services are available at affordable prices in areas with fibre coverage.

- Basic broadband service – offers 100 megabits per second (Mbps) download and 20 Mbps upload speeds.
- Basic voice service – provides voice-only communication using fibre technology.

3.3. Geographically Consistent Pricing (GCP)

The intent of GCP is to ensure uniform pricing across the country and to stop prices in less populated areas from being higher because it costs more to deliver the service. The GCP rule only applies to Chorus' fibre service, and only in areas where no other fibre provider has built a network under the Ultra-Fast Broadband (UFB) initiative. These rules also serve to prevent 'pocket pricing', where a business that controls a large share of the market lowers prices in areas where there is competition. Pocket pricing can be used to eliminate other competing businesses while the dominant business keeps prices high in non-competitive areas.

4. The Review's findings

4.1. Summary

4.1.1. TSOs no longer working effectively for businesses or consumers

Through the implementation of the deeds, the TSOs for telephone services were intended to ensure that households connected to the copper network could continue to have telephone access.

However, there are two primary issues with the TSOs:

- The requirements are becoming disproportionately costly for providers to meet, as copper networks are increasingly expensive to operate alongside declining use.

- The requirements are out of step with consumer needs. Consumers are progressively relying on fibre, mobile, satellite and wireless networks for voice and internet services. These are increasingly available across New Zealand, although some affordability challenges remain.

New Zealand's phone booth network is similarly operated using copper technologies to provide public access to telecommunications services. There is ambiguity in the regulations for phone booths that is hindering the modernisation of the network.

4.1.2. Rules about Anchor Services and GCP could be more effective

While these rules aim to support fibre affordability and competition, it is uncertain whether Anchor Services rules and GCP rules are keeping prices reasonable and consistent and protecting competition. There is overlap between the Anchor Services rules and GCP rules, and, if regulation is needed, it may be more effective to have a single mechanism for achieving the affordability and competition objectives.

Finding A

Meeting the Telecommunications Service Obligations is increasingly inefficient and financially unsustainable for providers.

Most households have largely moved away from the copper network in favour of faster, more flexible technologies like fibre, wireless and satellite for broadband. For example, copper connections represented 68 per cent of all broadband connections in 2013/14 but now make up only 5 per cent.²¹

Demand for TSO-aligned telephone services delivered through the copper network has steadily declined from about 1.3 million households in 2001. Chorus estimates the number of addresses with an active TSO-aligned telephone connection to be around 20,000 in 2025.

Reports indicate that the copper network is becoming increasingly financially unsustainable as the technology becomes more outdated. As the number of consumers using copper connections reduces, so does revenue. In addition, the copper network is more prone to faults, resulting in higher maintenance costs.

The use of printed directories (phonebooks) has dropped significantly too. Only 12 per cent of New Zealand's total population is estimated to use printed directories,²² which reflects broader national trends towards online access to information. Given the low demand, it is no longer commercially viable to provide printed directories.

Finding B

The Telecommunications Service Obligations are out of step with contemporary consumer needs and service options.

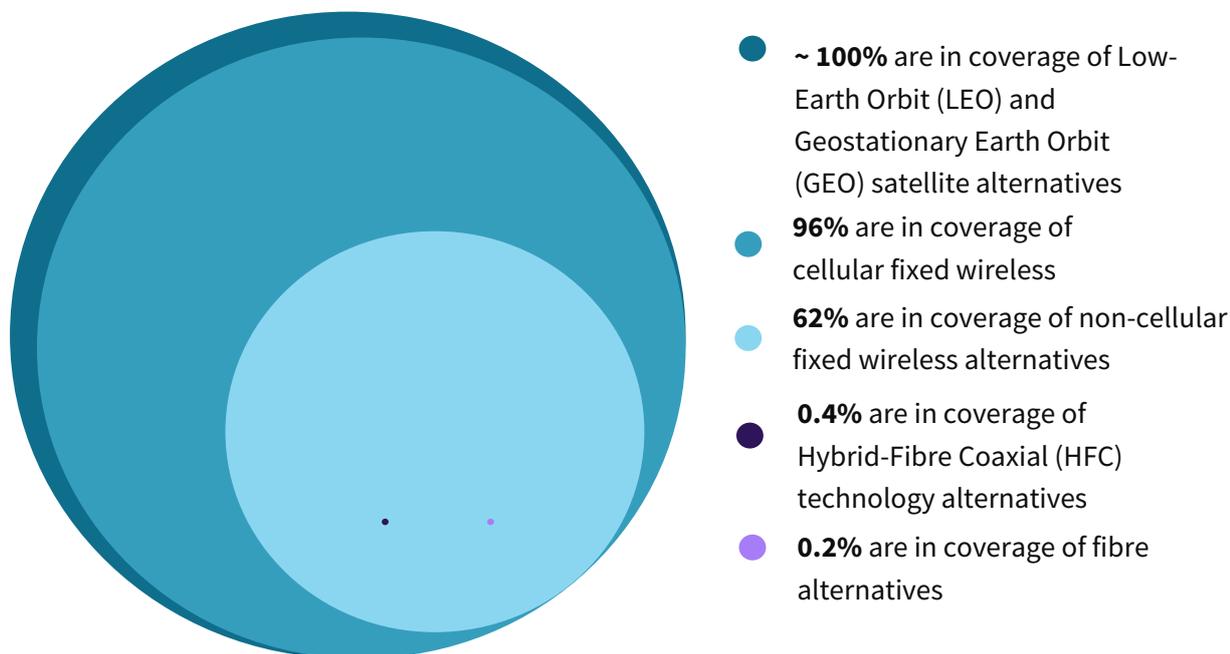
Alternative technologies can provide consumers with faster, more reliable services. The Commission has found there are several alternatives available to rural copper connections for a similar or cheaper

²¹ Commerce Commission (December 2018) *2018 Annual Telecommunications Monitoring Report*: <https://www.comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/annual-telecommunications-market-monitoring-report/>.

²² Information provided directly to the Ministry for Regulation by industry.

price.²³ These alternatives also compare favourably in terms of their performance.²⁴ Figure 9 below shows the coverage of different broadband options for consumers located in Rural Copper Areas (RCAs).

Figure 9: Coverage of broadband alternatives in RCAs²⁵



Note: Includes data from the 2025 Copper Services Investigation.

Most households using services that rely on copper-based networks can be transitioned to services that use alternative technologies. However, approximately four per cent of households still using copper are estimated to be without mobile coverage.

There may also be financial barriers for some people to switch to alternative technologies in rural and remote areas. Alternative available technologies, such as satellite, may be more expensive than copper connections, and depend on mains power to continue operating unless there is backup power available.²⁶ Other countries, such as the United States of America and Canada, have used financial support to address this problem.

²³ Commerce Commission (August 2025) *Copper Services Investigation under section 69AH of the Telecommunications Act*: <https://www.comcom.govt.nz/regulated-industries/telecommunications/projects/copper-services-investigation/>.

²⁴ See footnote 23.

²⁵ Commerce Commission (August 2025) *Copper Services Investigation under section 69AH of the Telecommunications Act*: <https://www.comcom.govt.nz/regulated-industries/telecommunications/projects/copper-services-investigation/>.

²⁶ See footnote 25.

United States of America

The Lifeline Program in the United States provides essential support to low-income households by offering a US\$9.25 monthly discount on phone or internet services – or US\$34.25 per month for those living on Tribal lands. This program is permanently financed through the Universal Service Fund, ensuring ongoing access to basic communication services for eligible individuals.

Canada

The Connecting Families Initiative is a targeted subsidy programme that partners with major internet service providers to offer low-cost internet plans to eligible low-income families with school-aged children. The initiative is invitation-based, using government data to identify and contact eligible households. It includes a fixed monthly price for internet services and, in some cases, subsidised devices.

Finding C

The existing rules for phone booths are based on copper technology, discouraging providers from modernising phone booths to provide internet services.

Spark has operated an estimated 2000 phone booths around New Zealand for the last 40 years.²⁷ These phone booths traditionally used copper networks to provide services; however, with the withdrawal of copper networks by Chorus, many phone booths are no longer operational.²⁸

Phone booths are currently exempt from charges by local councils under the Act.²⁹ However, the existing wording in the Act is ambiguous regarding technology, and the current exemption is interpreted differently across Councils. As a result, some Councils apply the exemption only to phone booths offering services provided over copper lines.

The legislation has not kept pace with technological change. As providers have sought to modernise phone booths by replacing the copper lines with newer technology (i.e., to provide internet and calling services), disputes have arisen as to whether these modern phone booths still fall within the exemption. However, without the exemption, modernised phone booths are not commercially viable for providers. This has created a barrier to innovation.

Finding D

There has been no uptake of Anchor Services reported, but the rules may still support competition.

Chorus reports that it currently has no customers taking up Anchor Services, and the Review was informed of faster service options priced similarly to Anchor Services. However, even with no uptake, rules about Anchor Services may be serving to secure lower prices.

²⁷This information was provided to the Ministry for Regulation by Spark New Zealand.

²⁸ Spark NZ (2022) *Spark announces plans to evolve New Zealand's public phone booth network*: <https://www.spark.co.nz/online/about/our-company/news/public-phone-booth-network>.

²⁹ Section 153 of the Telecommunications Act 2001.

Anchor Services act as a benchmark against which other similar services must compete. While Anchor Services are available, Chorus' ability to raise prices is limited, because this could incentivise customers to switch to these services.

If rules requiring Anchor Services are removed, Chorus may raise its prices (including the prices of services currently priced the same as the Anchor Services), without risk of customers switching to these services.

We understand that the Commission has agreed to review the Anchor Services rules in 2026.

Finding E

There is overlap between Geographically Consistent Pricing and other price-quality rules.

Price-quality rules already limit Chorus' ability to vary prices regionally. Anchor Services ensure that there is a basic affordable fibre broadband service in less populated areas. Additional GCP rules are intended to keep fibre broadband services that are faster than the more basic Anchor Services affordable in less populated areas.

However, given that GCP only applies to Chorus' fibre services and only in specified areas, it is unclear how effective it is for achieving affordability in addition to other existing rules. Ultimately, having multiple regulatory tools in place to limit Chorus' market power may not be the most efficient way of achieving competition and affordability objectives.

There is a risk that removing GCP rules completely (i.e. via repeal) would lead to price increases in rural areas where fibre is available. There is also a risk that it would reduce the potential for new entrants to compete by enabling pocket pricing. Conversely, the removal of GCP rules can allow prices to better match costs, resulting in increased efficiency and fewer distortions to the market.

5. Our recommendations

The recommendations below support:

Modernisation – This approach endorses a range of technologies, such as mobile, satellite or wireless, that can deliver basic services more efficiently and flexibly.

Simplification – This approach removes regulatory requirements to maintain the outdated copper network.

Proportionality – This approach is proportionate by targeting where it is most needed to support consumers switching to newer, more effective technologies and ensures that any changes will not adversely impact competition in the market.

Recommendation 1

Phase out the Telecommunications Service Obligations and provide targeted financial support to low-income households to transition from outdated copper networks to newer technologies.

We recommend phasing out the TSOs and providing financial assistance to support low-income households to transition from copper to newer technologies, such as satellite services. This would modernise rural connectivity by supporting rural households to access faster, more reliable internet services. There would be no changes to the delivery of 111 emergency calling.

The financial support would be targeted at low-income households³⁰ who do not have access to affordable alternatives to copper. One way to identify these households would be to limit the financial support to low-income households whose primary residence is without fibre or cellular coverage. In these areas, satellite services are likely to be the only available option and tend to be more expensive. The initial set-up costs (e.g. installing a satellite dish) can be a barrier to switching from copper to a satellite connection as well.

In our view, the minimum cost of facilitating the transition away from copper is a one-off payment to cover the set-up cost of a satellite connection for households with an active copper connection, who have an annual income below \$20,000 and without fibre or cellular coverage. We estimate that this would involve a total cost of \$6 million. The Ministry's cost-benefit analysis which informed this recommendation is detailed in **Appendix 3 (Cost-Benefit Analysis of Proposed Regulatory Changes to the Telecommunications Service Obligations)**.

If the Government wanted to provide further support it could also subsidise the difference in cost between a benchmark price for voice and internet access, and the current satellite market price for the combined services. The cost would vary depending on how broad the eligibility was and how much support was provided. These would be policy choices for the Government to make.

As directory services are becoming less relevant to consumers, we consider there is no need for alternative voice services replacing TSO-aligned copper line telephone services to include access to these services.

The key benefits of phasing out the TSOs while supporting households transitioning to non-copper technologies include:

- **Consumers can have access to faster, more reliable phone and internet connections** by switching to alternative technologies when a copper-based service is no longer available.
- **Providers would no longer need to maintain outdated copper service systems.**

This approach resembles schemes in comparable international countries that are designed with a focus on securing access to telecommunications services for rural and remote communities.

³⁰ Households with an annual income below \$20,000. The Treasury (September 2024) *Distribution Explorer*: <https://www.treasury.govt.nz/publications/distribution-explorer>.

We estimate the combined benefit to the economy of phasing out the TSO-aligned telephone service would be **between \$30 million and \$40 million** over a 10-year period.

Feedback from the consultation showed broad consensus that the current TSO-aligned telephone service requirements are outdated and no longer fit for purpose. Consumer groups, in particular, stress that any reform must ensure affordable and reliable access to essential telecommunications services for all, especially for rural, vulnerable and low-income communities. A carefully managed transition, underpinned by targeted support and robust safeguards, is seen as essential. This aligns closely with our recommendation.

Sector perspectives

“The TSO service, a voice service that supports dial-up internet and analogue fax, is no longer relevant to modern connectivity needs... The telecommunications landscape is unrecognisable from what existed in 2001, when the TSO arrangements were fixed. Today, consumers have access to a wide range of superior services such as those provided by fibre, fixed wireless, improved mobile services, LEO satellites and GEO satellites. These services are widely available and have been broadly adopted by consumers.”

“...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.”

“Phasing out of the copper network must be in accordance with a migration plan agreed by all stakeholders to ensure that the migration minimises costs to all parties and is acceptable to rural communities.”

Recommendation 2

Clarify the rules for phone booths to ensure that the rules are technology neutral, encouraging modernisation.

We recommend amending the Telecommunications Act 2001 to clarify that phone booths will continue to be exempt from charges regardless of the technology used. This will enable providers to develop public phone booths that can provide internet and calling services via alternative technologies (such as mobile, satellite or any future technological developments).

The regulations regarding phone booths were highlighted during public consultation, and therefore this recommended option has not been consulted on more widely with the sector. However, similar approaches in international jurisdictions highlight the value for communities from providing modernised technologies and services as alternatives to traditional phone booths. For example, in Australia, Telstra deployed free calling through its phone booths in 2021, followed by deployment of free internet access in 2022.³¹ This resulted in over 40 million free calls made over the first 24 months of deployment, including over 250,000 calls made to emergency services in the 12 months preceding

³¹ Ministers for Infrastructure, Transport, Regional Development, Communications, Sport and the Arts (2022) *Telstra's announcement of free Wi-Fi at payphones*: <https://minister.infrastructure.gov.au/rowland/media-release/telstras-announcement-free-wi-fi-payphones>.

August 2023³², demonstrating the value of phone booths as infrastructure for providing consumers, especially those who are isolated or vulnerable, with essential telecommunications services.

Currently, Spark is the only provider that owns and operates phone booths, and included services, in New Zealand. This is because of Spark's historic role in the copper network. Enabling the development of modernised phone booths based on newer technologies would allow other providers to operate phone booths, promoting competition in this area of the market.

Recommendation 3

The Commerce Commission should review Anchor Services in 2026.

Despite no reported uptake, Anchor Services may still be acting as an important safeguard that supports the affordability of fibre services and competition. However, technological change and faster, more reliable fibre broadband services call into question whether Anchor Services remain fit for purpose. It has not been within the scope of the Review to carry out a full competition assessment of the telecommunications market. Such an assessment is needed to determine what the impact on competition in the market would be by removing Anchor Services. We therefore recommend that the Commission undertakes a review of Anchor Services in 2026, which should consider:

- **the interaction with related mechanisms** (such as the GCP) and whether Anchor Services are achieving its policy objectives
- **whether the rules should be updated or phased out**, considering technological advancements.

Feedback from consultation showed that Anchor Services are seen as a key safeguard against monopoly power, ensuring affordable entry-level broadband and voice services for vulnerable consumers. While most respondents support either retention or the carrying out of a careful review, some argue Anchor Services are outdated and that market competition now constrains prices. This supports our recommendation for the Commission to review the regulations in 2026.

