Briefing Paper

MFR2025-150

Ministry for Regulation
Te Manatū Waeture

To	Hon David Seymour, Minister for Regulation Hon Paul Goldsmith, Minister for Media and Communications		
Title	Draft Cabinet paper and draft Summary Report for the Telecommunications Regulatory Review	**Number**	MFR2025-150
Date	6 November 2025	**Priority:**	Medium
Action Sought	Feedback on draft Cabinet paper and Summary Report	**Due Date**	10 November 2025
Contact Person	Liam Taylor – Principal Advisor, Reviews and System Capability	**Phone**	S 9(2)(a)
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Attachments	Attachment 1: Draft Cabinet paper – Telecommunications Sector Regulatory Review Recommendations Attachment 2: Summary Report Attachment 3: Review themes and recommendations Attachment 4: Implementation Plan	**Security Level**	IN CONFIDENCE **Proactive release note**: Refer to the note below.

Executive Summary

1. As Joint Ministers you are responsible for the Telecommunications Regulatory Review (the Review). This briefing provides you with the draft Cabinet paper and draft Summary Report for the Review.

2. The Ministry for Regulation's (the Ministry) draft Final Report and Summary of Engagement will be provided to you by 13 November 2025.

3. The Review's 21 recommendations (outlined in the draft Cabinet paper) document changes designed to modernise and simplify the regulatory system, and ensure regulatory actions are proportionate. We estimate implementation of the Review's 21 recommendations will generate net benefits between $35-$45 million over 10 years.

4. Following your decisions at your meeting on 15 October 2025, further engagement, and discussion with the Ministry of Business, Innovation and Employment (MBIE), the draft Cabinet paper reflects:

    a. further consideration of the phase out of the Telecommunications Service Obligations (TSO)[1], including further policy work being progressed by MBIE. The

[1] The TSO was put in place to ensure that rural communities have access to essential services. The obligations are closely tied to copper networks, which are older technology and expensive to operate.

Proactive release note:
The Telecommunications Regulatory Review Report has 22 recommendations: https://www.regulation.govt.nz/assets/Publication-Documents/Final-Report-Telecommunications-Sector-Regulatory-Review.pdf.

draft Cabinet paper proposes accelerating the phase out of the TSO and invites the Minister for Media and Communications to consider how to provide targeted financial support to low-income rural households.

b. further consultation on the Telecommunications Development Levy (TDL)[2]. The draft Cabinet paper proposes shifting the existing revenue threshold that determines providers' eligibility to pay the levy from $10 to $40 million.

c. your preference for the Commerce Commission (the Commission) to undertake a further regulatory review of fibre Layer 1 unbundling[3] requirements. The draft Cabinet paper proposes the Commission undertakes this review in 2026.

5. Following your feedback and approval of the draft Cabinet paper, the Ministry will proceed with agency consultation. We plan to provide your offices with an updated paper reflecting any feedback so that Ministerial consultation may occur between 18 and 24 November 2025, ahead of the Cabinet Expenditure and Regulatory Review Committee (EXP) meeting on 2 December 2025.

6. We will provide you with publishable versions of the Final Report, Summary of Engagement, and the Summary Report on 27 November 2025, ahead of EXP.

Proactive release note:
Attachment 1 is not included in this proactive release. The final Cabinet paper is available on the Ministry for Regulation website: https://www.regulation.govt.nz/about-us/our-publications/cabinet-paper-telecommunications-regulatory-review-recommendations/

Attachment 2 is available on the Ministry for Regulation website: https://www.regulation.govt.nz/assets/Publication-Documents/Summary-Report-of-the-Telecommunications-Regulatory-Review.pdf

Attachment 4 is available on the Ministry for Regulation website: https://www.regulation.govt.nz/assets/Publication-Documents/Cabinet-paper-Telecommunications-Regulatory-Review-recommendations.pdf (page 19).

[2] The TDL is used to fund public interest activities in the sector. Providers are eligible to contribute to the levy based on their annual revenue. The current revenue threshold is $10 million, meaning smaller providers are burdened with compliance.

