



Telecommunications Regulatory Review revised draft Cabinet paper

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|--------------------------------|--|------------------------|-------------|
| Date | 23 January 2026 | Priority | Medium |
| Security classification | In confidence | Tracking number | MFR2026-010 |
| Attachments | Annex 1: Review recommendations table Annex 2: Changes to draft Cabinet paper Annex 3: Agency consultation feedback Annex 4: Cost-Benefit Analysis report Annex 5: Revised draft Cabinet paper | | |

Action sought

| Required from | Action | Deadline |
|--|---|-----------------|
| Hon David Seymour Minister for Regulation | Agree which Review recommendations you intend to seek endorsement from Cabinet and provide any feedback on the revised draft Cabinet paper Agree to proceed with Ministerial consultation, and, if required, further agency consultation after any feedback is addressed | 27 January 2026 |
| Hon Paul Goldsmith Minister for Media and Communications | | |

Contact for discussion if required

| Name | Position | Phone number | 1 st contact |
|--------------------|--|--------------|-------------------------------------|
| Cherie Engelbrecht | Manager, Reviews and System Capability | S 9(2)(a) | <input type="checkbox"/> |
| Liam Taylor | Principal Advisor, Reviews and System Capability | S 9(2)(a) | <input checked="" type="checkbox"/> |

Minister's office to complete

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by events |
| <input type="checkbox"/> See Minister's notes | <input type="checkbox"/> Withdrawn |

Comments



Telecommunications Regulatory Review revised draft Cabinet paper

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Purpose

This briefing provides advice on the Telecommunications Regulatory Review's (the Review) recommendations and sets out the status of each. Attached for your consideration is a draft Cabinet paper (**Annex 5**). From our engagement with your offices, we understand you intend to seek Cabinet's approval for Minister Goldsmith to issue drafting instructions to the Parliamentary Council Office. This is reflected in the draft Cabinet paper.

Subject to your agreement, it is proposed that Ministerial consultation will be undertaken ahead of the Economic Policy Committee (ECO) meeting on 11 February 2026. We also understand that your offices have asked that agency consultation is also undertaken during that time.

Executive summary

The Review proposes changes towards a modernised, proportionate regulatory framework for New Zealand's telecommunications sector. The Review's recommendations aim to:

- support modern, technology-neutral approaches to rural connectivity and legacy infrastructure
- simplify and streamline rules for fibre services
- simplify the system of consumer protection rules, and ensure regulatory work remains transparent and proportionate
- improve the efficiency and transparency of information-gathering.

If implemented, the package of Review recommendations is estimated to generate \$35-\$45 million in net benefits over ten years for consumers and service providers. Following agency consultation and subsequent direction from your offices, we understand all but four of the 22 recommendations are proposed for Cabinet endorsement, and two require modification.

Recommendations that Cabinet is being asked to endorse

Your offices have indicated that you intend to invite Cabinet to:

- endorse Review recommendations 2-9, 12, 14, 16-19, and 21-22, which support simplification, reduced regulatory burden and increased transparency and technology neutrality
- endorse modified recommendations 1 and 20:
 - Review recommendation 1 will progress the phase-out of the Telecommunications Service Obligations (TSOs) but without targeted financial support, due to affordability of alternatives and fiscal constraints
 - Review recommendation 20 will be strengthened by introducing a higher, more specific threshold for Commerce Commission consumer protection interventions



- not progress Review recommendation 10 due to concerns about competition impacts, noting that the Commerce Commission will be encouraged to commence a Layer 1 unbundling review in 2026
- not progress Review recommendations 11, 13, and 15, which relate to the telecommunications levies, due to concerns that the proposed levy model was no simpler than the status quo and created fiscal risk to the Crown.