Sector perspectives

“These [Anchor Services] requirements were introduced to ensure a fair and accessible basic service for consumers. With the passage of time, the current anchor services requirements are no longer appropriate, being out of step with product evolution (both in terms of performance and price) since they were introduced.”

³² Corbin, T. (2023) *Free payphones have become a lifeline for Australians in need*: <https://www.telstra.com.au/exchange/payphone-usage-is-surging-with-nearly-two-million-free-calls-bei>.

Recommendation 4

The Ministry of Business, Innovation and Employment should consider whether Geographically Consistent Pricing should be retained, repealed, or modified following the Commerce Commission’s review of Anchor Services.

The outcome of the Commission’s review into Anchor Services might determine whether GCP rules still serve a purpose. For example, changes to Anchor Service rules might make the GCP rules redundant if there is sufficient overlap between them.

Similarly to Anchor Services, determining the impact of removing the GCP rules on the telecommunications market would require a competition assessment. However, given that the GCP rules are also intended to achieve a government-generated social policy objective of uniform pricing across the country, which is outside the purview of the Commission, the Review considers that the Ministry of Business, Innovation and Employment (MBIE) is better placed to determine whether GCP rules are still needed to support that policy objective.

Therefore, we recommend that following the Commission’s review of Anchor Services in 2026, MBIE should assess, with the support of the Commission, whether GCP rules are still necessary or whether they should be modified or repealed.

Feedback from consultation shows that GCP is widely supported as a safeguard to ensure consumers in less populated areas are not charged more for fibre than urban users. Most respondents favour retaining GCP or having a cautious review undertaken, while a minority – mainly Chorus, some other LFCs, and industry voices – argue it distorts pricing and limits cost recovery. Overlap between the GCP rules and other rules raises questions about their effectiveness. This supports our recommendation for MBIE to consider whether GCP rules remain necessary or whether GCP should be repealed following the Commission’s review of Anchor Services in 2026.

Sector perspectives

“There needs to be a full review to ensure any new regulation encourages competition whilst still maintaining a control over the price to provide fibre into remote areas, since communications must be available to all at an affordable rate.”

“We disagree with the recommendation that the Commerce Commission should review and assess the effectiveness of GCP. GCP is a core safeguard in monopoly regulation, and its removal would expose consumers and the industry to serious risks.”

Chapter 4 – Rules about fibre

This chapter discusses the rules about fibre technologies, services and providers. The Telecommunications Regulatory Review (the Review) identified that this area of the regulatory system is unnecessarily complex. Overlapping tools and oversight arrangements between entities make the rules both challenging and inefficient for fibre providers to navigate, limiting innovation. The Review’s recommendations aim to retain the wholesale-only model for fibre providers, while simplifying rules that are out of step with a more mature sector.

The table below sets out the Review’s findings, and our recommendations, for addressing issues with these rules.

Findings and associated recommendations

Findings	Recommendations
Finding F: Overlapping regulatory tools and split oversight create practical challenges.	Recommendation 5: Move the existing restrictions that preserve the wholesale-only model from Local Fibre Companies’ constitutions into legislation, then remove the Government Share and allow the Local Fibre Companies to update their constitutions.
Finding G: The fibre regulatory system remains procedurally rigid and burdensome to use.	Recommendation 6: Streamline the exemption process for fibre services above Layer 2 by removing mandatory consultation unless an exemption could affect the wholesale-only model. The Commerce Commission should establish clear screening criteria to identify such cases. Recommendation 7: Streamline fibre, and any other deregulation review processes, from a two-step process into a single-step process.
Finding H: The telecommunications sector has matured, reducing the need for legacy rules.	Recommendation 8: Remove all shareholder caps from Local Fibre Companies’ constitutions. Recommendation 9: Review legacy instruments, retain only relevant obligations by consolidating them into one modern instrument (legislation or deed), and repeal the rest. Recommendation 10: Repeal physical fibre Layer 1 unbundling requirements.

1. Context

Fibre networks in New Zealand are primarily provided by the Local Fibre Companies (LFCs). However, other providers, such as private network operators and regional wireless internet service providers (WISPs), build and operate fibre networks also. These other providers are allowed to sell fibre services to both retailers and individual consumers and are not subject to fibre-specific regulations under the Telecommunications Act 2001 (the Act).

In contrast, the LFCs are directly regulated under the fibre rules in the Act and are required to operate under a wholesale-only model; this means they are not allowed to sell fibre services directly to consumers. This rule was introduced alongside the Ultra-Fast Broadband (UFB) initiative in 2011,³³ which gave each LFC a specific geographic area to cover for delivering fibre services.

2. The reason for regulating

The fibre regulatory system was designed to manage the risks of market power created by the UFB initiative. It ensures open access to fibre networks, non-discrimination, and equivalence of supply for retail providers. The economic rationale below sets out in detail the basis for regulating.

Economic rationale

Government intervention in the market for fibre services is based on the need to limit LFCs' **market power** and promote healthy **competition**. Competitive markets incentivise businesses to deliver value to consumers, through lower prices and improved quality, cost efficiencies, and innovative new processes, products and services.

However, many markets often have features that limit the development of strong competition, and this is particularly true of fibre markets. The high fixed costs of rolling out fibre networks result in economies of scale, which mean that fibre is often most efficiently delivered by a single provider (a **natural monopoly**).

Some competition can emerge through other technologies (such as fixed wireless). Despite this, the natural monopoly risks justify government intervention through regulation to prevent fibre providers from misusing their market power, protect consumers from any negative impacts, and promote competition between retail service providers.

³³ New Zealand Gazette (October 2011) *Statement to the Commerce Commission Concerning Incentives for Businesses to Invest in Ultra-fast Broadband Infrastructure*: <https://gazette.govt.nz/notice/id/2011-go7120>.

3. How the existing rules work

There is a range of rules the Government uses to achieve the economic objectives mentioned above.

3.1. Ownership restrictions, governance controls, and Government Share provisions intended to protect the Crown's interests during UFB roll-out in 2011

To protect its interests, the Crown put several tools in place:

- the Government Share, which gives the Minister of Finance the final decision-making authority over decisions about LFCs' constitutions
- rules written into the LFCs company constitutions
- a special agreement with Chorus called the *Deed of Operational and Governance Undertakings*
- contracts under the UFB initiative.

These tools prevented changes in ownership or business direction that could have undermined the goals of the UFB initiative. As the UFB contracts were due to end, a new system was needed to continue protecting the Crown's investment and the public interest.

3.2. Rules in legislation replaced some contract-based rules

In 2018, the Act was amended to introduce a new regulatory system.³⁴ This new system replaced some of the rules that were previously set out in the UFB contracts.³⁵ The new rules include:

- **price-quality regulation**,³⁶ which limits what prices Chorus can charge for wholesale fibre services and the quality of service it must deliver
- **information disclosure regulation**,³⁷ requiring fibre providers to publish key information about their services and performance.

Some rules from the UFB contracts were moved into the Act itself. For example, the Act now requires that regulated fibre providers' fibre networks must be designed to allow unbundling at Layer 1.³⁸ This layer 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 enables other providers to access the physical network and manage their own services.

³⁴ Part 6 of the Telecommunications Act 2001.

³⁵ Ministry of Business, Innovation and Employment (September 2021) *Fibre Regulatory Framework*: <https://www.mbie.govt.nz/science-and-technology/it-communications-and-broadband/our-role-in-the-ict-sector/fibre-regulatory-framework>.

³⁶ Sections 192–206 of the Telecommunications Act 2001.

³⁷ Sections 186–191 of the Telecommunications Act 2001.

³⁸ Section 200 of the Telecommunications Act 2001.

3.3. Wholesale-only rules prevent LFCs from selling directly to customers

LFCs are required to follow wholesale-only rules, which means they are not allowed to sell fibre services directly to consumers. These rules are called line-of-business restrictions. For the three smaller LFCs, these restrictions are written into their company constitutions. For Chorus, the restrictions are contained within the Act.³⁹

These rules prevent LFCs from:

- competing in the retail telecommunications market⁴⁰
- offering services above Layer 2,⁴¹ which is the level where services become useable by retail providers
- selling services directly to consumers.⁴²

The purpose of these rules is to make sure LFCs focus on providing access to their networks, while retail providers compete to offer services to customers.

3.3.1. Chorus required to separate from Telecom (now Spark) to participate in UFB initiative

To take part in the UFB initiative, Chorus had to separate from Telecom. This structural separation was required under the Act⁴³ to promote competition and encourage efficient investment in telecommunications infrastructure.⁴⁴

The Act sets out the legal requirements for separation and governance. These rules are supported by legal commitments (called undertakings) in the *Deed of Operational and Governance Undertakings*,⁴⁵ which reinforces the separation.

³⁹ Part 2 of the Telecommunications Act 2001.

⁴⁰ Section 69O of the Telecommunications Act 2001.

⁴¹ Section 69R of the Telecommunications Act 2001. Layer 2 means layer 2 of the OSI model, which is normally associated with active fibre-optic network infrastructure. A Layer 2 service is any service that operates at this level (see section 155ZS of the Telecommunications Act 2001).

⁴² Section 69S of the Telecommunications Act 2001.

⁴³ Part 2A of the Telecommunications Act 2001.

⁴⁴ Section 69A of the Telecommunications Act 2001.

⁴⁵ Section 69XB of the Telecommunications Act 2001.

3.4. Open-access rules ensure retailers have equal access to fibre networks

Under the Act,⁴⁶ all the LFCs agreed to Deeds of Open Access Undertakings. These undertakings require LFCs to follow three key rules (described in the table below).

Requirements for LFCs under the open-access rules

Non-discriminatory service provision	Treat all retail providers fairly and consistently, even if the services they use are different.
Equivalence of inputs	Give all retail providers the same access to fibre services, using identical tools, terms, pricing and support.
Transparent disclosure of service terms	Share all important details about a service (such as pricing, conditions and performance) so providers and customers can make informed decisions. ⁴⁷

The open-access model is consistent with enabling competition and innovation and is generally supported by the telecommunications sector.

3.5. Treasury and Minister of Finance oversee fibre regulation also

The Treasury and the Minister of Finance oversee the Crown's strategic and financial investment in the fibre network. They do this through governance tools such as:

- the Government Share, which gives the Minister of Finance specific rights in the LFCs' constitutions
- the *Deed of Operational and Governance Undertakings*.

3.6. The regulatory system undergoing some modernisation

The Government has agreed to several initiatives, including:

- updating the constitutions of the smaller LFCs to allow a wider range of activities to align their line-of-business restrictions with those that apply to Chorus
- the Commission's deregulation programme, which currently comprises:
 - reviews of copper and fibre services, including a wholesale copper deregulation investigation
 - revisions to fibre input methodologies, to be completed by 2027, and targeted changes to information disclosure rules⁴⁸
 - fibre deregulation reviews, to be completed by December 2026, covering:

⁴⁶ Part 4AA of the Telecommunications Act 2001.

⁴⁷ Section 156AD of the Telecommunications Act 2001.

⁴⁸ Commerce Commission (February 2025) *Telecommunications – 2025 Work Plan*:

<https://www.comcom.govt.nz/regulated-industries/telecommunications/telecommunications-updates/>.

- voice services and transport services for all LFCs
- point-to-point, co-location, and interconnection services in areas served by the smaller LFCs.⁴⁹

These initiatives demonstrate a focused and proactive approach to reform and address several legacy issues. However, the Review found that some underlying structural challenges remain.

4. The Review's findings

4.1. Summary

The Review identified three core issues with how fibre is regulated, taking into account changes to the sector following the UFB roll-out:

- The complexity of the system and the overlap between regulatory tools including deeds, company constitutions, and primary legislation create a range of inefficiencies for fibre providers.
- The regulatory system is inflexible to use, with expensive, slow processes limiting providers' ability to respond to market shifts and evolve their service offerings.
- Some restrictions exceed current risks to competition, with legacy restrictions now imposing costs and constraints that are now disproportionate to the risks they were designed to manage.

Finding F

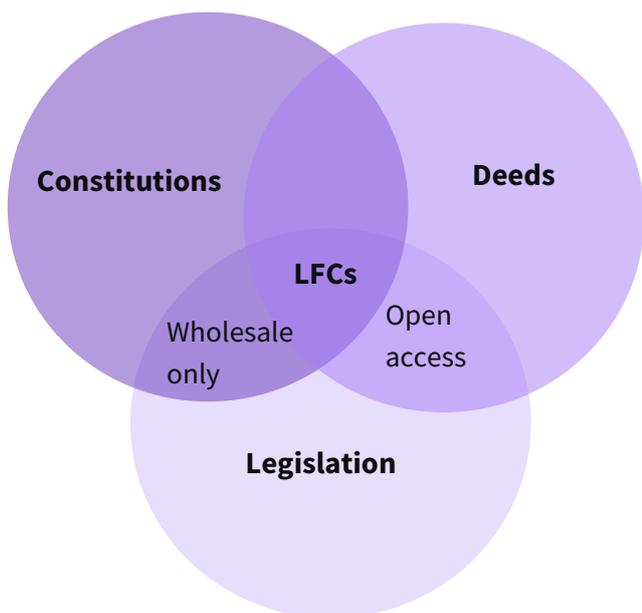
Overlapping regulatory tools and split oversight create practical challenges.

The split oversight of the system between the Commerce Commission (the Commission), the Ministry of Business, Innovation and Employment (MBIE), and the Treasury⁵⁰ reflects the Crown's investment in the roll-out of fibre networks. Today, this regulatory approach lacks coordination. The absence of integrated decision-making processes across these tools has led to a fragmented and sometimes inconsistent regulatory environment. This structure creates confusion for LFCs about which rules take precedence, especially when tools intersect or conflict. Figure 10 below shows the different tools under the regulatory system, and areas where they overlap.

⁴⁹ Commerce Commission (June 2025) *Fibre Deregulation Reviews – Process Update*.

⁵⁰ Ministry of Business, Innovation and Employment (May 2024) *Enhancing Telecommunications Regulatory and Funding Frameworks – Discussion Document*: <https://www.mbie.govt.nz/science-and-technology/it-communications-and-broadband/our-role-in-the-ict-sector/discussion-document-enhancing-telecommunications-regulatory-and-funding-frameworks>.

Figure 10: Overlapping regulatory tools that apply to LFCs



The table below demonstrates the benefits of legislation as a tool in comparison to deeds and constitutional rules.

Strengths and limitations of different regulatory tools

Overlapping regulatory tools	Strengths	Limitations
Legislation	Clear, transparent and easy to enforce	Hard to change quickly; takes time and resources to update
Deeds	Flexible, proportionate and quick to implement	Less visible to the public; harder to enforce
Constitutional rules	Targeted and efficient for specific company-level rules	Difficult to change; not widely understood; may be too rigid for the level of risk

Chorus is subject to both legislative and governance-based rules, which can sometimes create confusion or delays. Under the Act,⁵¹ Chorus must maintain structural separation and follow line-of-business rules that limit the types of services it can offer. At the same time, Chorus must follow rules in its *Deed of Operational and Governance Undertakings* (2011) and its constitution, which require Ministerial approval for certain changes or if someone wants to buy more than 10.0 per cent of voting shares or over 49.9 per cent if they are not a New Zealand national.⁵²

These overlapping rules mean that some changes, for instance those affecting ownership or service offerings, may need approval under both systems. Such situations are rare, but they show how overlapping rules can lead to inconsistencies and make decision-making more complex.

⁵¹ Part 2A of the Telecommunications Act 2001.

⁵² Chorus (November 2019) *Chorus Limited Constitution*. See First Schedule, cl 2.1 – 2.2.

Similarly, the three smaller LFCs are subject to rules in their constitutions, open-access deeds, and legislation. The rules in their constitutions are enforceable by the Government Shareholder (Minister of Finance), reflecting the Crown's investment protection model. Rules in open-access deeds and information disclosure rules are managed by the Commission through the Act.⁵³

The rules in LFCs' constitutions, open-access deeds, and rules in the Act⁵⁴ share similar goals, such as promoting open access, transparency and non-discrimination. However, because they are enforced in different ways, this creates uncertainty and potential duplication.

For example, rules in LFC constitutions require Ministerial decisions. However, there is currently no prescribed process or timeframe for Ministerial approval. This creates uncertainty about how and when a decision is made and makes it challenging for LFCs to adapt their business models as the market shifts. This in turn can affect retailers and consumers who depend on timely innovations to services.