[3] Fibre unbundling is a pro-competitive control designed to put pressure on the regional monopoly power of fibre providers and allow retail internet service providers to compete with the fibre providers at the wholesale level. The Review found that there has been minimal use as it is not economically viable and it imposes an ongoing cost burden to fibre providers.

Recommendations

We recommend that you:	Minister for Regulation	Minister for Media and Communications
a **Note** that at your Joint Ministers meeting on 15 October 2025, you agreed to endorse the Review's recommendations apart from: a. where you directed officials to undertake further consultation on the proposal to phase out the Telecommunication Service Obligations (TSO) and to simplify how the Telecommunications Development Levy (TDL) is calculated and administrated b. the proposal to repeal fibre Layer 1 unbundling requirements.	*Noted*	*Noted*
b **Note** we understand that it has subsequently been agreed that the Minister for Media and Communications will be responsible for further consideration around phasing out the TSO.	*Noted*	*Noted*
c **Agree** that the phase out of the TSO should be accelerated, with consideration given to providing support to low-income rural households to move from copper services to newer technologies.	*Agree / Disagree*	*Agree / Disagree*
d **Note** that following further engagement with stakeholders, as directed, the Review recommends that the package of amendments to the TDL proceed, including charging the TDL based on companies' gross telecommunications revenue from retail broadband, mobile, and stand-alone voice and data connection services.	*Noted*	*Noted*

[Continued on next page]

Recommendations

e	**Agree** to provide any feedback you may have on the draft Cabinet paper by 10 November 2025.	*Agree / Disagree*	*Agree / Disagree*
f	**Note** that the Ministry will provide you with the draft Final Report and Summary of Engagement on 13 November 2025. We will continue to make minor and technical changes these documents and to the draft Summary Report ahead of providing you with publishable versions on 27 November 25.	*Note*	*Note*
g	**Agree** that the Ministry proactively release this briefing and attachments in full once Cabinet's decision on the Review's recommendations is announced.	*Agree / Disagree*	*Agree / Disagree*

Paul Delahunty
Deputy Chief Executive, Reviews and System Capability
Ministry for Regulation
Date: 6 November 2025

Hon David Seymour
Minister for Regulation

Date:

Hon Paul Goldsmith
Minister for Media and Communications

Date:

Purpose and background

7. We are seeking Ministerial feedback on the following documents for the Telecommunications Regulatory Review (the Review):

    a. the draft Cabinet Paper (**Attachment 1**) Proactive release note: Refer to the note above.

    b. the Summary Report (**Attachment 2**).

8. **Attachment 3** (Review themes and recommendations) details how these recommendations seek to modernise and simplify the regulatory system, ensuring the regulatory actions are proportional.

9. This briefing follows advice previously provided to the Minister for Regulation on the progress of the Review [MFR2025-147, MFR2025-148, and MFR2025-149 refer].

10. You met on 15 October 2025 to discuss the Ministry for Regulation's provisional recommendations. You then directed the Ministry to undertake further engagement with stakeholders on two of the recommendations. This is discussed in more detail in paragraphs 11 to 16 of this briefing.

We have actioned your feedback following the meeting of 15 October 2025

Proposal to phase out the Telecommunications Service Obligations (TSO) with targeted financial support to low-income householders

11. You directed officials to engage with Chorus and Spark to discuss timing and possible support to low-income households. However, these meetings have not taken place, as we understand that the Prime Minister has asked that Minister for Media and Communications be responsible for further consideration around phasing out the TSO, as he is currently considering the Commerce Commission's (the Commission) proposal that the copper network should be deregulated. As such, the phase out of the TSO and the possible deregulation of the copper network need to be considered together.

12. After further discussions with MBIE, we recommend the Minister for Media and Communications considers how low-income households can be supported to transition from outdated copper services. We've been advised that MBIE will provide advice on how best to manage the transition should the Commission's recommendation be endorsed. The draft Cabinet paper reflects this proposal.