Impacts

The proposed Review recommendations set out in the attached draft Cabinet paper will:

- enable modernisation of rural connectivity but may draw criticism from rural groups due to the removal of financial support for low-income households transitioning off copper
- maintain current levy models, avoid under or over-recovery risks for the Crown, reduce compliance costs and improve transparency
- simplify the rules for consumer protection to increase the system's effectiveness
- support competition while ensuring regulatory interventions target only serious or systemic harm
- increase evidence thresholds for consumer protection rules, reducing regulatory intervention unless serious or systemic harm is demonstrated
- modernise and simplify the fibre regulatory system and reduce regulatory burdens for fibre companies.

Next steps

Following your agreement:

- The Ministry will update the Cabinet paper to incorporate any feedback.
- Ministerial consultation is intended to be conducted between 28 January and 3 February. If agency consultation is required, it will be conducted concurrently.
- Lodgement is intended on 4 February, ahead of the Cabinet Economic Policy Committee (ECO) on 11 February and Cabinet on 16 February.
- We will proactively release this briefing after Cabinet decisions are announced, subject to necessary redactions under the Official Information Act 1982.



Recommended Action

The Ministry for Regulation recommends that you:

| | <i>Minister for Regulation</i> | <i>Minister for Media and Communications</i> | |
|------------------------|--|--|-------------------------|
| Review Recommendations | | | |
| a | note Annex 1 sets out the Telecommunications Regulatory Review (Review) recommendations and how these have been reflected in the attached draft Cabinet paper, along with advice regarding possible impacts | <i>Noted</i> | <i>Noted</i> |
| b | agree to seek Cabinet endorsement of Review recommendations 2-9, 12, 14, 16-19, and 21-22 (as listed in Annex 1) | <i>Agree / Disagree</i> | <i>Agree / Disagree</i> |
| c | agree to seek Cabinet endorsement with modifications for Review recommendation 1 to proceed with phasing out the TSO without targeted financial support measures | <i>Agree / Disagree</i> | <i>Agree / Disagree</i> |
| d | agree to seek Cabinet endorsement with modifications for Review recommendation 20 to replace the “principles” test with a stronger, specific threshold for consumer protection interventions | <i>Agree / Disagree</i> | <i>Agree / Disagree</i> |
| e | agree to not progress Review recommendation 10, noting that the Commerce Commission will be invited to commence a review of Layer 1 unbundling in 2026 | <i>Agree / Disagree</i> | <i>Agree / Disagree</i> |
| f | agree to not progress Review recommendations 11, 13 and 15, which relate to the levy models | <i>Agree / Disagree</i> | <i>Agree / Disagree</i> |
| g | agree to progress a recommendation to create a regulation-making power in the Telecommunications Act 2001 so that the design of the Telecommunications Development Levy can be set in regulation | <i>Agree / Disagree</i> | <i>Agree / Disagree</i> |
| h | agree to direct the Ministry for Regulation to undertake agency consultation on the draft Cabinet paper | <i>Agree / Disagree</i> | <i>Agree / Disagree</i> |

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**Ministry for Regulation
Te Manatū Waeture**

i **agree** to undertake Ministerial consultation on the draft Cabinet paper, after any feedback is addressed, with the aim of the paper being considered at the Cabinet Economic Policy Committee (ECO) on 11 February 2026.

Agree / Disagree

Agree / Disagree

*Minister for
Regulation (only)*

Proactive release

j **agree** that this briefing is not published until Cabinet decisions on the Review's recommendations are announced

Agree / Disagree

S 9(2)(a)

Adam Jackson
**Acting Deputy Chief Executive,
Reviews & System Capability**
Ministry for Regulation
Date: 22 January 2026

Hon David Seymour
Minister for Regulation
Date:

Hon Paul Goldsmith
**Minister for Media and
Communications**
Date:



Background

1. On 6 November 2025, we provided you with a preliminary summary report, a draft Cabinet paper, themes and recommendations from the Telecommunications Regulatory Review (Review), and a draft implementation plan.
2. You authorised us to proceed with agency consultation, which we conducted from 13 to 19 November 2025.
3. On 28 November 2025, your offices requested further information to inform Ministerial decisions on the draft Cabinet paper. This included options for how to word recommendations to give effect to introducing a high threshold for consumer protection intervention and the impact of only charging the Telecommunications Development Levy (TDL) to retailers. We were also directed to provide advice on the regulation around phone booths.
4. On 19 December, having made these requested changes, we provided you with an updated Cabinet paper.
5. On 22 December 2025, we were advised that Minister Goldsmith requested further advice on the status of the recommendations and further changes to the Cabinet paper in relation to the proposed levy model. Minister Goldsmith's office has also sought clarification on the estimated savings should the recommendations be fully implemented.
6. The annexed draft Cabinet paper incorporates the further changes, and this briefing includes the further advice requested. It is estimated that these recommendations will generate a net savings/benefit of at least \$35 to \$45 million over ten years for consumers and service providers.
7. We understand that your offices have asked that agency consultation also be undertaken on the revised draft Cabinet paper.

Status of the Review Report's Recommendations

Review Recommendations

8. The Review report made 22 recommendations that will modernise rural connectivity, streamline the regulatory system, and improve proportionality. The Review's findings and recommendations were peer-reviewed by Motu Research, an independent economics and public policy institute. They found that the Review's recommendations are well supported by evidence and will support modernisation, simplification, and proportionality, and improve regulatory alignment between New Zealand and similar jurisdictions.
9. **Annex 1** outlines the Review's recommendations and our understanding of which recommendations are being progressed, which are being progressed with modifications and which will not be progressed at this time. It also provides the reasons for those changes, and the potential impacts of those departures.

Recommendations that you wish to seek Cabinet's agreement to endorse

10. Your offices have advised that you intend to ask Cabinet to endorse all but four of the recommendations. These recommendations can be grouped into five areas:



- Simplification of the rules for consumer protection
- Access and affordability of telecommunications services
- Streaming the regulatory regime for fibre
- Enacting changes that address concerns about resource intensive information requests
- Enabling modernisation and technology neutrality.

Recommendations that you have modified

11. Your offices have advised that while there is general agreement with two other Review recommendations, Cabinet will be asked to agree a modified approach to them.
12. The proposal to phase out the Telecommunications Service Obligation (**Recommendation 1**) is being modified so that the phase-out proceeds, but without targeted financial support for low-income households. This change reflects a view that alternative technologies are now sufficiently affordable that financial assistance is not required, and that providing such support would not represent value for money in a tight fiscal environment.
13. Removing the financial support component, however, creates a risk that some low-income rural households will struggle to transition to new technologies such as satellite services, particularly given the relatively high one-off installation costs. There is also a broader risk that the policy could be seen as removing services from rural communities rather than modernising them, which may draw criticism from consumer and rural groups.
14. The Review's recommendation relating to consumer protection (**Recommendation 20**) is being modified to introduce a stronger and more specific threshold that the Commerce Commission must meet before it can impose new consumer protection measures. This modification is intended to ensure regulation focuses on serious or systemic harm to consumers or competition. A higher threshold will make it more challenging and potentially more resource-intensive for the Commission to introduce new consumer protection rules, as it will need to meet stricter evidence requirements before acting.

Recommendations that your offices intend not to progress

15. We understand your offices have agreed to not progress four of the Review recommendations: 10, 11, 13 and 15.
16. The Review's recommendation to repeal physical Layer 1 unbundling (**Recommendation 10**) is not being progressed due to concerns that removing the requirement could harm future competition. As a result, fibre wholesalers will need to continue providing infrastructure that is rarely used, which one provider estimates will cost around \$4 million over ten years.
17. Instead of repeal, the Commerce Commission will be encouraged to carry out a regulatory review of Layer 1 unbundling in 2026, which we understand they have agreed to do. This decision may attract criticism from wholesalers but is likely to be supported by retailers who want to retain unbundling as a potential future competitive tool.
18. The Review's recommendation to move to a retailer-only levy and to base the levy on "gross revenue" (**Recommendation 11**) is not being progressed as we understand that there are concerns that wholesalers may not pass levy savings on to retailers, which could lead to price increases for consumer. In a worst-case scenario where no savings are passed on, the price



increase would amount to 5 cents on an average monthly household bill of \$100. 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 more competitive markets, this pass-through is likely to be greater. In this instance, there is a level of retail competition that implies there would be a reasonable level of pass-through, consistent with retailers' views on pass-through.