Fibre regulatory systems from comparable countries show that rules in legislation and deeds alone are sufficient for managing market power and protecting a wholesale-only structure.

Ireland

The Commission for Communications Regulation (ComReg) oversees wholesale broadband in Ireland, following European Union law. Eircom, the main network operator, faces strict rules due to its market power, including mandatory access for competitors to its fibre network and pricing controls to prevent anti-competitive practices. The National Broadband Plan (NBP) is delivered by a privately owned entity operating under a long-term contract with the government. The NBP combines investor funding, public subsidies, and contractual governance to ensure roll-out and compliance, without relying on direct government ownership.

United Kingdom

The Office of Communications (OfCom) regulates broadband access under the Communications Act 2003. Openreach, the main network operator, is functionally separated from its parent company through legally enforceable undertakings and a Governance Protocol, which define its independence and operational autonomy. These tools ensure fair access without relying on constitutional rules.

⁵³ Part 4AA and Part 6 of the Telecommunications Act 2001.

⁵⁴ Part 6 of the Telecommunications Act 2001.

Finding G

The fibre regulatory system remains procedurally rigid and burdensome to use.

Despite recent improvements to the fibre regulatory system, there are some areas of inflexibility which present barriers to innovation and change. Processes for exemptions are not fit for purpose and are underutilised, while the processes for deregulation are slow and resource intensive.

4.1.1. Process for Layer 2 exemptions problematic

Chorus can apply to the Commission for an exemption to offer fibre services above Layer 2 (usually restricted under the wholesale-only model). Layer 2 is a technical term to describe a part of the fibre network that moves data between devices on the same network. It is part of a larger framework called the Open Systems Interconnection Model, which separates the parts of network communication into seven layers.⁵⁵ Layer 1 refers to the actual hardware, like fibre cables and splitters, which carry signals.

The Layer 2 exemption process requires the Commission to consult with those who may be affected by the exemption, including competing providers. This requirement is problematic, because it exposes commercially sensitive plans, enabling competitors to develop rival offerings. As a result, this undermines innovation and limits a provider's ability to achieve a first-to-market advantage, which is often critical for success.

Layer 1 and 2 restrictions also apply to the smaller LFCs through their constitutions rather than the Act. This means the Minister of Finance must approve requests to offer services above these layers. Such a process can be slow and can require resource-intensive consultation, even when the proposed service poses little or no risk to the wholesale-only model. Changes to align the smaller LFCs' exemption process with that of Chorus' are in progress; however, as noted above, the process for Chorus is problematic.

4.1.2. Process for conducting fibre deregulation reviews could be improved and is resource intensive

The deregulation process for fibre services set out in the Act⁵⁶ involves a two-step structure:

- an initial review to see if there are reasonable grounds to consider removing or reducing regulation
- a full review,⁵⁷ includes a detailed analysis of competition in the market.

⁵⁵ Ministry of Business, Innovation and Employment (May 2024) *Enhancing Telecommunications Regulatory and Funding Frameworks – Discussion Document*: <https://www.mbie.govt.nz/science-and-technology/it-communications-and-broadband/our-role-in-the-ict-sector/discussion-document-enhancing-telecommunications-regulatory-and-funding-frameworks>.

⁵⁶ Part 6 of the Telecommunications Act 2001.

⁵⁷ Section 210 of the Telecommunications Act 2001.

While structured and evidence based, the two-step process is slow and resource intensive, involving multiple rounds of consultation and analysis. The pace of this process affects the LFCs' ability to plan for future service models and pricing strategies. Consumers may miss out on improved services or pricing also, as a result of delays in removing outdated or redundant regulatory constraints.

The assessment for "reasonable grounds" applies to other deregulation processes under the Act. However, a separate "reasonable grounds" assessment is not required for deregulation reviews of other utilities or for those overseas, where reviews are instead conducted periodically or can be initiated by the regulator (or requested by stakeholders) based on evidence of market developments or competition concerns. The Commission currently gives effect to the "reasonable grounds assessment" requirement by undertaking a separate preliminary consultation step, ahead of each fibre deregulatory review.

Finding H

The telecommunications sector has matured, reducing the need for some legacy rules.

The UFB roll-out is complete, fibre uptake is strong, and new technologies and providers have entered the market. The smaller LFCs have repaid their Crown funding, showing that the sector is now more stable and is lower risk. Chorus is structurally separated from Spark, as required under the Act, and modern legislation provides ongoing oversight. Copper services are being phased out, with Chorus planning to retire the network once regulatory approvals are in place. In this more competitive and mature environment, many of the original rules, designed to support Crown investment and limited broadband options, are no longer needed.

New technologies are giving consumers more choice. Fixed wireless access, especially over 5G networks, now supports demanding applications like ultra-high-definition streaming, video calls, and gaming.⁵⁸ Low-Earth Orbit (LEO) satellite services like Starlink are expanding rapidly and are widely used in rural areas. In addition, WISPs are building fibre networks in new developments and areas outside the UFB footprint. These changes mean consumers have more options; in some areas, this may mean LFCs' market power is now managed by the market, reducing the need for ongoing fibre regulation.

4.1.3. Some older rules becoming obsolete as market and regulations change

As the telecommunications market has matured, some older rules are no longer required. For example, Chorus and Spark are now fully separated, and that arrangement is embedded in legislation.⁵⁹ Transitional rules like the *Sharing Arrangements Transition Plan*, which helped manage their shared systems, are no longer needed.⁶⁰

⁵⁸ Sam Knows (June 2025) *Measuring Broadband New Zealand 2024 Report*: <https://www.comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/monitoring-new-zealands-broadband/Reports-from-Measuring-Broadband-New-Zealand/>.

⁵⁹ Sections 69A–69XZ of the Telecommunications Act 2001.

⁶⁰ Commerce Commission (November 2022) *Recommendation to approve Chorus' request to vary its Deed of Open Access Undertakings for Copper Services*.

Other rules have become outdated because the technology they were designed for is being replaced. The *Copper Deed*, which gave open access to the old copper network, is less relevant as newer technologies are replacing copper. Chorus has also finished its work under the Rural Broadband Initiative (RBI), making the *RBI Deed* irrelevant.

Today, Chorus and the other LFCs are regulated through tools like the price-quality system and information disclosure rules, which promote fair pricing and good service. Broader legislation like the Commerce Act 1986 and Overseas Investment Act 2005 protects against anti-competitive behaviour and risky ownership changes as well.

4.1.4. Rules about unbundling ineffective because physical unbundling challenging to implement practically

One example of a rule that has not worked well in practice is Layer 1 fibre unbundling. It was intended to allow other companies, including retailers, to connect directly to the UFB fibre networks so they can install their own equipment and operate independently. These requirements create unnecessary costs for providers, as it stipulates that they must install and maintain physical equipment at multiple locations.

While the rule makes unbundled fibre available, it has not been widely employed due to the high costs involved in setting up unbundled services on fibre networks using point-to-multipoint design.⁶¹ This design means many customers share the same fibre line. In 2019 Vodafone and Vocus (now part of 2degrees) tried to use unbundling to offer faster broadband but found it was not financially viable.⁶² Success would have required a high number of nearby customers to justify the cost of connecting to the shared fibre infrastructure. This shows how some rules that previously made sense in theory have not worked in practice.

Given the high costs and infrastructure duplication, no country other than New Zealand has adopted this model. Instead, most countries use virtual unbundling, which allows providers to offer services through software-managed access to the network. This method is far more cost-effective, scalable and efficient, making it the preferred approach globally.

⁶¹ Bill Bennett (September 2025) *Fibre network unbundling the New Zealand way*:

<https://www.computerworld.com/article/1630596/fibre-network-unbundling-the-new-zealand-way.html>.

⁶² One New Zealand Group Limited (June 2018) *Vocus Group and Vodafone announce joint venture to accelerate fibre innovation*: <https://media.one.nz/article/vocus-group-and-vodafone-announce-joint-venture-accelerate-fibre-innovation>.

5. Our recommendations

The recommendations below support:

Modernisation – By streamlining regulatory process the recommendations on fibre regulation will make it easier for providers to innovate and will make the regulatory system more adaptable to technological change.

Simplification – Taken together, the recommendations on fibre regulation simplify the regulatory system by removing duplication and consolidating regulatory instruments. This will make the regulatory system easier to understand and navigate.

Proportionality – By removing outdated regulatory requirements the recommendations on fibre regulation make the regulatory system more proportionate to the level of risk.

Recommendation 5

Move the existing restrictions that preserve the wholesale-only model from Local Fibre Companies' constitutions into legislation, then remove the Government Share and allow the Local Fibre Companies to update their constitutions.

Restrictions that preserve the wholesale-only model include the:

- line-of-business restrictions
- restrictions on ownership and directors who own, operate or are associated with vertically integrated telecommunications businesses (or with a retail presence in the telecommunications market).

This recommendation proposes moving the line-of-business rules from the smaller LFCs' constitutions and into legislation and then removing the Government Share from the LFCs' constitutions, while retaining the wholesale-only model across all LFCs.

These changes intend to align the regulatory model for the smaller LFCs with the model used for Chorus. They are designed to **simplify governance and reduce regulatory duplication, procedural delays, legal costs and investment uncertainty** for LFCs.

During consultation, many stakeholders agreed that modern regulatory frameworks already provide robust protections against anti-competitive behaviour and national security risks. However, a few raised the need to consider protecting structural separation arrangements for fibre, especially given the possibility of future public investment.

Sector perspectives

“All providers are now covered by legislation and the deeds of open access...The Government share is no longer required. This option would treat all providers equally. There should be an even playing field for all providers.”

“...LFCs should be placed in the same situation as Chorus – both in terms of restrictions and in terms of opportunities.”

The changes also intend to **streamline the regulatory system by removing unnecessary administrative requirements**. A legislation-based model is consistent with regulatory practice in countries such as the United Kingdom and Ireland. Legislative rules should preserve the original policy intent while offering greater flexibility and certainty for the regulated party.

Recommendation 6

Streamline the exemption process for fibre services above Layer 2 by removing mandatory consultation unless an exemption could affect the wholesale-only model. The Commerce Commission should establish clear screening criteria to identify such cases.

This recommendation proposes streamlining the process for exemption requests. The new default approach would not involve consultation unless the wholesale model is likely to be impacted. The Commission should develop clear screening criteria to identify such services, which are to apply equally to Chorus and the other LFCs.

Stakeholder feedback from consultation indicated industry support for the exemption process as a method of protecting the wholesale-only model. However, many stakeholders also expressed the need to streamline the process to reduce burdens on providers. Retail providers raised the need to ensure changes do not undermine competition or the wholesale-only model.

Sector perspectives

“[This approach] would have the benefits of:

- Addressing limitations of the current process by offering a workable solution for low-risk services;
- Encouraging innovation and allowing LFCs to offer new services more quickly
- Reducing time to market, so consumers benefit sooner; and
- Lowering the burden on business proposing low-risk or niche services.”

“It is RSPs [Retail Service Providers] 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”

This change intends to make the exemption process more **practical and easier to use for new service offerings**. It **encourages innovation and reduces commercial risk** for LFCs, who may otherwise avoid launching a service due to concerns about releasing commercially sensitive information and losing any competitive advantage. It also supports **faster access to low-risk or niche fibre services**.

Recommendation 7

Streamline fibre, and any other deregulation review processes, from a two-step process into a single-step process.

This recommendation proposes replacing the current two-step review process with a single, streamlined review process by first removing the “reasonable grounds assessment” as a separate step for fibre deregulation reviews.

This change intends to **reduce regulatory burden** by decreasing the number of consultations required, while maintaining transparency and **providing a faster and more predictable process** for deregulation decisions. This approach reflects changes in the modern market for telecommunications and is broadly consistent with practice in the United Kingdom and across the European Union.

Most stakeholders expressed support for a single-step, condensed deregulation process. However, some stakeholders raised the risk of unintended consequences, e.g. premature deregulation.

Sector perspectives

“[This approach] allows for emerging issues to be more promptly addressed and is much less bureaucratic.”

“Streamlining would reduce [LFCs’] administrative, resourcing, and cost burdens, and provide more certainty for [their] work planning. It will also reduce uncertainty and risk for [LFCs] when forecasting capex, network growth, and product development plans.”

“Short-circuiting stakeholder consultation may save time in the short term, but it risks unintended consequences in the long term.”

The Commission, in line with this recommendation, should consider how non-fibre deregulation reviews could be similarly simplified. Further systemic changes could require legislative change.

Recommendation 8

Remove all shareholder caps from Local Fibre Companies' constitutions.

This recommendation proposes removing the shareholder caps that are currently included in LFC constitutions. This change intends to **reduce duplication and modernise the regulatory system**. This approach also aligns with New Zealand's trade agreements, which require overseas investors to be treated the same as domestic investors. It also **ensures consistency with regulatory settings that apply across all sectors**. The change **supports a more proportional and risk-based approach** to regulation, giving LFCs **greater certainty and better access to capital, and encouraging innovation**.

Instead of relying on company-specific rules, ownership risks would be managed through existing legislation that apply to all sectors. This includes:

- the Overseas Investment Act 2005
- the Takeovers Act 1993
- the Commerce Act 1986.

Many stakeholders supported removing the shareholder caps, emphasising that Crown funding has been repaid, and other regulatory safeguards protect against anti-competitive behaviour. A few stakeholders raised the need for careful transition planning when changing these settings.

Sector perspectives

“Removing the restrictions will improve investor certainty and capital access, as well as deliver flexibility and proportionality for shareholders.”

“Any change to ownership restrictions should be considered in light of both the Crown's past investment and the possibility of future public contributions.”

Recommendation 9

Review legacy instruments, retain only relevant obligations by consolidating them into one modern instrument (legislation or deed), and repeal the rest.

This recommendation proposes modernising the regulatory system for LFCs by removing legacy rules that are outdated or no longer fit for purpose. Where rules remain relevant, they should be consolidated into a modern instrument (legislation or deed) by MBIE. This consolidation would **ensure clarity, consistency and enforceability**. Legacy instruments that should be reviewed include:

- the *Copper Deed*
- the *RBI Deed*
- the *Sharing Arrangements Transition Plan*
- the *Deed of Operational and Governance Undertakings*.

These changes respond to the issue of regulatory obsolescence, where rules designed for earlier market conditions now impose compliance burden without delivering clear benefits. The proposed changes would **align the regulatory system more closely with providers' current operations**. They would **provide more flexibility to innovate and adapt to new technologies**, while **improving legal certainty and reducing compliance burdens**.

Consultation feedback showed many stakeholders supported streamlining and modernising the legacy obligations. However, some stakeholders raised concerns that streamlining or removing legacy obligations could have unintended consequences for consumer protections, requiring careful review and transition planning.

Sector 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."

"Removing clearly obsolete regulation to reflect the current market realities will help ensure focus remains on delivering high-quality, future-ready services."

Recommendation 10

Repeal physical fibre Layer 1 unbundling requirements.

This recommendation proposes removing the Layer 1 unbundling rules. These rules were intended to promote competition by allowing retail providers to access fibre infrastructure directly through the point-to-multipoint model. However, unbundled services have not been taken up by retailers and attempts to use the model have failed to achieve commercial viability.

LFCs currently incur costs from: providing an extra fibre line to each premises and reserving space in cabinets and central offices for other providers' equipment; maintaining special systems and processes; and the ongoing expense of lost opportunity because space is reserved, even if it is never used. If implemented, we estimate the savings from removing the Layer 1 unbundling requirements will amount to \$4 million over a 10-year period.

This change intends to **remove unnecessary compliance obligations** and **allow providers to focus on service models that are more viable and beneficial to customers**. It also supports **more efficient investment** in fibre networks by removing the need for providers to ensure new fibre networks are capable of physical unbundling.

While many stakeholders saw the need to either repeal or reform unbundling rules in line with the lack of uptake, consultation feedback showed many retail providers supported retaining the requirements as a potential safeguard against fibre providers' market power.

Sector perspectives

“With an open access network, there is no need to have physical unbundling. Unbundling makes the Layer 1 Network less efficient as fibres are unused within the cable just in case they need to be used for unbundling in the future. This restricts capacity and potentially resiliency as the unused fibres could be used for better purposes.”

“While Layer 1 services have not been taken up, it remains an important option in the regulatory framework that potentially constrains [wholesaler] behaviour.”

