FINAL

ISBN: 978-1-991414-83-0

Mobile Termination Access Service (MTAS) investigation under Schedule 3 of the Telecommunications Act 2001 (Act)

Final Report on whether MTAS should be omitted from Schedule 1 of the Act

The Commission | Tristan Gilbertson
Nathan Strong
Loretta Lovell

Date 16 March 2026

Associated documents

Publication date	Reference	Title
16 June 2010	N/A	Reconsideration Report on whether the mobile termination access services (incorporating mobile-to-mobile voice termination, fixed-to-mobile voice termination and short-message-service termination) should become designated or specified services
5 May 2011	ISBN 978-1- 869451-48-6	Standard Terms Determination for the designated services of the mobile termination access services (MTAS) fixed to-mobile voice (FTM), mobile-to-mobile voice (MTM) and short messaging services (SMS)
23 September 2015	N/A	Consideration of whether to commence an investigation into whether to omit the Mobile Termination Access Services from Schedule 1 of the Telecommunications Act 2001
2 September 2020	ISSN 1178-2560	Final decision on Mobile Termination Access Services (MTAS) - Final decision on whether to commence an investigation under clause 1(3) of Schedule 3 of the Telecommunications Act
25 March 2025	ISBN 978-1-99-133237-0	Final decision for Mobile Termination Access Service (MTAS) on whether to commence an investigation under clause 1(3) of Schedule 3 of the Telecommunications Act
5 November 2025	ISBN 978-1-991414-28-1	Mobile Termination Access Service (MTAS) investigation under Schedule 3 of the Telecommunications Act – Draft Report on whether MTAS should be omitted from Schedule 1 of the Act

Glossary

Table of terms and abbreviations

Act	Telecommunications Act 2001	
AMR	Annual monitoring reports	Reports of information gathered by the Commerce Commission under our section 9A powers
A2P	Application-to-person	Any kind of message traffic in which a person is receiving messages from an application rather than another individual, such as appointment reminders, bank notifications, verification codes and one-time passwords (OTPs), shipping updates, or marketing messages/promotional offers
CAGR	Compound annual growth rate	The annualised growth rate for compounding values over a given time period
CDMA	Code-division multiple access	A technology that connects mobile phones to a network, often without using SIM cards
Commission	The Commerce Commission	
CPP	Calling party pays	A basis for billing where the party making the call is responsible for paying the call charges
End-User		A person who is the ultimate recipient of a service or of another service whose provision is dependent on a service
FTF	Fixed-to-fixed	Calls from a fixed network to a fixed network
FTM	Fixed-to-mobile	Calls from a fixed network to a mobile network
FWA	Fixed wireless access	Services delivered to a fixed address over wireless (usually cellular in NZ)
GSM	Global system for mobile communications	A technology that connects mobile phones to a network using SIM cards
IPP	Initial pricing principle	The initial setting of a regulated price, usually by benchmarking similar services in comparable countries
MNO	Mobile network operator	An operator of a mobile network
MTAS	Mobile termination access service	A regulated telecommunication service that provides for the termination on a cellular mobile network of voice calls and SMS; MTAS is a designated access service listed in Subpart 1 of Part 2 of Schedule 1 of the Act
MTF	Mobile-to-fixed	Calls from a mobile network to a fixed network
MTM	Mobile-to-mobile	Calls from a mobile network to a mobile network

Table of terms and abbreviations

MTRs	Mobile termination rates	Charges for completion of calls originating on another network and terminating on a mobile network
MVNO	Mobile virtual network operator	A retailer of mobile services who does not own a network, but buys services (call minutes, SMS, data) in bulk from an MNO and resells them
On-net		When a call or message originates and terminates on the same network
Off-net		When a call or message originates on one network and terminates on a different network
OTT	Over-the-top	Application-based services that allow end-users to access internet-based communications services (such as voice calls and messaging) eg, WhatsApp, Facebook Messenger, Microsoft Teams, Apple Facetime, Google Meet, Instagram, Zoom, Viber, WeChat
P2P (SMS)	Person-to-person	A text message exchanged directly between individual end-users, as opposed to messages sent by applications or automated systems
Reasonable Grounds Assessment		The Commission's consideration under clause 1(3) of Part 1 of Schedule 3 of the Act, at intervals of not more than five years of whether there are reasonable grounds for commencing an investigation into whether MTAS should be omitted from Part 2 of Schedule 1 of the Act under section 66(1)(b) of the Act
RSQ	Retail service quality	Relating to provisions in Part 7 of the Act intended to improve retail service quality of telecommunication services
SMP	Significant market power	A position of economic strength that allows a firm to influence market conditions and act independently of competitive pressure
SMS	Short messaging services	A service offered over a mobile network that allows customers to send and receive short text-based messages
STD	Standard terms determination	A determination issued under section 30 of the Act that details the price and non-price terms under which a regulated service must be offered
UMTS	Universal mobile telecommunications system	A technology that connects mobile phones to the internet and make calls using 3G speeds
VoIP	Voice over internet protocol	One of a series of protocols for carrying voice over broadband

