



Minister and Portfolio	Hon David Seymour, Minister for Regulation		
Title	Talking points for meeting with Hon Goldsmith - to discuss the provisional recommendations from the Telecommunications Regulatory Review	Number	MFR2025-273
Date	14 October 2025	Security level	IN CONFIDENCE

Purpose

To provide talking points and other material to support your discussion on the Telecommunications Review (the Review) provisional findings and recommendations with Hon Goldsmith, Minister for Media and Communications, at 11:20 am on Wednesday 15 October.

Background

- The Review has developed provisional findings and recommendations shaped by public consultation and sector engagement. These are presented in the 10 October briefing [MFR2025-149 refers].
- Overall, we consider the package of recommendations is well-balanced. It offers simplification and burden reduction for regulated parties while safeguarding consumer interests, particularly in rural and remote areas.
- If the review is fully implemented there is a net benefit/savings of at least \$40-\$50 million over 10 years.
- We are seeking approval to engage with Chorus and Spark as the phase out of the Telecommunications Service Obligations is directly related to the phase out of copper.
- As MBIE has raised concerns (see below) about the changes to the Telecommunications Development Levy (TDL) methodology, we wish to test this with the sector, as this is not the feedback that we have received.

Benefit to stakeholders

- Phasing out the outdated copper network will reduce costs for Chorus and Spark.
- Transitioning from the copper network to satellite services will benefit rural households by giving them access to faster, more reliable broadband services.



	• Removing outdated regulations will benefit fibre wholesalers by reducing burdens, support innovation and investment, whilst retaining necessary safeguards to support competition. • Retailers and wholesalers will benefit from a simplified levy methodology that will significantly reduce administrative and compliance costs.
Purpose of meeting	• To discuss these provisional findings and recommendations, and to agree on next steps. • We propose your discussion focus on areas where there are likely to be different views. We understand from your office that Minister Goldsmith is primarily concerned about these two areas: ○ Proposal to phase out the Telecommunications Service Obligations (TSO); MBIE is seeking further information on the design and possible implementation ○ Proposal to repeal physical Layer 1¹ unbundling; S 9(2)(g)(i) • In addition to these two areas, we understand that MBIE are concerned about the proposals for changing how the telecommunication levies are calculated; MBIE does not agree the proposed changes are simpler for industry and may impose significant transition costs on industry and MBIE.
Talking points	Impact of proposed changes: • As a package the Review recommendations: - Modernise rural connectivity by supporting rural households to transition from outdated copper networks to faster, more reliable satellite services

¹ Layer 1 unbundling lets other businesses install their own equipment on fibre strands. Layer 1 unbundling is meant to support competition at the wholesale level (Layers 1 & 2). Currently, most competition occurs at the retail level (above Layer 2).

Layer 2 is the part of the fibre network that manages how data moves between points, making broadband usable for internet providers and customers. Regulated fibre providers (e.g. Chorus) are generally not allowed to offer services above this level.



- **Streamline the regulatory system** by simplifying complex regulations and removing out of date and unnecessary regulations, reducing burdens on industry
 - **Improve proportionality** by ensuring regulations align with actual levels of risks and reducing burdens on small providers to support competition
- If the review is fully implemented there is a net benefit/savings of at least \$40-\$50 million over 10 years.

Benefit to stakeholders

- The Review offers simplification and burden reduction for regulated parties while safeguarding consumer interests, particularly in rural and remote areas.

Alignment of findings:

- I understand that MBIE and the Commission are broadly comfortable with the recommendations, apart from three areas.

Areas where MfR, MBIE and the Commission are not aligned:

The review proposes to phase out TSO and provide targeted support:

- I agree with the Review's plan to modernise rural connectivity by transitioning from the outdated copper network to satellite services.
- This will reduce costs for industry and benefit rural communities by giving them access to faster, more reliable internet services.
- However, I do think that further targeted engagement with Chorus and Spark, and the sector, will help to better understand how the transition will work in practice.

Proposal to repeal physical Layer 1 unbundling:

- I agree that physical Layer 1 unbundling should be repealed now, rather than waiting for the next regulatory reset, which may be in two or more years.
- The Review found that there is minimal uptake of this service, yet it imposes a cost burden to Fibre providers with little present or future benefit.
- [Alternatively, the Commission could undertake a regulatory review.]

Proposed changes to how the telecommunication levies are calculated:



- I understand the proposed changes broadly align with proposals put forward by the Telecommunications Forum (TCF) and are strongly supported by most respondents.
- Feedback from industry was clear that the recommended approach will be much simpler. The proposed approach is also likely to be simpler for the Commission. Given the differences, I agree that further engagement with industry is needed.

Next steps:

- The Ministry proceed with drafting a Cabinet paper with the Reviews recommendations for our consideration.

Q: How has the Review engaged with the rural sector?

Rural Women submitted a response to consultation. The Ministry were unable to secure meetings with either Rural Women New Zealand or Federated Farmers during the initial stages of the Review.

Federated Farmers informed the Review that they did not submit on the consultation as they are interested in funding and investment in rural connectivity and they are not concerned about the regulations or legislation.

Q: Why does the Review seek to further engage with industry on the proposals for the TSO and Levy design?

The Review seeks approval to further engage with industry to understand how TSO phase out could work in practice – informing further design and implementation thinking.

**Potential Questions
and responses**

On levy design, they have taken consultation feedback into account to refine the proposal. This means that the design is slightly different from the options that were put forward during consultation. The Review seeks to engage with industry to ensure that the current proposed process would work smoothly, and refine levy design further if required.

Q: What are the unintended consequences that MBIE and the Commission are concerned about relating to Fibre Layer 1 unbundling?

Concerns are that this proposal would remove the ability to compete directly with fibre in the future.

The Commission could carry out a regulatory review of Layer 1 unbundling in 2027 (when Anchor Services and GCP are considered) to understand whether current pricing of unbundling is anti-competitive. This option was not consulted on, and the Review is of the opinion that consideration of repeal should be given now.



The Review has also found that other countries do not impose similar requirements. They use software, known as virtual unbundling, instead of requiring fibre providers to maintain physical infrastructure, which has significantly lower costs.

Next steps

We recommend sharing these talking points with Minister Goldsmith ahead of the meeting on Wednesday 15 October.

Author

Amy Alexander – Senior Advisor, Reviews and System Capability

Manager

Cherie Engelbrecht – Manager, Regulatory Reviews