19. There is also a risk that using “gross revenue” could lead to double-charging on costs paid between wholesalers and retailers. This could provide a small advantage to vertically integrated providers (such as Starlink) over retailers who buy wholesale services (such as Spark, OneNZ and 2Degrees). Vertically integrated providers are largely smaller or medium-sized providers and if **Recommendation 12** to raise the levy threshold proceeds, Starlink would be the only vertically integrated provider within scope of the levy. Analysis of levy data suggests any advantage to vertically integrated providers is unlikely to be material.
20. Not progressing this recommendation means:
 - **Levy payers:** Wholesalers will remain within scope of the levy. The impact is not expected to be material as wholesalers pass levy costs on to retailers in full already. Major retailers were split on this issue § 9(2)(g)(i)
 - **Levy method:** The levy will continue to be calculated using “qualified revenue”. This will require telecommunications providers to continue carrying out complex calculations and maintaining bespoke accounting practices for the purpose of calculating their levy liability. All major retailers (other than Starlink) viewed the qualified-revenue calculation as burdensome and may criticise the decision to retain it. There is also a small risk that it reduces the benefits of removing audit requirements (**Recommendation 16**). The complexity of methodology means the Commerce Commission may use enforcement powers to compel providers to provide assurance more frequently than if the levy was based on “gross revenue” information from the annual accounts of providers.
21. We note, however, that Review recommendations 12 and 16, which your offices have indicated will be progressed, will raise the TDL threshold to \$50 million and remove external auditing requirements for levy payers. These changes will remove some administrative complexity from the levy model.
22. Currently the methodology used to determine the TDL is set in primary legislation, whereas the methodology used to determine the TRL is specified in regulations. As part of the implementation, the Review recommended moving the Telecommunications Development Levy (TDL) methodology from primary legislation into regulations to align with how the methodology for the TRL is treated. From a regulatory design perspective, it is more appropriate for the methodology to be specified in regulations as it makes it easier to adjust to changing circumstances and make other improvements in the future.
23. This recommendation was included in the draft Cabinet paper provided to you on 19 December 2025 but has subsequently been removed as it was unclear what decisions were made on this issue. We understand that MBIE does not support moving the methodology to regulations.



24. The Review's recommendation to merge the Telecommunications Regulatory Levy (TRL) with the Telecommunications Development Levy (TDL) (**Recommendation 13**) is not being progressed because the TDL and TRL are calculated differently, so two calculations would still be required even if the two levies were merged. The TDL and TRL also have different purposes and combining them reduces clarity about what levy payers are contributing to. This recommendation was intended as a minor administrative adjustment as a consequence of making the TDL a retailer-only levy. Not progressing it will not have a material impact.
25. The Review's recommendation to adopt a fixed-percentage levy model (**Recommendation 15**) is not being progressed due to concerns that the small increase in certainty for levy payers does not outweigh the risk of over or under-recovery of levies, which has associated fiscal risks for the Crown. The effect of not progressing this change is that industry will continue to face uncertainty about their levy liability from year to year, although the Crown will retain certainty about its revenue. We note that MBIE modelling shows that under the current TDL calculation model, as a percentage of overall industry revenue, the TDL varies on average by only 0.1% over a five-year period. However, not progressing this recommendation is likely to attract criticism from providers, the majority of whom strongly supported this change.
26. The table attached as **Annex 2** details the changes that have been made to the Cabinet paper since the last version we provided on 19 December 2025.