The recent Feasey report⁶³ acknowledges that the lack of uptake of fibre unbundling shows the requirements are not working to achieve their original objectives. Feasey recommends that the Commission further investigate whether changes to the technical specification or pricing of point-to-multipoint unbundling could promote more competition. The Review has considered whether pricing changes could improve the uptake of unbundling; however, this would require LFCs to charge prices below commercial levels for access to fibre networks. We consider that this would be a disproportionate requirement, placing unnecessary constraints on LFCs given the uncertain benefits.

The Review recognises the importance of encouraging competition but in our view, virtual unbundling is a more cost-effective, scalable, and efficient way of achieving this outcome. No other comparable countries require physical point-to-multipoint unbundling. Removing restrictions will allow fibre providers to focus on more viable service models. Shifting focus from physical unbundling requirements to virtual unbundling is consistent with international best practice.

⁶³ Richard Feasey (October 2025) *Recommendations for telecommunications regulation in New Zealand: A report for the Commerce Commission*: [https://www.comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/topic-papers-other-reports-and-studies/feasey-report-on-telecommunications-regulation-in-nz/communications regulation in NZ](https://www.comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/topic-papers-other-reports-and-studies/feasey-report-on-telecommunications-regulation-in-nz/communications%20regulation%20in%20NZ) | Commerce Commission.

Chapter 5 – How levies are calculated

This chapter discusses the rules for calculating and administering telecommunications industry levies in New Zealand. The Telecommunications Regulatory Review (the Review) found that the current levy methodology is complex and unpredictable and imposes disproportionate compliance costs for some providers. Key issues included the burdensome process for calculating “qualified revenue”, uncertainty in annual levy charges, and costly external audit requirements. The Review’s recommendations aim to simplify the calculation process and reduce the burden on providers while retaining basic assurance measures.

The table below sets out the Review’s findings, and our recommendations, for addressing issues with these rules.

Findings and associated recommendations

Findings	Recommendations
Finding I: The levy process is administratively complex.	Recommendation 11: Reform the Telecommunications Development Levy so that it is charged on gross telecommunication revenue from retail broadband, mobile, stand-alone voice and data connection services. Recommendation 12: Raise the Telecommunications Development Levy threshold to \$50 million, with this threshold to be reviewed periodically by the Ministry of Business, Innovation and Employment. Recommendation 13: Merge the portion of the Telecommunications Regulatory Levy that covers the costs of the Commerce Commission’s non-fibre telecommunications regulatory work into the Telecommunications Development Levy. Recommendation 14: Require the Ministry of Business, Innovation and Employment to publish an annual statement on how funds from the Telecommunications Development Levy are spent.
Finding J: The levy process is uncertain and unpredictable year to year.	Recommendation 15: Set the Telecommunications Development Levy as a fixed percentage, with the rate to be reviewed periodically by the Ministry of Business, Innovation and Employment.

Finding K: Some compliance requirements are disproportionate for some providers.

Recommendation 16: Remove the requirement for financial information to be externally audited and provide the Commerce Commission with additional enforcement powers.

1. Context

Industry levies are intended to fund public-interest activities in New Zealand's telecommunications sector.

2. The reason for regulating

Government use of levies can be an efficient way of collecting funding for government operations and public-interest activities. The economic rationale below sets out in more detail this basis for regulating.

Economic rationale

A **levy** can be an efficient form of recovering costs, because it targets the burden of funding to different participants in the market. Using a levy rather than taxation to collect funding can minimise the distortionary effects common from taxation. Levies also enable the Government to target the market activities that require regulatory oversight or create public-service obligations.

Public-interest activities can serve to correct market failures (e.g. related to public goods), redistribute resources to achieve more equitable outcomes, or provide goods and services that have benefits to society but are not commercially viable.

The Telecommunications Development Levy⁶⁴ (TDL) and the Telecommunications Regulatory Levy⁶⁵ (TRL) provide a means for the Government to recover costs efficiently and ensure funding for public-interest objectives in the telecommunications sector.

3. How the existing rules work

The TDL currently funds select telecommunication services in the public interest that are not commercially viable, including the relay service for the Deaf and hearing-impaired, rural broadband infrastructure, and improvements to the 111 emergency service.

The TRL recovers the costs from the Commerce Commission (the Commission) to carry out its regulatory work under the Telecommunications Act 2001 (the Act). This includes its market monitoring, information disclosure, and price-quality regulation.

⁶⁴ Sections 80–92 of the Telecommunications Act 2001.

⁶⁵ Sections 11–14 of the Telecommunications Act 2001.

3.1. The Ministry of Business, Innovation and Employment and the Commerce Commission calculate and collect levies

The TDL is regulated only by means of primary legislation (i.e. through the Act). The TRL is regulated through both the Act and the Telecommunications Operators (Commerce Commission Costs) Levy Regulations 2019.

The Commission's role is to calculate the amount liable providers must pay towards the levies. The Commission publishes how it has calculated the amount that each telecommunication provider owes, giving providers an opportunity to provide feedback before final amounts are confirmed.

The Ministry of Business, Innovation and Employment (MBIE) is responsible for administering regulations about levies, collecting payments, and applying penalties for late payments for both the TDL and TRL.

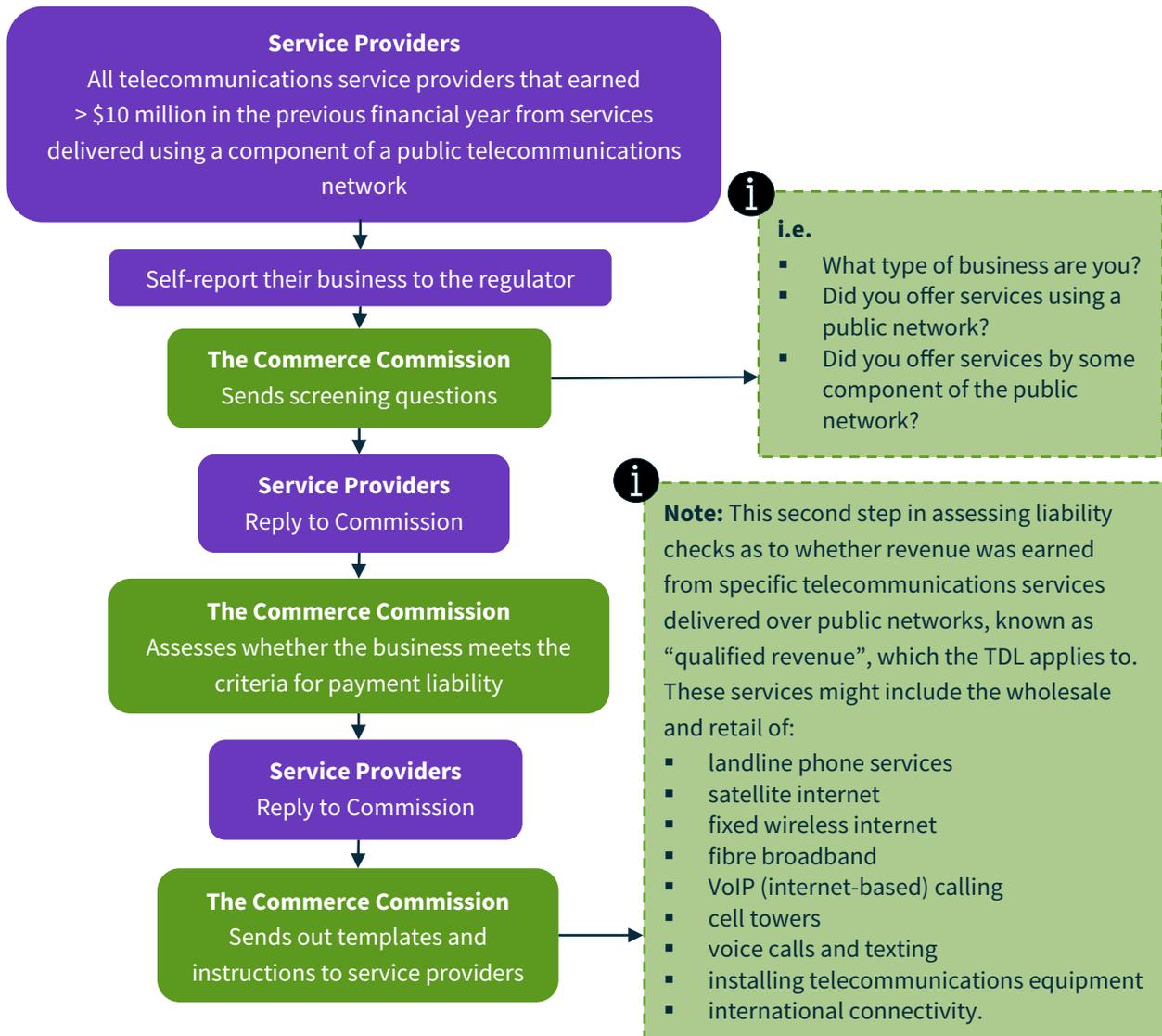
3.2. The process for setting, calculating and collecting levies

Currently, telecommunications providers that offer services over a public telecommunications network and who earned \$10 million or more in gross telecommunications revenue in the last financial year are liable for paying the levies.

A **public telecommunications network** is a network that is used, or intended to be used, by the public for the purposes of telecommunications. These networks include fixed line, fixed wireless, and mobile broadband networks.

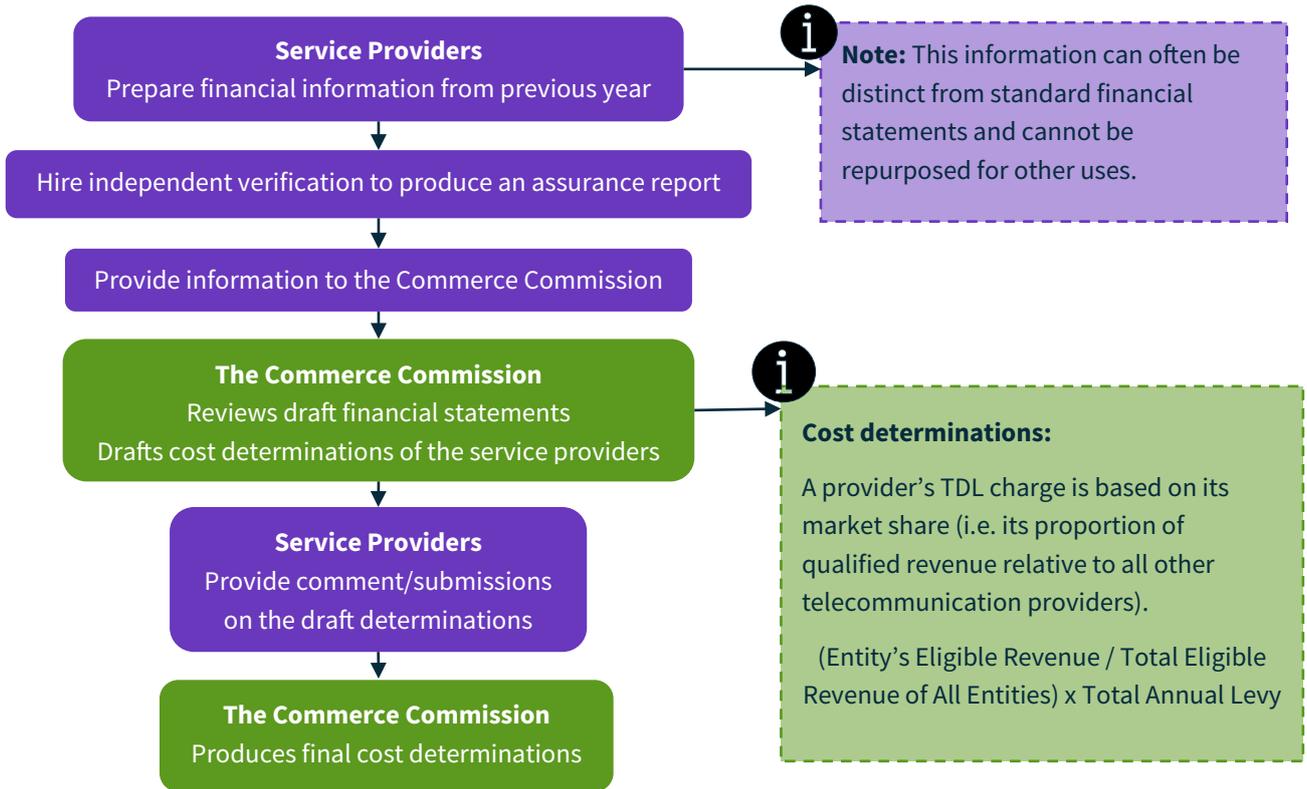
Figure 11 below shows the process for assessing providers' eligibility.

Figure 11: Determining providers' liability to pay the levies



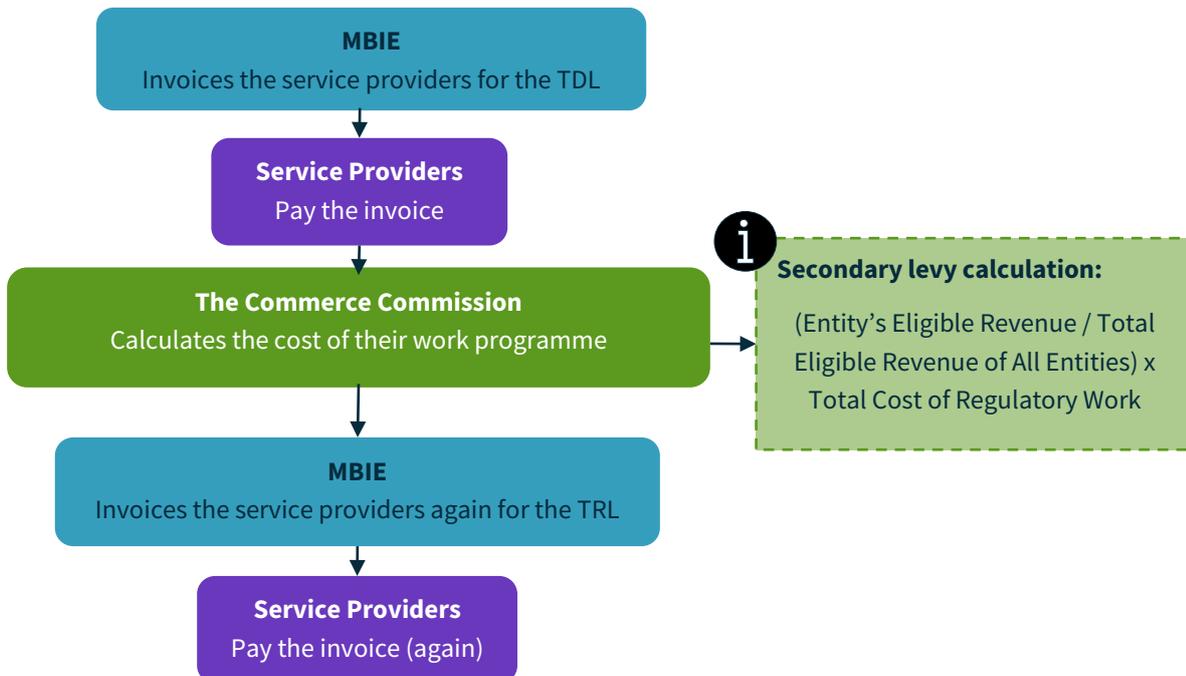
The levies apply to a specified type of a provider’s telecommunications revenue known as **qualified revenue**. If liable, a provider must submit detailed financial information to the Commission. This includes a calculation of qualified revenue (see Figure 12 below). The Commission reviews each liable provider’s submission, determines their share of the total levy based on their proportion of total industry qualified revenue, and issues a formal Liability Allocation Determination (LAD). There are sometimes disputes between the Commission and providers about what their qualified revenue should include.

Figure 12: Required documenting and reporting process for qualified revenue



The TDL and TRL are administered separately by MBIE. However, both levies apply to the same group of providers, with the amount of the levies divided based on liable providers' shares of the total qualified revenue. Figure 13 below sets out the payment process.

Figure 13: Payment process for the levies



3.3. Ministry of Business, Innovation and Employment and Commerce Commission are reviewing parts of the levy system

MBIE is currently reviewing parts of the levy system, including who should be liable and how the overall levy amount is set. Proposals include:

- clarifying how existing obligations apply to satellite providers
- introducing more flexibility in how total levy amounts are applied to the industry.

While these are positive steps, they focus on operational improvements and do not address deeper structural issues. Broader reform is needed to ensure the levy systems remains fair, future-proof and fit for purpose.