Table of Contents

Executive summary

X1 **The Commerce Commission (Commission) recommends that the Mobile Termination Access Service (MTAS) be removed from regulation under Schedule 1 of the Telecommunications Act 2001 (Act). Regulation introduced in 2010 helped support the entry and growth of 2degrees as a third nationwide mobile network operator. The mobile market has since matured to the point where continued regulation is no longer required to promote competition for the long-term benefit of end-users.**

X2 Traditional telecommunications services rely on interconnection arrangements between providers to ensure communications flow across different networks. MTAS regulates these interconnection arrangements and enables voice calls and text messages to be completed when they are sent between different mobile networks.

X3 MTAS includes the termination of mobile-to-mobile (**MTM**) and fixed-to-mobile (**FTM**) voice calls, and short messaging services (**SMS**). It was regulated in 2010 to address competition concerns, particularly the impact of high mobile termination rates (**MTRs**) and significant on-net/off-net pricing differentials, which created barriers for new entrants such as 2degrees and distorted competition in the market. Regulated MTRs were determined by the Commission in 2011 and played a crucial role in enabling 2degrees to grow and compete effectively.

X4 In March 2025, as part of our regular review of the service, we found there were reasonable grounds to commence an investigation into whether MTAS should be omitted from Schedule 1 of the Act.

X5 This report confirms our final recommendation to the Minister for Media and Communications (**Minister**) that MTAS should be omitted from Schedule 1 of the Act. Our recommendation is based on the following key developments:

X5.1 **Market structure**: 2degrees has established itself as a strong third mobile network operator (**MNO**), contributing to a more competitive market landscape. Importantly, traffic between the three MNOs is broadly symmetric, reducing the potential for strategic pricing advantages.

X5.2 **Usage trends:** SMS volumes have experienced sharp and consistent year-on-year declines since 2012/13, largely due to the rise of internet-based messaging apps. Fixed call minutes have steadily declined since 2008/09, reflecting a long-term shift away from traditional landline usage and reducing the relevance of FTM traffic as a source of pricing leverage. Similarly, mobile call minutes appear to have peaked in 2021/22, consistent with this wider pattern of structural decline.

X5.3 **Competitive dynamics**: MNOs now have limited incentives to increase MTRs. Retail competition has shifted away from focusing on voice services and SMS toward data-centric and bundled offerings, reducing the strategic importance of termination rates. This is further reinforced by the current market structure and distribution of market share, where all three MNOs have established positions and no operator stands to gain significantly from increasing MTRs.

X5.4 **Over-the-top (OTT) services**: OTT services such as Facebook Messenger and WhatsApp now offer free messaging and calling with enhanced features, widely adopted by consumers with internet access. These services bypass mobile termination and provide an indirect competitive constraint on traditional voice and SMS offerings, particularly if retail prices were to increase.

X5.5 **Price pass-through**: Retail mobile plans typically bundle voice services and SMS, often with unlimited usage alongside data, meaning that MTRs are not directly passed through to consumers. This weakens the link between MTRs and retail pricing. Together with the availability of OTT services, this further reduces the relevance of MTRs in the current market.

X5.6 **Market entry**: While mobile virtual network operator (**MVNO**) market share has been increasing, these operators acquire wholesale capacity from MNOs and do not control termination rates, limiting their impact on wholesale dynamics. Discriminatory behaviour by MNOs is unlikely under current, more mature market conditions, but if it arose for any potential future entrant, we retain the ability to address it through competition or regulatory action.

X6 Taken together, these developments reflect a significant shift in consumer behaviour and market dynamics over the past 15 years, indicating that the need for regulation has reduced and may no longer be warranted.