Further advice on estimated savings should the Review recommendations be fully implemented

27. The cost-benefit analysis (CBA) report, which is Appendix Three to the Review report, was completed by the Ministry's Chief Economist, externally peer reviewed by Motu, and tested with subject matter experts at both MBIE and the Commerce Commission. It sets out the methodology used to calculate the estimated savings resulting from the Review's recommended changes to the TSO. A copy is attached at **Annex 4**.
28. Minister Goldsmith's office requested clarification on the below statement from the CBA:

“Net consumer surplus benefits of \$24m in 2025 present value terms are expected over a 10-year timeframe. This consists of the benefit to consumers currently on the copper network who are able to transition to lower-priced mobile or fixed wireless services, net of some costs to copper customers who only have the option to transition to higher-priced satellite services.”
29. Phasing out the TSO allows Chorus to more quickly transition customers off copper and on to (generally) lower-priced alternative technologies. While access to these technologies is not changing as a result of the Review, the phase out of the TSO does change the speed with which customers can transition to these technologies.
30. Minister Goldsmith's office also sought clarification on the estimated \$15 million in savings for Chorus through reduced copper network maintenance. Clarification was sought on the basis for the calculation and, specifically, whether it was calculated based solely on the number of TSO customers or whether it included wider copper deregulation.
31. The savings were calculated based on all copper customers, although we also sensitivity-tested a result with only the TSO customers. It is plausible that the ongoing requirement to maintain the TSO in the counterfactual affects not only TSO customers but also non-TSO rural



copper connections. This is because Chorus would need to continue to maintain the copper network (to support the TSO) in the counterfactual and may therefore have weaker incentives to transition both TSO and non-TSO rural customers off the copper network.

Results of the agency consultation undertaken in November 2025

32. We received comments from the Ministry of Foreign Affairs and Trade and New Zealand Police, all of which have been reflected in the attached draft Cabinet paper.
33. We also received feedback from the Ministry for Primary Industries and the Treasury regarding the proposals relating to modernising rural connectivity and emergency services dependences, affordability, consultation and transitional gaps, and streaming the regulatory regime for fibre. While we have reflected some of their comments in the attached draft, the table in **Annex 3** sets out their comments and the rationale for comments that are not reflected.

Risks

34. We have provided a table (attached as **Annex 1**) that sets out the Review's recommendations; your decisions on whether to progress, modify, or not progress each recommendation; and the impacts of those decisions. We understand that you wish for agency consultation to occur on the revised draft Cabinet paper. To meet the requested deadline (11 February ECO meeting), agency consultation would need to occur concurrently with Ministerial consultation. There is a risk that further changes will need to be made which may impede timeframes.

Next steps

35. We will make any further changes to the draft Cabinet paper as required, ahead of and subsequent to Ministerial and agency consultation.
36. We understand the Minister for Regulation's office will lead Ministerial consultation on the Cabinet paper. This is expected to be undertaken between 28 January and 3 February to be lodged in time for the Economic Policy Committee (ECO) meeting on 11 February 2026. We understand Minister Goldsmith also intends to bring a Cabinet paper on copper withdrawal to this meeting.
37. The proposed forward timeline is as follows:

| Date | Action |
|-------------------------|---|
| 28 January – 3 February | Ministerial and agency (if required) consultation |
| 4 February | Lodgement |
| 11 February | ECO Committee |
| 16 February | Cabinet |



Proactive release

38. With your agreement, the Ministry will proactively release this paper at the appropriate time in accordance with Official Information Act 1982 and Privacy Act 2020 requirements, to support transparency and public trust in decision-making processes.
39. We intend to proactively release this paper after Cabinet decisions on the Review's recommendations are announced.