4. The Review's findings

4.1. Summary

The Review has identified three primary issues with the current system for calculating and administering levies:

- The process is administratively complex and requires some providers to provide expensive, bespoke accounting.
- The process is uncertain and unpredictable over time, making it challenging for providers to forecast how much they will need to pay.
- Some requirements include disproportionate compliance costs, with external audit conditions placing an excessive burden on small providers.

Finding I The levy process is administratively complex.

The current levy framework relies on a definition of “qualified revenue”, which requires some telecommunications providers to prepare bespoke financial information, separate from what they need to prepare for their annual reports and accounts. Using qualified revenue as the basis for levy calculations is intended to ensure equitable allocation of costs, for example by preventing double-charging between wholesale and retail providers. However, levy costs are passed through to consumers in full, regardless of how the levy is allocated between wholesale and retail providers. In practice, the complexity of calculating qualified revenue increases the burden on providers across the system, with no discernible benefits.

For example, the Commission’s rulebook⁶⁶ for calculating qualified revenue is over 30 pages long, illustrating how complex and administratively burdensome this calculation is. This parallel reporting obligation is resource-intensive and cannot be repurposed for broader financial or operational use, resulting in inefficiencies.

⁶⁶ Commerce Commission (June 2025) *2024/25 Telecommunications Development Levy – Information that qualifying liable persons must provide to the Commission under section 83 of the Telecommunications Act 2001*.

The complexity could also be causing distortions and perverse incentives in the market. Different activities are essentially taxed depending on whether they count as qualified revenue or not. This can discourage certain activities that would count as qualified revenue or encourage companies to structure their businesses in a way that minimises their levy liabilities. Examples of out-of-scope revenue include income from selling handsets, payments made to other liable providers, and early termination fees from bundled hardware.

Guidance from both the Treasury⁶⁷ and Auditor-General⁶⁸ outlines key principles for effective levy design, including simplicity and efficiency. The current design of the levy framework is overly complex and at odds with the principle that compliance and administration should be straightforward and proportionate.

Comparative analysis indicates that New Zealand's approach is out of step with international practice. Australia's Telecommunications Industry Levy is based on gross telecommunications revenue, aligning with standard financial reporting, which is much more streamlined than the TDL and TRL framework. Given New Zealand's smaller provider base and market scale, it's difficult to justify why a more complex and resource-intensive model remains in place. If a larger and more diverse market like Australia can operate effectively with a streamlined levy structure, it raises questions about the proportionality and practicality of New Zealand's approach.

Finding J The levy process is uncertain and unpredictable year to year.

The levy amount that a liable provider must pay depends on their share of total qualified revenue across providers who pay the levy. This means the amount each provider must pay depends not only on their own revenue, but also on the revenue of other liable providers, creating uncertainty.

The complexity of the calculation has created ambiguity over what is in scope, leading to differing interpretations and resulting disputes with the Commission. In one case, the Commission sought a High Court ruling⁶⁹ to confirm its approach. While formal submissions have been limited in recent years, engagement with the process remains active.

There is also a lack of clarity around what constitutes qualified revenue, also leading to differences in interpretation and disputes between providers and the Commission. For example, there have been recent disputes on whether satellites and undersea cables should be in scope of the levy. It is possible that the number of disputes will increase as technology evolves.

Finding K Some compliance requirements are disproportionate for some providers.

⁶⁷ The Treasury (April 2017) *Guidelines for Setting Charges in the Public Sector*:

<https://www.treasury.govt.nz/publications/guide/guidelines-setting-charges-public-sector>.

⁶⁸ The Institute of Internal Auditors (August 2021) *Setting and Administering Fees and Levies for Cost Recovery: Good Practice Guide*: <https://www.iianz.org.nz/Site/news/archive/August-2021/setting-and-administering-fees-and-levies-for-cost-recovery-good-practice-guide.aspx#:~:text=The%20Office%20of%20the%20Auditor%20General%20%28OAG%29%20has,for%20the%20goods%20or%20services%20that%20it%20provides>.

⁶⁹ Commerce Commission (October 2021) *Commerce Commission v Kordia Group Ltd and others*.

The current levy framework imposes audit requirements on all providers, but the level of scrutiny varies by size. Providers earning under \$50 million in qualified revenue are only required to submit an audit report for their statutory financial statements. Unlike providers earning over \$50 million, they are not required to audit the deductions used to calculate qualified revenue. However, even this tiered approach can impose disproportionate compliance costs on smaller providers, where audit expenses may exceed the levies owed. The framework still applies a one-size-fits-all model in practice, creating unnecessary financial and administrative pressure across the sector.

In comparison, international telecommunications regulators have adopted more flexible, risk-based compliance models.

United Kingdom

The Office of Communications (OfCom) reserves its audit and inspection powers for higher-impact or at-risk providers. Instead of using routine audits, OfCom maintains oversight through discretionary, proportionate enforcement methods.

Australia

The Australian Communications and Media Authority (ACMA) relies on annual revenue reporting through its online portal, and conducts targeted, risk-triggered audits following disputes such as compliance breaches or consumer complaints.

5. Our recommendations

Combined, the recommendations that follow propose a new methodology for calculating the TDL and TRL, supporting:

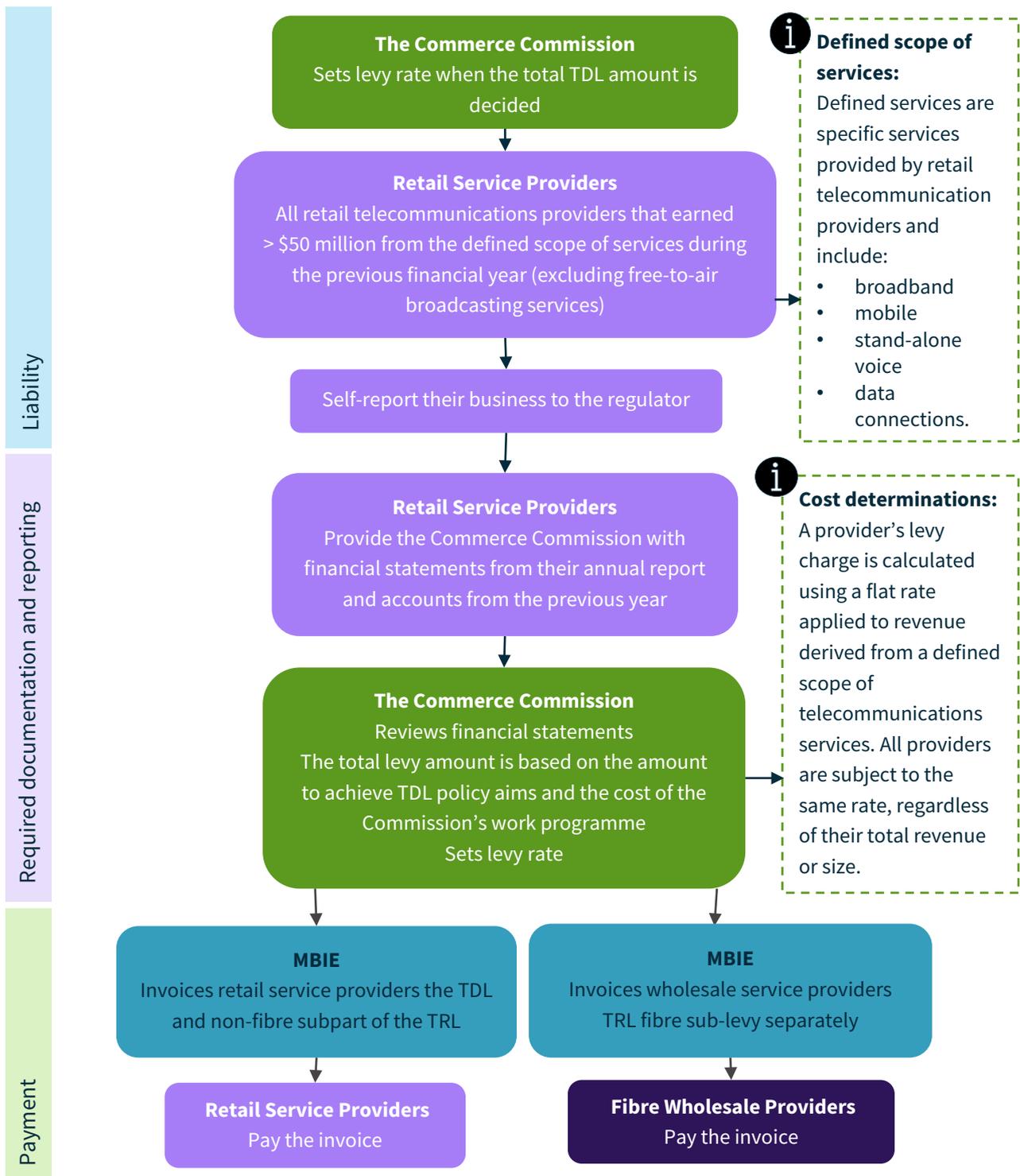
Modernisation – By simplifying the methodology the levy is adaptable to new technologies and services entering the market. It avoids the need for complicated disputes between industry and the Commission that could result in growing complexity over time.

Simplification – Taken together, the levy recommendations significantly simplify the system, reducing administrative burdens on the sector.

Proportionality – Removing external auditing requirements makes compliance more proportionate and reduces costs. A tiered levy structure enshrines proportionality as well, by placing a lower levy burden on smaller providers.

Figure 14 below sets out the proposed streamlined process.

Figure 14: Proposed levy calculation process



Recommendation 11

Reform the Telecommunications Development Levy so that it is charged on gross telecommunications revenue from retail broadband, mobile, stand-alone voice, and data connection services.

This recommendation replaces the complicated qualified revenue calculation by charging the levy based on all retail revenue from the following services: broadband, mobile, stand-alone voice, and data connection services. This will be significantly simpler for businesses as many retailers already identify these revenue streams as individual line items in their accounts. For those who do not, it will still be considerably simpler to identify these revenue streams than carrying out the complicated qualified revenue calculation.

Our recommended approach has several advantages over the current system, including:

- **eliminating the need for companies to run bespoke accounting processes for the levy**, reducing the administrative burdens on businesses
- **providing more certainty around what is in scope of the levy**, reducing resources spent on disputes between providers and the Commission
- **reducing economic distortions, loopholes, and opportunities for providers to use the complicated levy rules to structure their business in a way to minimise the amount of levy they need to pay** (i.e. tax arbitrage).

Feedback from consultation showed that stakeholders had mixed views on how revenue should be defined. A minority supported retaining the current qualified revenue model, citing its fairness and established understanding. Wireless internet service providers (WISPs) and smaller retailers largely favoured moving to a gross telecommunications revenue approach.

Sector perspectives

“We support the proposal to limit levy obligations to telecommunications retailers. This will help the Government avoid unforeseen regulatory costs falling on the broader New Zealand business community.”

“This model simplifies the data capture, removes complexity and cost from the entire levy system, and avoids the levy approximately as an industry specific tax.”

“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.”

Members of the New Zealand Telecommunications Forum (TCF) favoured basing the levy on gross telecommunications revenue but suggested adapting this to apply only to defined retail services (i.e. broadband, mobile, stand-alone voice, and data connection services). This formed part of a broader proposal by TCF members to only charge the levy on retailers of these services. They argued that this would be a simpler and more transparent approach as wholesalers pass the levy costs onto retailers anyway.

There is a risk that wholesalers would not pass on to retailers the savings from not paying the levy. Several respondents – including WISPs and a satellite provider – expressed scepticism about a retailer-only levy, arguing that excluding wholesalers could create a disproportionate burden on retailers.

However, economic theory and empirical evidence support a finding that businesses will pass-through at least some of a cost reduction, even in markets where competition is limited. In this instance, there is a level of retail competition that implies there would be a reasonable level of pass-through. This is consistent with views expressed by most larger retailers, who were confident that the levy savings would be reflected in lower wholesale prices. Moreover, in a worst-case scenario where no savings are passed on, the price increase would amount to only \$0.05 on an average monthly household bill of \$100.

Under the existing price-quality rules, if Chorus is no longer charged the TDL its revenue cap will decrease to reflect that its costs have fallen. Over the medium to long term, we expect this to translate into lower prices for retailers.⁷⁰ We understand that other fibre wholesalers mirror Chorus' prices, so we expect them to similarly pass on to retailers the savings from not paying the TDL. The Commission monitors fibre pricing through Fibre Information Disclosure rules under the Act, so it would be able to identify and publicise whether or not wholesale providers pass on savings to retailers.

While the Review accepts the simplification benefits of charging the levy solely relate to retailers, it recognises the risk that, due to their weaker market position, smaller retailers are not passed cost savings from wholesalers. This is one of the reasons we are recommending raising the threshold for paying the levy (see Recommendation 12 below).

Amending the basis for providers' liability to gross telecommunications revenue for these specified services will increase the scope of the revenue base. This means that the levy rate will need to be reduced to ensure that the levy is not over-collected.

There is some outstanding risk that using "gross revenue" could lead to double-charging on costs paid between wholesalers and retailers, providing a small advantage to vertically integrated providers (e.g., WISPs and satellite providers) over retailers who buy wholesale services (such as MNOs). However, analysis of levy data suggests any advantage to vertically integrated providers is unlikely to be material, given most vertically integrated providers are small to medium-sized providers. Charging the levy only on retailers would also resolve any double-charging risks.

Currently the methodology used to determine the TDL is set in the Act, whereas the methodology used to determine the TRL is specified in regulations⁷¹. Moving the TDL methodology from the Act into regulations would improve consistency between the levies and support regulatory stewardship by simplifying the process for any future improvements.

⁷⁰ As Chorus is currently below its revenue cap, the savings may not be passed onto retailers immediately, but the lower revenue cap will mean that in the medium to long term, prices should be lower for retailers than they would have been if wholesalers continued to pay the TDL.

⁷¹ The Telecommunications Operators (Commerce Commission Costs) Levy Regulations 2019.

Recommendation 12

Raise the Telecommunications Development Levy threshold to \$50 million, with this threshold to be reviewed periodically by the Ministry of Business, Innovation and Employment.

We are recommending raising the threshold at which businesses must pay the levy to \$50 million. This would entirely remove small retailers from having to pay the levy. We estimate that the combined contribution of retailers below this threshold to the total amount of levy collected is \$200,000 to \$300,000.⁷² This is sufficiently small, demonstrating that removing small providers from the levy's scope would not materially impact the amount of levy collected from mid-sized and large retailers earning above this threshold. Taking small retailers out of the scope of the levy **removes administrative burdens and eliminates the risk that small retailers will not see a commensurate reduction in their wholesale prices** if the levy is only charged to retailers (due to their weaker market power).

There are two key reasons why the Review has selected \$50 million as an appropriate threshold:

- **There are no boundary issues.** Small retailers are substantially below the threshold, and the larger retailers are significantly above it. This means it will be very clear for businesses if they are in or out of scope of the levy, giving them certainty and removing the risk that relatively small fluctuations in revenue can impact whether a company is above or below the threshold.
- If in future a small retailer were to significantly grow its revenue to cross the threshold, **the amount of levy it would need to pay would not be sufficient to act as a barrier to growth.**

The proposed \$50 million threshold also aligns with Cabinet's 2024 decision on the threshold for mandatory membership of a dispute resolution scheme.⁷³

The threshold should be reviewed by MBIE in 2028 alongside the report-back on the implementation of this Review. Following this, we recommend that MBIE review the threshold every five years, or, if the size of the levy is changed, to ensure that it is still set at an appropriate level.

⁷² This estimate is based on applying a \$50 million threshold to gross telecommunications revenue for retailers, using gross telecommunications revenue data held by the Commission from the 2024/25 financial year.

⁷³ LEG-25-MIN-0205 refers.

Recommendation 13

Merge the portion of the Telecommunications Regulatory Levy that covers the costs of the Commerce Commission’s non-fibre telecommunications regulatory work into the Telecommunications Development Levy.

The reforms to the TDL set out above mean that changes are needed for the TRL. As the levies share a methodology, bespoke accounting to calculate qualified revenue would continue to persist for the TRL if changes are not made.

The TRL has two distinct sections:

- A generalised section that covers the Commission’s non-fibre regulatory work. This is charged on all providers that are liable to pay the TDL.
- Fibre-specific sub-levies that cover the costs of the Commission’s fibre regulatory work. These are charged to LFCs only, and the levy liability is divided equally between them.

The components of the TRL reflect that fibre is more heavily regulated than other telecommunications services and therefore results in higher regulatory costs for the Commission.