X7 We received submissions supporting and opposing our draft recommendation to omit MTAS from Schedule 1 of the Act. Spark, One NZ and 2degrees support removal. They pointed to a mature, data-centric retail market in which voice/SMS are no longer material differentiators and OTT services exert competitive pressure. However, Symbio, Pivotel, Virtutel and Blue Reach oppose removal. They argue that termination remains a bottleneck on each network at the wholesale level, leaving non-MNO providers exposed to the risk of adverse changes in termination arrangements.

X8 Having considered these submissions, our view remains that deregulating MTAS is the action that will best promote competition in the mobile termination market as a whole, for the long-term benefit of end-users, given the market changes we have observed. The key question is whether operators have the incentive and the ability to use their bottleneck position in a way that harms competition or end-users. We consider that current market conditions materially limit the incentive and the ability of operators to increase termination rates in a way that could be sustained or result in harm to end-users. The following factors in particular, point to deregulation:

X8.1 The data-driven retail market and decline in usage of traditional calls and SMS;

X8.2 The high degree of reciprocity of traffic flows and MTAS revenue across MNOs;

X8.3 The declining relevance of regulated elements within retail bundles; and

X8.4 The availability of OTT alternatives that bypass MTAS and provide indirect competitive constraints that are likely to continue to operate at the retail level in the event of deregulation of MTAS.

X9 Having regard to the requirement under the Act to assess MTAS **as a whole**, in light of changes in the market since regulation was introduced 15 years ago, we have concluded that regulation is no longer required to promote competition for the long-term benefit of end-users. Our final recommendation is therefore that MTAS should be omitted from Schedule 1 of the Act.

X10 Finally for completeness, we note that concerns arose with respect to application-to-person (**A2P**) messaging during our investigation. A2P services are not currently regulated and are outside the scope of our investigation. However, we are looking into these concerns separately under the Commerce Act 1986 (**Commerce Act**). If any competition concerns are identified under the Commerce Act or through our ongoing market monitoring work, regulatory intervention remains an option available to the Commission.

Chapter 1 Introduction

Purpose of the report

1.1 This report sets out our final recommendation to the Minister on whether MTAS should be omitted from Schedule 1 of the Act under section 66(1)(b) (the **MTAS investigation**).

1.2 The relevant services are the following wholesale services:

1.2.1 **MTM**: MTM termination services refer to the termination of voice calls on a mobile network that originate on another mobile network;

1.2.2 **FTM**: FTM termination services refer to the termination of voice calls on a mobile network that originate on a fixed network;

1.2.3 **SMS**: SMS termination services refer to the termination of SMS on a mobile network that originate on another mobile network.

1.3 **A2P** termination is not in scope for reasons discussed further in this report.[1]

1.4 We are required under Schedule 3 of the Act to prepare and deliver our final report into MTAS to the Minister by no later than 16 March 2026.

1.5 The Minister may accept, reject or request clarification in respect of any aspect of our recommendation.

Structure of the report

1.6 This paper is structured as follows:

1.6.1 Chapter 1 is an introduction which provides background to MTAS and MTAS regulation, and outlines the process for the MTAS investigation;

1.6.2 Chapter 2 outlines the assessment framework we have applied in reaching our final recommendation; and

1.6.3 Chapter 3 contains the analysis and rationale for our final recommendation on whether MTAS should be omitted from Schedule 1.

[1] See paragraphs 2.15 – 2.17 and 3.12 – 3.19 of this report.

Background

1.7 Service providers sell a range of services to end-users, including voice calls, SMS, and data services.[2] A subscriber on one network will typically purchase a bundle of voice minutes, SMS, and data, which enables the subscriber to communicate with subscribers on the same and other networks.

1.8 A mobile network needs to be able to interconnect with other networks to ensure its subscribers can communicate with subscribers of those networks. A fixed network operator or MNO needs to have interconnection arrangements in place in order to allow their subscribers to communicate with the subscribers of other networks.