Annex 1: Review recommendations table

| Review Recommendation | Seeking Cabinet endorsement, modified, or not progressing | Reason for change | Impact of changing or not progressing Review recommendation |
|--|--|--|---|
| 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. | Modified – focus on phase out without providing financial support | Your offices intend that the financial support element of the recommendation should not be progressed on the basis that: <ul style="list-style-type: none"> alternative technologies are sufficiently affordable that financial support is not needed to facilitate a transition given the tight fiscal environment, financial support would not represent value for money | Not providing financial support for low-income rural households to transition to newer technologies (such as satellite connections) will create costs for such households and creates a risk that some households do not have access to telecommunication services (e.g. if they cannot afford the relatively high but one-off set up costs for a satellite connection). It also creates a risk that the policy is perceived as removing services from rural communities rather than modernising services for rural communities. It may draw criticism from consumer and rural groups. |
| Recommendation 2: Clarify the rules for phone booths to ensure that the rules are technology neutral, encouraging modernisation. | Seeking Cabinet endorsement | | |
| Recommendation 3: The Commerce Commission should review Anchor Services in 2026. | Seeking Cabinet endorsement | | |
| 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. | Seeking Cabinet endorsement | | |
| 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. | Seeking Cabinet endorsement | | |
| Recommendation 6: Streamline the exemption process for fibre services above Layer 2 by removing mandatory consultation unless an exemption could | Seeking Cabinet endorsement | | |

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| Review Recommendation | Seeking Cabinet endorsement, modified, or not progressing | Reason for change | Impact of changing or not progressing Review recommendation |
|--|---|---|--|
| 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. | Seeking Cabinet endorsement | | |
| Recommendation 8: Remove all shareholder caps from Local Fibre Companies' constitutions. | Seeking Cabinet endorsement | | |
| Recommendation 9: Review legacy instruments, retain only relevant obligations by consolidating them into one modern instrument (legislation or deed), and repeal the rest. | Seeking Cabinet endorsement | | |
| Recommendation 10: Repeal physical fibre Layer 1 unbundling requirements. | Not progressing | Your offices intend not to progress this recommendation due to concerns that it may have an adverse impact on competition. | <p>Not progressing this recommendation will mean that there is an ongoing cost imposed on fibre wholesalers as they continue providing additional infrastructure that is rarely used. For example, one provider has advised their costs to be between \$4m over 10 years.</p> <p>Instead, we are proposing that the Commission be encouraged to undertake a regulatory review of Layer 1 unbundling, beginning in 2026. We understand the Commission has agreed to this timing.</p> <p>Not progressing this recommendation may draw some criticism from wholesalers. However, it is likely to be welcomed by retailers who supported maintaining this requirement as a potential future option for competition if there is a market shift that could make retailing unbundled fibre economically viable.</p> |
| 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. | Not progressing | <p>Your offices intend not to move to a retailer only levy due to a concern that wholesalers would not pass levy savings onto retailers, which could lead to price increases for consumers. In a worst-case scenario where no savings are passed on the price increase would be 5 cents on an average monthly household bill of \$100.</p> <p>Your offices intend to base the levy on 'qualified revenue' due to a concern that shifting to 'gross revenue' could</p> | <p>This recommendation encompassed two changes.</p> <ol style="list-style-type: none"> 1) Charging the levy only on retailers. Not progressing this recommendation will mean that wholesalers will remain in scope of the levy. The impact is not expected to be material as wholesalers pass levy costs onto retailers in full anyway. Major retailers were split on this issue (with Spark and 2 Degrees supporting a retailer only levy and One NZ preferring wholesalers to remain in scope). 2) Changing the basis of the levy from 'qualified revenue' to 'gross revenue'. Not progressing this recommendation will mean the levy will continue to be charged on 'qualified revenue'. It will require telecommunications providers to continue carrying out |