Most stakeholders supported combining the TDL with the TRL for simplicity. However, wholesalers and retailers both strongly recommended keeping separate the portion of the TRL that relates to regulating fibre wholesalers.

The Review agrees that it would be unfair to charge retailers to recover the costs of supervising fibre wholesalers. As fibre wholesalers are subject to more regulation than other segments of the market, the cost of the Commission supervising them is proportionately greater than for retailers. Therefore, the Review recommends only merging the portion of the TRL that covers the cost of the supervising retailers into the TDL.

The residual TRL would only apply to fibre wholesalers. Our understanding is that MBIE has a simple process for dividing this portion of the levy between Chorus and the other LFCs. Consequently, we recommend that the way this portion of the TRL is allocated between the LFCs would be unchanged. This aligns with the feedback from consultation.

Recommendation 14

Require the Ministry of Business, Innovation and Employment to publish an annual statement on how funds from the Telecommunications Development Levy are spent.

Given that the reformed TDL would now be used for both public-interest purposes and to recover the costs of supervising retailers, it will be even more important to be transparent as to how the funds are used. Feedback from consultation suggested that this lack of transparency is currently the case.

The Treasury already publishes some information around the use of levies as part of budget estimates. However, this information is not always accessible or easy to locate. To more **thoroughly**

address industry concerns, we recommend that MBIE annually publishes how the funds from the reformed TDL are used.

Recommendation 15

Set the Telecommunications Development Levy as a fixed percentage, with the rate to be reviewed periodically by the Ministry of Business, Innovation and Employment.

The levy rate should be set as a fixed percentage of gross telecommunications revenue from retail broadband, mobile, stand-alone voice, and data connection services, instead of a being based on the provider’s relative market performance. This will give liable providers more certainty on how much they will need to pay, as it will be based only on their own revenue and not that of their competitors. Feedback from consultation showed broad support for moving to a fixed percentage approach.

This model provides **greater predictability for providers** but may introduce less certainty for the Crown about the total amount of levy revenue collected each year. This can be mitigated using memorandum accounts and regular reviews of the levy rate to prevent systemic over or under collection. The levy rate should be reviewed by MBIE in line with the review cycle for the levy threshold (see Recommendation 12).

Sector perspectives

“Making the levy a fixed percentage ... will remove the complexity and if set in advance, will provide greater clarity and certainty around expected levy charges. This will also enable telcos to inform telecommunications end users about how the levy contributes to the cost of the services they receive, and so the levy can be passed on in a transparent way.”

“A flat percentage of prescribed retail services would be transparent to providers and end-users. Further, the proposed approach is less complex and simpler to apply.”

Recommendation 16

Remove the requirement for financial information to be externally audited and provide the Commerce Commission with additional enforcement powers.

Much of the need for external audits under the current framework stems from the complexity of calculating qualified revenue. The existing requirement for providers to undergo external audits would be replaced with a more proportionate risk-based model. If implemented, we estimate this change will result in **total savings for liable providers of around \$5 million** over 10 years.

The majority of stakeholders supported our recommendation of removing the external audit requirement, though the proposal to replace the external audit with Director or CEO certification was scrutinised. A mix of retailers, wholesalers and other industry groups questioned whether this change would truly reduce compliance burden, suggesting that current data and regulatory oversight powers could be sufficient for assurance. There was widespread concern that Director certification might replicate the administrative load of an audit. Instead, stakeholders generally recommended a

more pragmatic approach, relying on spot checks, periodic audits, and the Commission’s investigative powers to ensure compliance.

Sector perspectives

“External audit will not be needed if the complexity in calculating the TDL is removed.”

“This [approach] would reduce the administrative burden on providers in meeting their levy compliance requirements, whilst being unlikely to result in detriment to the overall scheme given the existence of regulatory investigative powers.”

Therefore, we recommend removing the external audit requirement. This would **reduce compliance costs and administrative burden, particularly for smaller or low-risk providers.**

We do not recommend requiring Director certification. Instead, we recommend giving the Commission additional enforcement powers to:

- carry out spot checks
- require audits be undertaken where it suspects it has been provided misleading financial information.

Recommendations 15 and 16 mean that setting the levy will only be reliant on information that is contained within the annual report and accounts of providers. For many larger retailers, this information will have already been audited as part of standard financial reporting processes. Where financial information has already been audited, this should be provided to the Commission. The additional enforcement powers proposed by these two recommendations should provide the Commission with sufficient reassurance on the accuracy of the information received.

A risk-based audit model is already standard practice in sectors with comparable or greater complexity. There is a strong rationale for applying the same approach to the telecommunications sector. This method is used by New Zealand regulators such as the Electricity Authority and Financial Markets Authority. Internationally, OfCom (United Kingdom) and ACMA (Australia) follow similar models for the telecommunications industry, reserving audits for high-risk providers.

Chapter 6 – Rules that protect and inform consumers

This chapter discusses the rules that protect and inform telecommunications consumers, currently referred to as retail service quality rules. The Telecommunications Regulatory Review (the Review) found that while the existing guidelines produced by the Commerce Commission (the Commission) have informed consumers and improved competition, the system relies heavily on industry self-regulation. This has resulted in a system of rules that is inconsistent for different kinds of providers and there are gaps in protections for vulnerable consumers. The Review’s recommendations aim to streamline the consumer protection rules for all providers undertaking consumer-facing activities. These changes should promote competition while ensuring regulatory actions are tailored to risk.

The table below sets out the Review’s findings, and our recommendations, for addressing issues with these rules.

Findings and associated recommendations

Findings	Recommendations
<p>Finding L: The Commerce Commission’s guidelines benefit consumers and promote competition, but problems remain.</p>	<p>Recommendation 17: Remove the statutory role of the New Zealand Telecommunications Forum in making retail service quality rules.</p>
<p>Finding M: Reliance on industry self-regulation is limiting the effectiveness of the regulatory system.</p>	<p>Recommendation 18: The Commerce Commission should develop a consumer protection code where removing the statutory role of the New Zealand Telecommunications Forum creates a regulatory gap, including consultation with the sector.</p> <p>Recommendation 19: Provide the Commerce Commission with the ability to extend the coverage of a code to wholesale providers where they engage in consumer-facing activities, including consultation with the sector.</p>
<p>Finding N: Embedding the need to consider proportionality in the process for developing the Commerce Commission’s codes would ensure future regulatory work is tailored to risk.</p>	<p>Recommendation 20: Require the Commerce Commission to consider the principles of proportionality, transparency, and accountability when developing consumer protection measures.</p>

1. Context

Consumers in New Zealand have general protections through the Consumer Guarantees Act 1993 and the Fair Trading Act 1986. This legislation is one way of ensuring that consumers receive the products and services they pay for, and that the quality of these products and services is acceptable.

The regulatory systems for some sectors include additional rules to protect and inform consumers. For example, the rules for the electricity sector include the Consumer Care Obligations.⁷⁴ Similarly, the telecommunications sector has had additional rules in place for protecting and informing consumers since 2018.

2. The reason for regulating

The Government makes rules for protecting and informing telecommunications consumers to strengthen competition and provide an efficient pathway to address consumer issues. The economic rationale below sets out in detail this basis for regulating.

Economic rationale

Information is crucial to efficient and competitive markets. **Information asymmetry** is a form of market failure where there is an imbalance between what businesses know and what consumers know. There is a risk that providers could use information asymmetry to their own advantage. Telecommunications products and services, and how these are sold, are complex and often confusing for consumers. Where consumers can make informed choices about prices, quality and alternatives, it allows them to effectively switch between providers, incentivising providers to lower prices, improve quality, innovate, and seek cost efficiencies.

Sometimes, market solutions are not sufficient to correct information asymmetry. New Zealand's retail market for mobile and fixed wireless services is concentrated, and large retailers still hold a significant share of the broadband market. Rules that reduce information asymmetry can encourage switching by consumers, **promoting competition**.

Using **general legislation can be inefficient** for solving consumer issues with telecommunications. For example, enforcing the Consumer Guarantees Act 1993 and the Fair Trading Act 1986 requires a significant body of evidence and expensive, lengthy legal proceedings for government and businesses. While sanctions can be impactful (e.g. fines), they are rarely

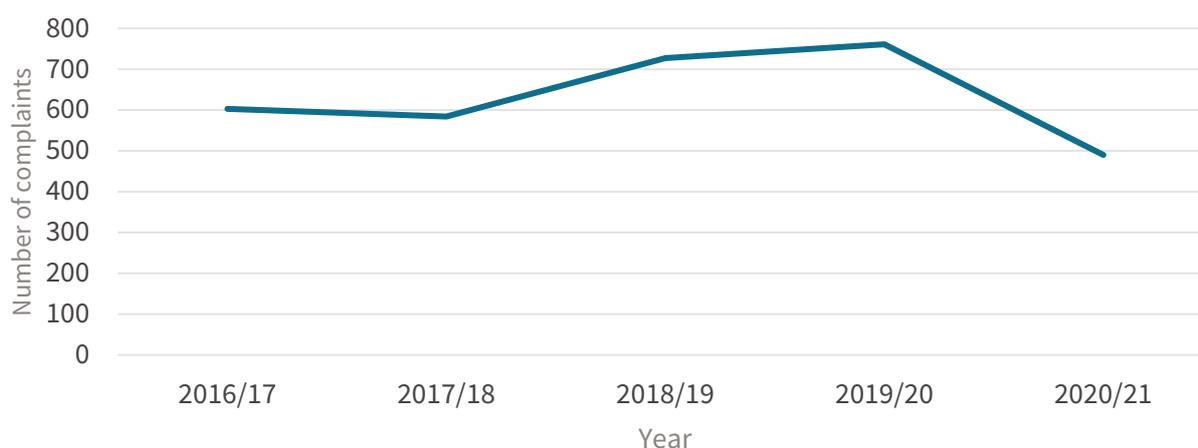
⁷⁴ Electricity Authority (September 2025) *Electricity Industry Participation Code 2010 – Part 11A Consumer Care*: <https://www.ea.govt.nz/code-and-compliance/the-code-electricity-industry-participation-code-2010/>.

timely.^{75,76} Consumer issues with telecommunications services and providers are more effectively addressed by a sector-specific system where the regulator collaborates with industry.⁷⁷

3. How the existing rules work

In 2018,⁷⁸ the current rules for protecting and informing telecommunications consumers were introduced under the Telecommunications Act 2001 (the Act). This was partially in response to the increasing number of complaints to the Commerce Commission (the Commission) about telecommunications retailers (see Figure 15 below).

Figure 15: Fair trading, competitive behaviour, and consumer credit complaints about telecommunications retailers



Note: Includes data from consumer reports published by the Commerce Commission 2016–2021.^{79,80,81,82,83}

⁷⁵ Commerce Commission (August 2023) *Commerce Commission action delivers \$3.675 million ‘sting’ to One NZ for Kiwi consumers*: [https://comcom.govt.nz/news-and-media/news-and-events/2023/commerce-commission-action-delivers-\\$3.675-million-sting-to-one-nz-for-kiwi-consumers](https://comcom.govt.nz/news-and-media/news-and-events/2023/commerce-commission-action-delivers-$3.675-million-sting-to-one-nz-for-kiwi-consumers).

⁷⁶ Commerce Commission (April 2019) *Spark fined \$675,000 for misleading consumers*: <https://www.comcom.govt.nz/news-and-media/news-and-events/2019/spark-fined-675000-for-misleading-consumers/>.

⁷⁷ Richard Feasey (October 2025) *Recommendations for telecommunications regulation in New Zealand*: <https://www.comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/topic-papers-other-reports-and-studies/feasey-report-on-telecommunications-regulation-in-nz/>.

⁷⁸ Telecommunications (New Regulatory Framework) Amendment Act 2018.

⁷⁹ Commerce Commission (August 2018) *Consumer Issues Report 2016/2017*: https://comcom.govt.nz/data/assets/pdf_file/0028/89092/Consumer-Issues-Report-2016-17.pdf.

⁸⁰ Commerce Commission (November 2018) *Consumer Issues Report 2017/2018*: https://comcom.govt.nz/data/assets/pdf_file/0017/108161/Consumer-Issues-Report-2017-18.pdf.

⁸¹ Commerce Commission (2020) *Complaints snapshot 2019/2020*.

⁸² Commerce Commission (2019) *Complaints snapshot 2018/2019*.

⁸³ Commerce Commission (2021) *Complaints snapshot 2020/21*: <https://www.comcom.govt.nz/business/consumer-reports/complaints-snapshot/>.

The Act⁸⁴ sets out when and how rules can be made about retail service quality. **Retail service quality** covers areas such as customer service, fault resolution, contracts, billing and switching,⁸⁵ and includes rules for protecting and informing consumers. The purpose⁸⁶ of these rules is to improve retail service quality to reflect the demands of consumers.

The Act⁸⁷ also provides the Commission with a range of regulatory tools for addressing consumer issues. The Commission can issue both guidelines and enforceable codes for retail providers.

To date, the Commission has explored and addressed consumers' problems with dispute resolution, mobile transparency, broadband marketing, and energy bundles. To address problems with industry practice in these areas, the Commission has produced guidelines for consumers on the following:

- marketing broadband services⁸⁸
- mobile coverage⁸⁹
- pricing for bundled telecommunications and energy services⁹⁰.

Work in progress includes mobile coverage maps, customer service levels, and price and cost disclosure. Further areas of focus include billing, switching providers, and debt and affordability practices.

3.1. Commerce Commission has direct regulatory powers, but current system relies primarily on industry self-regulation

The Commission can develop enforceable retail service quality codes if it evaluates relevant industry codes and finds they are not fit for purpose;⁹¹ however, none have been made. Where the Commission has a retail service quality code in place, the Act⁹² sets out a range of enforcement actions for addressing non-compliance.

The Telecommunications Forum (TCF) is New Zealand's main telecommunications industry body, whose members include many wholesale and retail providers. Members have different levels of representation and influence through the Board and the Forum depending on their annual revenue and membership tier.

⁸⁴ Part 7 of the Telecommunications Act 2001.

⁸⁵ Section 5 of the Telecommunications Act 2001.

⁸⁶ Section 233 of the Telecommunications Act 2001.

⁸⁷ Sections 234–237 of the Telecommunications Act 2001.

⁸⁸ Commerce Commission (February 2025) *Broadband Marketing Guidelines 2025: Guidelines to the telecommunications industry under section 234 of the Telecommunications Act 2001*.

⁸⁹ Commerce Commission (January 2025) *Product Disclosure – Mobile Coverage Maps Guidelines: Issued to the telecommunications industry under section 234 of the Telecommunications Act 2001*.

⁹⁰ Commerce Commission (November 2023) *Product Disclosure – Retail Service Bundling Guidelines (Energy and Telecommunications Bundles): Issued to the telecommunications industry under section 234 of the Telecommunications Act 2001*.