Proposal to change the threshold for providers' eligibility to pay the Telecommunications Development Levy (TDL)

13. The Ministry met with the New Zealand Telecommunications Forum, Spark, and One NZ to test our proposed changes to the TDL. All parties supported our proposed changes to the TDL, agreeing that it would simplify the current system and reduce administrative costs for them. However, concern was expressed about

raising the threshold for paying the levy from $10 million to $40 million, as they believe this may increase cost for them.

14. Our view is that raising the threshold would support competition by reducing costs for small providers and have a negligible impact on the amount that larger providers pay towards the levy. Our proposed changes would mean that only retailers pay the levy as, currently, wholesalers pass the levy costs onto retailers. Implementing the Ministry's recommendations would mean wholesalers would no longer be charged the TDL.

15. During consultation, a majority of larger retailers were confident that wholesalers would pass the savings onto retailers. However, One NZ raised concerns about whether this would happen in practice. The Commission have advised us that 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. Other fibre wholesalers mirror Chorus's prices, so we expect them to similarly pass on savings to retailers. Over the medium and long term, we expect this to translate into lower prices for retailers.

16. The draft Cabinet paper proposes that the revenue threshold should be set at $40 million and reflects our expectation that cost savings for Chorus and other wholesalers will be passed through to retailers.

Proposal to repeal the fibre Layer 1 unbundling requirements

17. The draft Cabinet paper also reflects your decision that the Commission should undertake a further regulatory review of the fibre Layer 1 unbundling requirements. The Commission have agreed to undertake this review from 2026.

Implementation of the recommendations

18. **Attachment 4** – Implementation plan sets out the high-level roadmap for implementation. Most of the Review's recommendations will require amendments to the Telecommunications Act 2001 and relevant secondary legislation, including the Telecommunications Operators (Commerce Commission Costs) Levy Amendment Regulations 2022.

19. The remaining recommendations may be implemented through Letters of Expectation to the Commission, or by direction to MBIE. Three recommendations now include a requirement for regulatory reviews by the Commission and for MBIE to undertake further work.

20. The Commission has advised that it will commence two regulatory reviews from 2026, and the findings of those reviews will be implemented ahead of Chorus's next regulatory review period.

Agency comment

21. We understand that MBIE may put forward an alternative recommendation regarding our proposed changes to the TDL methodology, including:
    a. where we have proposed to merge portions of the Telecommunications Regulatory Levy[4] into the TDL; and
    b. where we have proposed to set the TDL as a fixed percentage of eligible providers' gross telecommunications revenue.
22. MBIE raised concerns that these proposed recommendations may increase the administrative burden on government and decrease the certainty around the amount of the TDL collected year-to-year.
23. Our view is that these potential issues are outweighed by the predictability and simplicity they would bring to industry, which were strongly supported by stakeholders during engagement and consultation on the Review. Accordingly, the draft Cabinet paper reflects this view.

We have attached a draft Cabinet paper and summary report for your consideration

24. We have provided a draft Cabinet paper (**Attachment 1**) for your feedback and agreement, which seeks endorsement of the Review's recommendations. We have also provided a Summary Report (**Attachment 2**) which sets out the Review's approach, findings, and the Ministry's recommendations.
25. We have been granted an exemption from the requirement to provide a Regulatory Impact Statement on the grounds that it would substantively duplicate the Final Report. This exemption is granted on the condition that the report and supplementary Review material contains the key features of a Regulatory Impact Statement. A joint agency panel is reviewing the documentation, and we will include their advice in the updated draft Cabinet paper.

Next steps

26. We will further provide you with the draft Final Report and Summary of Engagement on 13 November 2025 ahead of Ministerial consultation.
27. Following your agreement, the Ministry will undertake agency consultation between 11 and 17 November, before an updated paper is provided to you for Ministerial consultation between 18 and 24 November.
28. The Ministry will provide publishable versions of the Final Report, Summary of Engagement, and the Summary Report on 27 November 2025 for lodgement alongside the final version of the Cabinet paper. This is ahead of EXP on 2 December 2025, and Cabinet decisions on 8 December 2025.

[4] The Telecommunications Regulatory Levy recovers the costs from the Commerce Commission's regulatory work in the telecommunications sector.