| Review Recommendation | Seeking Cabinet endorsement, modified, or not progressing | Reason for change | Impact of changing or not progressing Review recommendation |
|---|---|---|---|
| | | lead to double charging on costs paid between wholesalers and retailers. It may also provide a small advantage to vertically integrated providers (such as Starlink), who would be the only vertically integrated provider within scope of the levy once the threshold is increased) over retailers who have to purchase wholesale services (such as Spark, One NZ and 2Degrees). | complex calculations and maintaining bespoke accounting practices solely for their purpose of calculating their levy liability. All major retailers (apart from Starlink) identified the 'qualified revenue' calculation as burdensome so may criticise retaining this level of complexity. We note that Recommendations 12 and 16, which your offices intend to progress, will raise the TDL threshold to \$50 million and remove external auditing requirements for levy payers. These changes will remove some administrative complexity from the levy models. |
| 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. | Seeking Cabinet endorsement | | |
| 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. | Not progressing | Your offices intend not to progress this recommendation because the TDL and TRL are calculated differently, so two calculations would still be required even if the two levies were merged. The TDL and TRL also have different purposes and combining them reduces clarity about what levy payers are contributing to. | This recommendation was intended a minor administrative fix as a consequence of making the TDL a retailer only levy. Not progressing it will not have a material impact. |
| 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. | Seeking Cabinet endorsement | | |
| 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. | Not progressing | Your offices intend not to progress this recommendation due to concerns that the small increase in certainty for levy payers does not outweigh the risk of over or under-recovery of levies, which has associated fiscal risks for the Crown. | There is a trade-off between certainty for industry about their levy liabilities and certainty for government about the amount of revenue collected. Not progressing this recommendation will maintain certainty for the Crown, but it will mean that there will continue to be a degree of uncertainty for providers about their levy liabilities. We note MBIE modelling shows that under the current TDL calculation model, as a percentage of overall industry revenue, the TDL varies on average by only 0.01% over a five-year period. However, not progressing this recommendation is likely to attract criticism from providers, the majority of whom strongly supported this change. |
| Recommendation 16: Remove the requirement for financial information to be externally audited and provide the | Seeking Cabinet endorsement | | |

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| Review Recommendation | Seeking Cabinet endorsement, modified, or not progressing | Reason for change | Impact of changing or not progressing Review recommendation |
|---|---|--|---|
| Commerce Commission with additional enforcement powers. | | | |
| Recommendation 17: Remove the statutory role of the New Zealand Telecommunications Forum in making retail service quality rules. | Seeking Cabinet endorsement | | |
| 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. | Seeking Cabinet endorsement | | |
| 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. | Seeking Cabinet endorsement | | |
| Recommendation 20: Require the Commerce Commission to consider the principles of proportionality, transparency, and accountability when developing consumer protection measures. | Modified – introduce a stronger and more specific threshold for intervention | Your offices intend to modify the approach to create a higher threshold that the Commission must meet before it can introduce consumer protection measures so that regulations focus on serious and systemic harm to consumers and/or competition. | This will make it more difficult for the Commerce Commission to introduce regulation for consumer protection matters going forward as they will need to demonstrate a higher evidence threshold for doing so. |
| Recommendation 21: Require the Commerce Commission to consider the principles of proportionality, transparency, and accountability when requiring information from industry to fulfil its functions. | Seeking Cabinet endorsement | | |
| Recommendation 22: The Commerce Commission should further increase transparency when requiring information for market monitoring. | Seeking Cabinet endorsement | | |



Annex 2: Changes to draft Cabinet paper

Minor technical changes have been made throughout, including updating the numbering of Review Recommendations due to the addition of the phone booth issue to the Review report, as directed. Substantive changes are detailed in the table below.