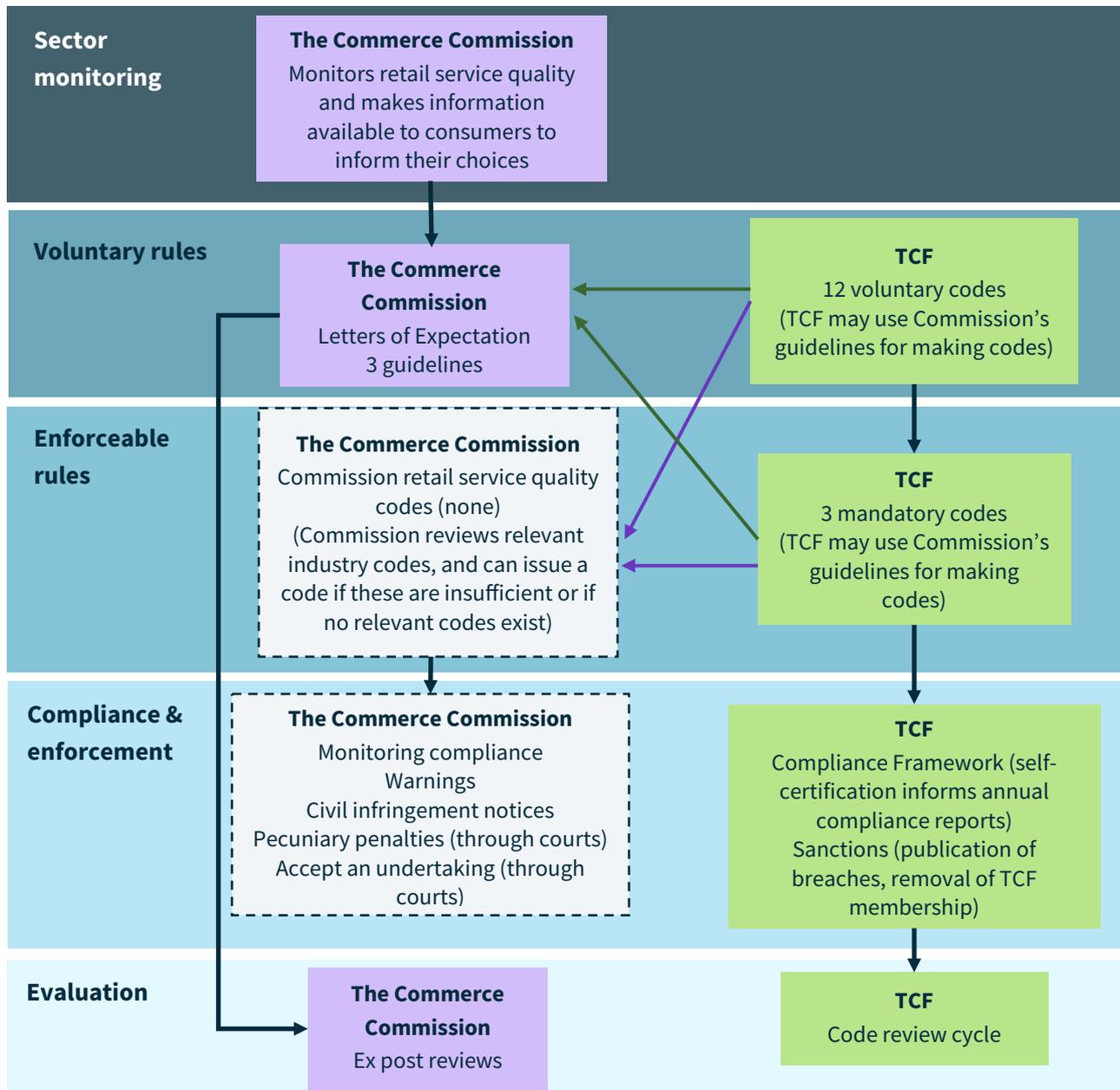
⁹¹ Section 235 of the Telecommunications Act 2001.

⁹² Section 156A of the Telecommunications Act 2001.

The Act recognises the role of the TCF in creating industry codes,⁹³ some of which are based on the Commission’s voluntary retail service quality guidelines.

Figure 16 below sets out how the Commission and the TCF make and enforce rules about retail service quality for consumers.

Figure 16: How the Commission and the TCF make and enforce retail service quality rules



⁹³ Section 5 and Section 235 of the Telecommunications Act 2001.

4. The Review's findings

4.1. Summary

The Review has identified two key issues with the current system of rules for protecting and informing consumers:

- The regulatory system is heavily reliant on industry self-regulation, impacting the coverage and enforceability of the existing rules.
- The Act does not require the Commission to consider the proportionality of its regulatory approach when taking action on consumer issues.

Finding L

The Commerce Commission's guidelines benefit consumers and promote competition, but problems remain.

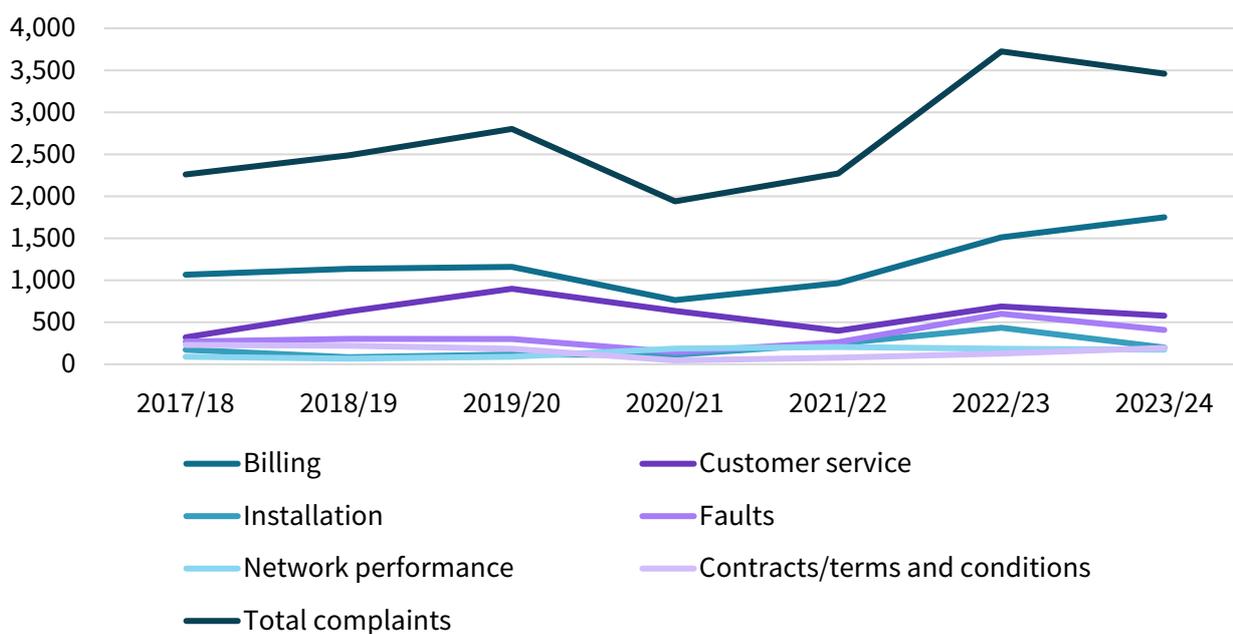
The Commission has recently evaluated its completed work on retail service quality.⁹⁴ Its review of the guidelines indicated they have delivered benefits to consumers around information availability, comparing products and services, and improving providers' pricing practices.

This Review also found that the existing rules have positive implications for competition between providers. Rules about marketing have been particularly beneficial for ensuring mobile and broadband service products are accurately represented to different consumers without disadvantaging providers.

Despite these benefits of the Commission's existing guidelines, complaints data – as shown by Figure 17 below using data from the Telecommunications Dispute Resolution Scheme (TDRS) – indicates that consumers are still facing persistent issues. This suggests there is room for improvement.

⁹⁴ Commerce Commission (March 2025) *Retail Service Quality: Ex Post Reviews Summary*.

Figure 17: Main categories of consumer complaints to the Telecommunications Dispute Resolution Scheme 2017–2024



Note. Includes data from annual reports published by the Telecommunications Dispute Resolution 2017-2024.⁹⁵

Finding M Reliance on industry self-regulation is limiting the effectiveness of the regulatory system.

In principle, the Act provides the Commission with the powers and processes for using regulatory tools to address consumer issues. However, in practice, the statutory role of the TCF means the existing rules have limited coverage and enforcement.

4.1.1. Existing rules not universal

The Commission’s voluntary guidelines apply to all retailers, and therefore all consumers. However, mandatory and voluntary TCF industry codes do not apply to providers that are not members of the TCF. For example, no satellite providers are members of the TCF; this means that a growing number of rural consumers are not covered by the rules about retail service quality.

4.1.2. Smaller providers and consumer groups have limited opportunities to influence consumer protection rules produced by TCF

Industry self-regulation can be an appropriate model for addressing shared industry views on consumer problems.⁹⁶ Industry bodies, including the TCF, can strengthen the alignment between the rules and existing industry practice, and make sure rules are informed by technical expertise.

⁹⁵ Telecommunications Dispute Resolution (2017–2024) Publications – A compilation of annual and biannual reports from TDR: <https://www.tdr.org.nz/resources/publications>.

⁹⁶ Australian Communications and Media Authority (July 2023) *What consumers want – consumer expectations for telecommunications safeguards*.

However, in the New Zealand context, the telecommunications sector includes a range of businesses structured around different segments of the market and different technologies. These businesses fall under distinct parts of the regulatory system and have competing interests and divisive views on consumer issues. A self-regulatory model where one segment of the market (e.g. wholesalers) can influence rules that only apply to other segments of the market (e.g. retailers), and where the market is dominated by a small number of large companies, can create perverse incentives and distort competition. This is especially the case where rules could impact competition between providers of different technologies. For example, rules about marketing broadband technologies like fibre and fixed wireless should be developed by an impartial regulator. These risks are inherent to the tiered membership structure of the TCF.

4.1.3. Limited incentives for providers to comply with existing rules

Following the Commission's existing retail service quality guidelines is voluntary. Mandatory TCF industry codes are enforceable. However, as shown in Figure 18 above, the consequences for non-compliance are limited, and rely on industry reporting of breaches.⁹⁷ Enforcement actions are minimal where providers break the current rules.

The existing rules are not fully effective for informing consumers and should be strengthened. While quality and availability of information impact all consumers, it is particularly important for vulnerable consumers.⁹⁸ This includes where consumers have language or accessibility requirements.

In the United Kingdom and Australia, regulators use enforceable rules to direct industry practice, as well as voluntary guidance or letters of expectation. In contrast, industry bodies, while involved to various levels in developing the rules, are not responsible for monitoring compliance or actioning enforcement.

⁹⁷ NZ Telecommunications Forum Inc (May 2025) *TCF Code Compliance Framework: Half Year Report*.

⁹⁸ Citizens Advice Bureau (February 2020) *Face to Face with Digital Exclusion*.

United Kingdom

The Office of Communications (OfCom) uses rules called the General Conditions of Entitlement (GCE) to regulate retail service quality. The GCE set out requirements for contracts, information transparency, billing, complaints and dispute resolution, vulnerable and disabled consumers, switching, and sales and marketing. OfCom can enforce these rules for all providers. The industry body, the UK Competitive Telecommunications Association, is owned by its member companies and has a policy issues function rather than developing or administering the rules.

Australia

The Australian Communications and Media Authority (ACMA) sets out rules to protect consumers through the Telecommunications Protections Industry Code (TCP Code) and additional rules called Standards and Determinations. The ACMA has the power to use warnings, infringement notices and, in some cases, pecuniary penalties to enforce these rules. Recent changes empower the ACMA to exclude providers from the market where significant harm to consumers occurs. The industry body, the Australian Telecommunications Alliance, is involved in drafting rules but does not oversee enforcement and compliance.

Finding N

Embedding the need to consider proportionality in the process for developing the Commerce Commission's codes would ensure future regulatory work is tailored to risk.

Implementing the changes required to align with enforceable and voluntary rules can create costs for providers, particularly smaller businesses with leaner resourcing models. Therefore, it is important to ensure that the Commission's regulatory approach to consumer issues is proportionate to the problem being addressed.

There is currently a lack of clarity in the Act around how the Commission's regulatory tools are targeted to address risks to consumers and align with industry practice, and the extent to which they should be implemented easily.

The Review found there is an opportunity to provide the sector with greater assurance that the Commission's process for taking regulatory action is tailored to the scale and nature of risks to consumers.

5. Our recommendations

As a package, the following recommendations support:

Simplification – This approach simplifies the regulatory system, making the rules easier for providers and consumers to understand and navigate.

Proportionality – This approach ensures regulatory work prioritises the highest-risk consumer issues. It also supports competition by promoting consistent rules for all providers undertaking consumer-facing activities and continuing to target information asymmetry.

Recommendation 17

Remove the statutory role of the New Zealand Telecommunications Forum in making retail service quality rules.

The Review recognises the value of having industry input in designing regulatory codes. However, given the shortcomings of the current model evidenced by the findings of this Review, the Commission is better suited to setting consumer protection codes.

This requires removing references to industry retail service quality codes, and the requirement for the Commission to review industry retail service quality codes, from the Act.⁹⁹ The Commission must still consult with the sector (including the TCF) when making, amending or reviewing a code, in line with the existing process set out in the Act.¹⁰⁰

Consultation feedback agreed that codes should also be adaptable and developed in consultation with industry and other stakeholders. This is consistent with effective international approaches where industry influences, but does not lead, the development of the rules.

This recommendation has several advantages over the status quo:

- This approach ensures views across the sector are independently considered, **reducing the risk of disproportionate influence from larger or wholesale-only businesses.**
- The Commission’s guidelines and codes have universal coverage; this means **all providers would have the same obligations to all consumers.**
- The Commission has the capability and systems in place to **enforce the rules and measure the results.**
- Close consultation with the TCF and other stakeholders will **ensure co-regulatory principles are maintained.**

Consultation feedback demonstrated a clear divide between industry and consumer views. Industry stakeholders prefer to retain the TCF’s statutory role and support an enhanced co-regulatory

⁹⁹ Including section 5 and section 235 of the Telecommunications Act 2001.

¹⁰⁰ Section 239 of the Telecommunications Act 2001.

approach. Industry stakeholders are concerned that a code enforced by the Commission would increase costs.

Consumer groups and dispute resolution providers support removing the TCF's statutory role and making a Commission-generated code, viewing this as necessary for universal, enforceable and consistent consumer protections.

Sector perspectives

"...The issuing of a Commission's retail service quality code would lead to improvements in consumer protection. All industry schemes would apply the same standard and consumers would benefit from a structure that better supports independent complaint handling."

"Removing the TCF's code-making role will also address issues of community trust in the system. An independent regulator with statutory powers can ensure that retail service quality standards are fair, transparent and tailored to the needs of customers, including rural customers."

"Removing industry from the code-making process would likely result in requirements that are unworkable in practice and that deliver material cost and complexity for consumers rather than any benefit."

The lack of industry consensus on approaching consumer issues is a key reason for shifting the current model away from self-regulation. This approach addresses common weaknesses of self-regulation, some of which have been raised in Feasey's 2025 report for the Commission.¹⁰¹

Feasey recommends continued emphasis on a co-regulatory approach. While the Review further recommends removing the role of the TCF, our proposed changes include continued consultation with the TCF and with industry. This works towards a model governed by the Commission and informed by industry, ensuring that divergent industry views do not reduce the system's ability to protect and support consumers.

Recommendation 18

The Commerce Commission should develop a consumer protection code where removing the statutory role of the New Zealand Telecommunications Forum creates a regulatory gap, including consultation with the sector.

The Review recognises that removing the statutory role of the TCF could create regulatory gaps that, if not addressed, could lead to consumer harm or worsen information asymmetries that impact competition. Once the statutory role of the TCF has been removed, the Commission should therefore consider making a consumer protection code to address any regulatory gaps.

¹⁰¹ Richard Feasey (October 2025) *Recommendations for telecommunications regulation in New Zealand*: <https://www.comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/topic-papers-other-reports-and-studies/feasey-report-on-telecommunications-regulation-in-nz/>.

The Review acknowledges industry concerns about costs associated with a Commission-enforced code. Accordingly, this approach does not directly uplift the existing TCF codes and Commission’s guidelines into a Commission-generated consumer protection code. The Commission should only make a code where it is proportionate to do so and where other tools, such as voluntary guidelines and letters of expectation are insufficient (see Recommendation 20 for further detail). The Commission will be required to review any consumer protection code at least every five years to ensure it remains fit for purpose. This recommendation is consistent with Feasey’s recommendations for improving consumer regulation.¹⁰²

If the Commission chooses to make a code, it should take the form of a single code rather than multiple separate codes to ensure simplicity. The Commission’s power to create codes should therefore be amended in the Act accordingly.

In consultation feedback, industry stakeholders raised concerns around consolidating enforceable rules into a single Commission code. Stakeholders noted that this approach could increase complexity and reduce adaptability. However, consumer groups and dispute resolution groups support a single code, viewing this as necessary for clarity, consistency and universal consumer protection.

Sector perspectives

“Keeping separation between Commerce Commission and TCF allows for various levels of industry codes, from voluntary to regulated. Having all codes through Commerce Commission could overload both Commerce Commission and businesses, as well as over-regulate unnecessarily.”

By consolidating any enforceable rules introduced by the Commission into a single code, our recommendation **ensures that the rules will be simpler and easier for consumers and businesses to navigate** than if the rules are spread across multiple codes.

Recommendation 19

Provide the Commerce Commission with the ability to extend the coverage of a code to wholesale providers where they engage in consumer-facing activities, in consultation with the sector.

In cases where wholesalers engage in consumer-facing activities that are within scope of the code, the Commission – in consultation with industry, the TCF and other stakeholders – should have the ability to decide whether the relevant elements of a code are to apply to wholesalers as well. Our recommendation intends to **ensure consistent regulatory processes for all providers** within the sector and **make sure that industry follows the same consumer protection rules when carrying out similar activities**.