| | |
|--|--|
| Cabinet Committee | Cabinet Expenditure and Regulatory Review Committee (EXP) has been changed to Economic Policy Committee (ECO) |
| Paragraph 8 | Added detail on the subject matter of the two Bills currently before the House related to the telecommunications sector |
| Paragraph 15 | Increased the number of Review recommendations you are not seeking Cabinet endorsement of from two to four |
| Paragraph 22 | Replaced the paragraphs that addressed revising and withdrawing Review recommendations about how telecommunications levies are calculated with a statement highlighting the three levy-related Review recommendations that are being progressed (12, 14 and 16) |
| Levy subheading | Changed “Simplifying the levy methodology” to “Improvements to telecommunications levy models” |
| Paragraph 38 | Changed “maintaining” the 111-service to “upgrades of” the 111-service |
| Paragraphs 39-41 | Replaced language that recommended reforming the TDL and TRL so that they are charged on gross telecommunications revenue with a statement that the Report recommendation to change the levy model to a fixed percentage approach and retailer-only pose a risk of over and under-recovery and proposing to progress three of the Report’s levy recommendations (12, 14 and 16). |
| Paragraph 42 | Removed the statement that the levy threshold will need to be reviewed if the levy size is changed. |
| Recommendation 3 | Revised to align with paragraphs 39-41. |
| Appendix Two | |
| <ul style="list-style-type: none"> Deleted recommendation agreeing to create a regulation making power in the Act that allows design of the Telecommunications Development Levy to be set in regulations through an Order in Council Deleted recommendation noting that detailed design of the TDL is already set out in regulations Deleted recommendation that design of the TDL and TRL are reformed to be charged on gross telecommunications revenue rather than qualified revenue Deleted the recommendation to review the revenue threshold if the levy size is changed Added language clarifying that the offence for not complying with an audit requirement should be in line with other offences for not complying with new Commission notices Deleted authorisation for Minister for Media and Communication to undertake further engagement with telecommunications operators | |



Annex 3: Agency consultation feedback

| Comment/Recommendation | Rationale |
|---|---|
| <p>MPI recommend attaching rural deployment obligations to levy-exempt providers, mandate annual reporting on levy-funded rural investments, incorporate rural weighting in levy calculations, and enforce compliance to maintain rural connectivity.</p> | <p>The additional measures suggested would add significant complexity to the redesigned levy process, creating additional burdens on small providers.</p> <p>The Cabinet paper proposes that MBIE undertake annual reporting on how the levy funds are spent for transparency. This would include where levy funding is allocated to rural investments.</p> |
| <p>MPI recommend formalising targeted measures, including financial support for low-income households, technical assistance for alternative technologies (satellite/wireless), backup power solutions, and a monitoring framework to track rural household transitions.</p> | <p>We understand that you have not currently agreed to providing financial support as alternative technologies are now sufficiently affordable that financial assistance is not required, and that providing such support would not represent value for money in a tight fiscal environment.</p> |
| <p>MPI recommend maintaining current pricing until affordability reviews are complete, introduce rural affordability measures (price caps, rural affordability index), conduct targeted rural engagement, formal rural impact assessments, and develop a coordinated rural transition plan with emergency-connectivity safeguards.</p> | <p>S 9(f)(iv) [Redacted]</p> |
| <p>The Treasury considers there are risks that the shareholder restrictions are intended to mitigate. While there are other legislative protections that can manage these risks, Treasury acknowledges prior MoFs have continued to rely on the restrictions and discretion to not allow for increases in share ownership, notwithstanding these protections. In addition, there are implementation issues that will need to be considered as part of the constitutional amendments. Further, as this change requires MoF's approval as it falls within her Ministerial responsibilities, specific advice is required to support this decision.</p> | <p>The Minister for Regulation's office has directed us not to change the Cabinet paper. We understand that the Treasury will be briefing their Minister. To this end, we have provided them with additional material and have offered to review any advice.</p> |



Annex 4: Cost-Benefit Analysis

Proactive release note:

The Cost-Benefit Analysis is available on the Ministry for Regulation website: <https://www.regulation.govt.nz/assets/Publication-Documents/Appendix-3-Cost-Benefit-Analysis-of-Proposed-Regulatory-Changes-to-the-Telecommunications-Service-Obligation.pdf>



Annex 5: Revised draft Cabinet paper

Proactive release note:

The draft Cabinet paper 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/>