¹⁰² Richard Feasey (October 2025) *Recommendations for telecommunications regulation in New Zealand*: <https://www.comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/topic-papers-other-reports-and-studies/feasey-report-on-telecommunications-regulation-in-nz/>.

During the Review, retail providers raised the importance of having the same rules for businesses engaged in consumer-facing activities. While some wholesalers engage in some forms of consumer-facing marketing activities, they are not subject to the current system of TCF codes and Commission guidelines. This may distort competition, e.g. where retailers are offering fixed wireless services that compete with fibre broadband services.

In consultation feedback, there was strong support from some retail providers for extending the coverage of a consumer protection code to include wholesale providers, as they see it as necessary for regulatory fairness and effective competition. Consumer groups generally advocate for universal and consistent consumer protections.

Sector perspectives

“[Fibre wholesalers] must also be bound by consumer protection / retail service quality rules, given their direct-to-consumer engagement.”

“Any concerns about wholesaler advertising can already be addressed under existing consumer protections, including the Fair Trading Act...it is both appropriate and consistent with the intent of the Act for retail regulation to remain focused on retailers.”

The Review did not initially consult on including wholesalers in consumer codes. However, we subsequently invited wholesalers to provide feedback on this proposal. While they raised concerns, we are recommending providing the Commission with the ability to apply the relevant sections of any consumer protection code to wholesalers where they undertake consumer-facing activities, such as marketing. This is to **ensure that there is a level playing field between different kinds of providers, preventing distortions to competition.**

To support the effective implementation of this recommendation, the definition of “retail service quality” in the Act should be amended to include consumer-facing activities. This reflects the broader strategic purpose of the rules for protecting and informing consumers, especially where some rules may apply to wholesale providers going forward.

Recommendation 20

Require the Commerce Commission to consider the principles of proportionality, transparency, and accountability when developing consumer protection measures.

This is to ensure that where regulatory action is taken, it is proportionate to the issue and responsive to industry practice. It will **focus the code more narrowly on the most significant consumer protection issues and mitigate the risk of a code imposing unnecessary costs on industry.**

Consultation feedback showed that while there is broad agreement on the value of proportionality and cost-benefit analysis in consumer protection code-making, views differ on how these principles should be implemented.

Many industry participants support a structured framework for assessing regulatory intervention in retail service quality. Consumer and advocacy groups emphasise that any process must not come at the expense of consumer protection or regulatory flexibility and should explicitly include equity and consumer outcomes. Respondents generally cautioned against any processes that would add unnecessary complexity or slow decision-making.

Sector perspectives

“...It is critical that the Commission rigorously and transparently explains why the action it is proposing to take is necessary, how it proportionately addresses the specific issue or problem identified, and why the anticipated benefits of the action exceed its costs.”

Our recommendation strikes a balance that **ensures regulatory action taken by the Commission will be proportionate to the risk without unduly restricting the Commission’s ability to act when required.**

Chapter 7 – Taking a proportionate regulatory approach

This chapter discusses the approach the Commerce Commission (the Commission) takes to its regulatory functions. The Telecommunications Regulatory Review (the Review) found there is a need for the Commission to ensure its information requests for market monitoring are proportionate, to avoid unnecessary compliance burden for telecommunications providers. The Review identified that information requests to inform market monitoring can be resource intensive and sometimes lack a clear rationale, which is particularly challenging for smaller operators. The Review’s recommendations are intended to ensure transparency around the Commission’s monitoring work and make sure that regulatory practices remain efficient and purposeful.

The table below sets out the Review’s findings, and our recommendations, for addressing issues with the current approach.

Findings and associated recommendations

Findings	Recommendations
Finding 0: Information requests can be resource intensive to comply with and sometimes lack a clear rationale.	Recommendation 21: Require the Commerce Commission to consider the principles of proportionality, transparency, and accountability when requiring information from industry to fulfil its functions. Recommendation 22: The Commerce Commission should further increase transparency when requiring information for market monitoring.

1. Context

The Commission monitors the performance and development of the telecommunications market, with core functions that include information collection. These functions support the Commission’s work in strengthening competition, closing the gap between what the industry knows and what the regulator knows, and providing independent observations that are useful for businesses, investors, and government decision-makers.

2. The reason for regulating

Government intervention to monitor markets is critical for competition and consumers. The economic rationale below sets out in detail this basis for regulating.

Economic rationale

Information about markets is vital for consumer decision-making, ensuring efficient and competitive markets. It also enables effective regulation and oversight of market performance so that the regulator can identify and address **market failures** where these occur.

In telecommunications, complexity and rapid innovation can often make it challenging to gain a clear picture of market dynamics. The regulator's information-gathering role can support information disclosure regulations and reinforce conditions that promote a competitive and efficient market.

For example, monitoring of the telecommunications sector allows the regulator to source information for assessing **market performance**, identify trends and any **market power** or **competition** issues, correct **information asymmetry** between the regulator and industry that prevents verification of industry positions, and report on market information that holds **public value** for industry, investors and policy-makers.

3. How the existing rules work

The Commission must monitor competition in the telecommunications market. To monitor the sector effectively, the Commission needs information from industry. It seeks information using:

- letters requesting information – providing information is voluntary
- information collection powers, by issuing statutory notices under the Commerce Act 1986¹⁰³ – not providing information is an offence.

The Commission generally relies on industry providing information voluntarily. However, it uses its formal powers where information needs to be consistent or timely, or when certain sensitive information is required.

Data collected from industry is used for a variety of reasons, including contributing to the Commission's general market monitoring findings through its *Annual Monitoring Report*. The most recent report was published on 30 June 2025, covering input from the 2023/24 financial year.¹⁰⁴ These monitoring reports present trends in the market and indicate whether consumers are benefiting from competition. In addition to monitoring, the Commission can conduct inquiries, reviews and studies (e.g. the Rural Connectivity Study).

¹⁰³ Section 98 of the Commerce Act 1986.

¹⁰⁴ Commerce Commission (June 2025) *2024 Telecommunications Monitoring Report*:

<https://www.comcom.govt.nz/regulated-industries/telecommunications/monitoring-the-telecommunications-market/annual-telecommunications-market-monitoring-report/>.

The Review's findings

3.1. Summary

The Review has identified one key issue with the current way the Commission requests information to fulfil its duties: information requests can be resource intensive to comply with and sometimes lack a clear rationale.

Finding O

Information requests can be resource intensive to comply with and sometimes lack a clear rationale.

The Review found the Commission's information collection and reporting work has supported industry to improve their internal data practices. Centrally gathered and published information has also given small providers more public visibility.

However, parts of industry view data requests from the Commission as more and more resource intensive. The rationale for increasingly complex and challenging information requests is not always clear.

The complexity of information requests, particularly if requirements shift or are overlapping or time-sensitive, can be challenging for industry. There are also perceived issues around collecting sensitive data.

The publication of consumer-facing data can be outdated, and the value of the reporting is not always evident. For example, the *Annual Monitoring Report* is published about a year after information has been collected.

While the Commission is taking steps to reduce regulatory burden and improve transparency, more can be done to ensure that proportionality is embedded in its practices. The systems around information gathering could be generally simplified and streamlined, with a clearer rationale for how the different kinds of information collected support the Commission's work.

There is international precedent for embedding proportionality and the principles of good regulatory practice into telecommunications sector rules, e.g. in the United Kingdom and Australia.

United Kingdom

Embeds proportionality and the principles of good regulatory practice into their telecommunications sector rules. The Office of Communications (OfCom) is required, in carrying out its functions, to have regard to "the principles under which regulatory activities should be transparent, accountable, proportionate, consistent, and targeted only at cases in which action is needed".

Australia

Includes in the rules a clear intention that regulation of the telecommunications sector "does not impose undue financial and administrative burdens" on the industry, provided this does not compromise the effectiveness of achieving regulatory objectives.

4. Our recommendations

Our recommendations support:

Proportionality – Requiring consideration of proportionality will increase the sector’s visibility over, and confidence in, the Commission’s approach to market monitoring. It will also serve to make sure the Commission’s current good practices are enduring.

Recommendation 21

Require the Commerce Commission to consider the principles of proportionality, transparency, and accountability when requiring information from industry to fulfil its functions.

This recommendation is to ensure that the Commission considers the proportionality of information requests when using its powers, with the intended outcome being **enhanced and transparent decision-making processes**, which in turn **reduces undue complexity or risk for the regulator**.

Including proportionality considerations in legislated processes should provide the sector with assurance that the Commission considers the cost of compliance and ensures the Commission’s decision-making and actions are more transparent.

Consultation feedback showed respondents agree that consideration of costs and benefits and taking proportionality into account are a core part of good regulatory practice. Most industry stakeholders were supportive of a framework that considers proportionality of interventions (including information gathering), and consumer and dispute resolution groups highlighted the importance of ensuring consumer benefits from regulating were not undervalued.

There was also a consensus that any legislative change should not result in extensive or inflexible requirements, which could create overburdensome practices for the regulator, slowing down processes and driving up costs for businesses.

This recommendation seeks to **balance the simplicity of regulatory processes while ensuring that regulatory practices are improved**.

Sector perspectives

“For smaller operators ... proportionality is not a theoretical issue – it can mean the difference between having staff focused on delivering better services to farmers and rural households or diverting scarce resources into compliance activities that may not deliver real benefits to customers.”

“...The Commission’s oversight powers should be exercised in a way that is proportionate and transparent. It is sensible to expect the Commission to carefully weigh costs and benefits when deciding whether to introduce new obligations...”

“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.”

Recommendation 22

The Commerce Commission should further increase transparency when requiring information for market monitoring.

This recommendation supports Recommendation 21 above and will promote accountability of the regulator. This should **improve stakeholders’ understanding of what is being asked of them** when supplying information and why, which in turn will **improve transparency and trust in the regulator**.

Part III: After the Review



Chapter 8 – Next steps

5. The process for implementing the Review’s recommendations

After the Review, the following actions will be taken:

- The Minister for Regulation and Minister for Media and Communications will jointly consider the findings and recommendations to determine which recommendations to progress for Cabinet endorsement.
- Cabinet will decide which actions to invite the responsible Ministers to progress, and if any follow-up reports may be required.
- The Ministry of Business, Innovation and Employment (MBIE) and the Commerce Commission (the Commission) will respond to the direction and expectations of their Ministers by conducting robust policy and operational processes to support implementation.

Where legislative changes are required, these will generally be progressed within six months of Cabinet’s decision on the final recommendations.

The Ministry will also provide implementation plan support, including input into the Cabinet paper for the implementation plan. In addition, the Ministry may offer oversight, monitoring, advisory, governance and evaluation support as recommendations are delivered.

The Ministry has proposed that the Minister for Regulation report back to Cabinet in 2028 to provide an update on how the recommendations endorsed by Cabinet have been progressed.

Terms and definitions

Term	Definition
Anchor Services	Basic voice and broadband services that must be offered at regulated prices.
Basic broadband services	Part of Anchor Services. Offers 100 Mbps download and 20 Mbps upload speeds.
Basic voice services	Part of Anchor Services. Provides voice-only communication over fibre.
Broadband	A high-capacity internet connection that transmits data over multiple frequencies, allowing fast and continuous access to the internet using technologies such as fibre, fixed wireless, mobile and copper.
Copper	The use of telephone lines to deliver broadband services; however, it does not support mobile services.
Deeds	A legal agreement that sets out rules and responsibilities.
Directory services	The provision and distribution of contact information, primarily residential and business phone numbers.
Energy bundlers	Electricity providers that also retail mobile and broadband services (i.e. Contact Energy, Mercury, Slingshot).
Fibre	The use of fibre-optic cables to deliver mobile and broadband services.
Fibre Information Disclosure (Fibre ID)	A set of rules that require fibre companies to publicly share financial and service information, so the Commerce Commission can monitor performance and ensure fair pricing.
Fixed wireless or fixed wireless access	Delivery of internet and voice services using radio waves over cellular networks (i.e. 4G, 5G) or smaller, regional non-cellular networks. Unlike mobile broadband, it does not require cabling to the premises.
Geographically Consistent Pricing (GCP)	Rules that keep prices lower in rural areas where fibre is available by requiring standard prices for fibre services, regardless of where customers live.
Geostationary Earth Orbit (GEO)	The use of stationary satellites and a ground-based satellite dish to deliver mobile and broadband services.

Term	Definition
Hybrid-Fibre Coaxial (HFC)	A broadband technology available in parts of Wellington, Kāpiti Coast and Christchurch that combines fibre-optic and copper cables to provide mobile and internet services.
Liability Allocation Determination (LAD)	A formal decision made by the Commerce Commission that sets out how much each telecommunications company must pay towards the TDL.
Layer 1	The Open Systems Interconnection Model is a framework that explains network communication into seven layers. Layer 1 refers to the actual hardware, like fibre cables and splitters, that carries signals.
Layer 2	The Open Systems Interconnection Model is a framework that explains network communication into seven layers. Layer 2 moves data between nearby devices on the same network.
Low-Earth Orbit (LEO)	The use of a constellation of moving satellites and a ground-based satellite dish to deliver mobile and broadband services.
Local Fibre Companies (LFCs)	The four companies (Northpower, Tuatahi First Fibre, Enable and Chorus) both build and provide wholesale access to most of New Zealand’s fibre network.
Market	A collection of buyers and sellers that interact to exchange products and services.
Market failure	When the market doesn’t provide goods or services in a fair or efficient way.
Ministry of Business, Innovation and Employment (MBIE)	New Zealand Government’s lead business-facing agency.
Mobile	Delivery of internet and voice services using radio waves over cellular networks such as 4G and 5G. The supporting infrastructure (i.e. cell towers) is typically connected to the wider network via fibre or copper cables.
Mobile Network Operators (MNOs)	Providers that own, operate and retail New Zealand’s mobile network (i.e. Spark, One NZ, 2degrees).
Mobile Virtual Network Operators (MVNOs)	Providers that deliver mobile and broadband services but do not own or operate the actual network (i.e. Warehouse Mobile, Kogan Mobile, Skinny).
Price-quality rules	Set revenue caps and service standards. These rules only apply to Chorus (the largest fibre provider).

Term	Definition
Printed directories	Physical publications like the <i>White Pages Residential Directory</i> and <i>Yellow Pages Business Directory</i> , which list phone numbers and contact details for individuals and businesses.
Public Telecommunications Network	A network used (or intended to be used) by the public for telecommunications purposes (e.g. include fixed line, fixed wireless, and mobile broadband networks).
Qualified revenue	The revenue amount determined by the Commerce Commission, used to calculate how much TDL a liable person must pay.
Remote area	A subset of rural areas where connectivity is even more limited, often requiring alternative technologies like satellite internet or fixed wireless access, due to the impracticality of extending fibre networks.
Retail service quality rules	Refers to sector-specific rules that protect and inform telecommunications consumers by setting standards for how services are delivered.
Rural Broadband Initiative (RBI)	Government programme to improve and enhance broadband coverage in rural areas.
Rural Copper Areas (RCA)s	Locations outside of specified fibre areas.
Satellite providers	Providers that use GEO or LEO satellite technology to deliver mobile and broadband services, mostly in rural areas (i.e. Starlink).
Telecommunications Forum (TCF)	New Zealand Telecommunications Forum – a telecommunications industry body.
Telecommunications Development Levy (TDL)	Used to fund public infrastructure that would not otherwise be available or affordable.
Telecommunications Dispute Resolution Scheme (TDRS)	An industry dispute resolution scheme currently regulated through the Telecommunications Act 2001.
Telecommunications Regulatory Levy (TRL)	Used to cover the costs of the telecommunications regulatory system.
Telecommunications Service Obligations (TSOs)	Ensure essential phone services are available to everyone, particularly in remote or rural areas.
The Act	The Telecommunications Act 2001.

Term	Definition
The Commerce Commission (the Commission)	New Zealand's primary competition, fair trading, consumer credit and economic regulatory agency.
Ultra-Fast Broadband (UFB)	The name given to the Government's initiative to roll out a fibre-to-the-premises access network to give households and businesses access to very high-speed broadband.
Undertakings	A series of formal commitments from a provider with the Crown.
Urban area	An area where fibre broadband is available, also known as a Specified Fibre Area (SFA).
Vertical separation	Part of the wholesale-only regulation for fibre providers. Vertical separation means Local Fibre Companies cannot sell fibre services directly to customers, instead providing wholesale services through retailers to promote competition.
Wireless internet service providers (WISPs)	Smaller providers operating mostly in rural areas, owning, operating and retailing mobile and broadband services (e.g. Primo, WIZwireless, Wireless Dynamics).



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