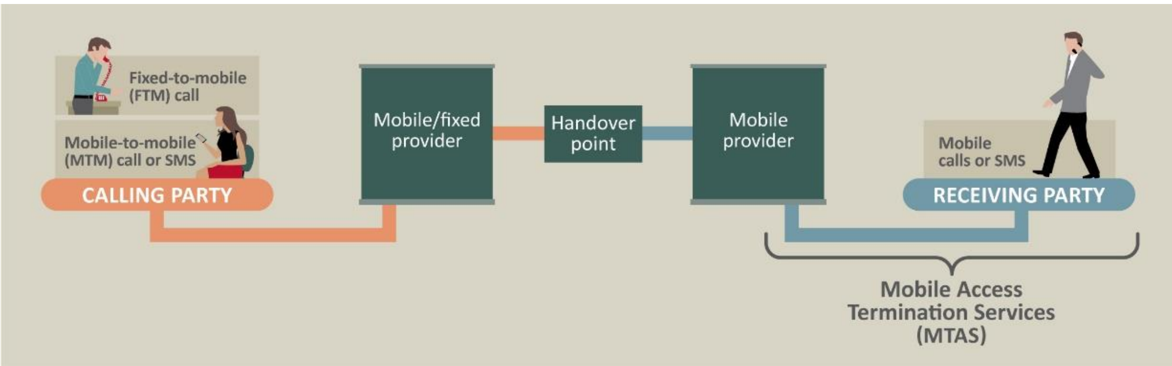
1.9 The key elements required to provide retail voice services and SMS are network access, call origination, call conveyance, and termination. Termination is the last leg of routing a call from the originating customer to the terminating customer.

Mobile termination access service (MTAS)

1.10 MTAS is a regulated wholesale termination service which is supplied and used by MNOs as an input to complete or connect MTM calls and SMS to other mobile networks.[3] MTAS is also used by fixed network operators to complete FTM calls.

1.11 MTAS allows cross-network or off-net calls and SMS to be completed. The network receiving the call or SMS charges the originating network a fee for completing the call or SMS. MTAS incorporates MTM voice termination, FTM voice termination and SMS termination. MTAS is illustrated in Figure 1.1.

Figure 1.1 MTAS



[2] Under the Act, a service provider, except in subpart 3 of Part 4 and Part 4AA, means a provider of a telecommunications service.

[3] Termination of calls on fixed networks is subject to regulation under the designated service 'Interconnection with a fixed PSTN'.

1.12 Under the calling party pays (**CPP**) model, as used in New Zealand, the calling party pays the price of a call or SMS. In the case of a call or SMS between subscribers on different networks (**off-net**), the retail price of the call or SMS will include the wholesale price of the termination service. The wholesale termination charge is also the major marginal cost of calls from a fixed network to a mobile network. The calling party pays for the termination service, rather than the receiving party.

1.13 As a result, the network operator that terminates the calls or SMS can increase the wholesale termination rate without risk of its own subscribers switching to another network, since it is the subscribers of other networks who bear the increased cost of termination. This gives rise to a termination monopoly in respect of each mobile network.

MTAS regulation

1.14 MTAS initially became a designated service in Part 2 of Schedule 1 of the Act, on 23 September 2010,[4] following a recommendation by the Commission to the Minister for Communications in June 2010.

1.15 The recommendation was the culmination of an investigation conducted by the Commission under clause 1(1) of Schedule 3 of the Act into whether to regulate MTAS. During the investigation, the Commission had identified competition concerns in the downstream markets in which MTAS is used to offer retail services.

1.16 In particular, a new entrant, 2degrees, had entered the retail mobile service market as a third MNO. The Commission was concerned that, since each MNO had a monopoly over the termination of calls or SMS on its network under the CPP principle, the ability to increase MTRs could distort downstream competition. Specifically, the combination of high wholesale prices for MTAS (ie, MTRs) and significant discounting of retail prices for calls and SMS that remain on the same network, would restrict the ability of 2degrees to attract new subscribers to its network.

---

[4] Clause 2 of the Telecommunications (Mobile Termination Access Services) Order 2010 (SR 2010/262) provides that the order comes into force on the 28th day after the date of its notification in the Gazette. This order was notified on the Gazette on 26 August 2010. See https://gazette.govt.nz/notice/id/2010-rs6716.

1.17 The Commission concluded in June 2010 that regulation would likely remove barriers to efficient entry and expansion in the retail markets.[5] The Commission noted that the new entrant, 2degrees, having a small customer base of on-net subscribers on its network, may have to offer low retail prices for off-net calls or SMS in order to attract customers. This would likely lead to traffic imbalances in favour of the larger networks, and where termination rates are significantly above cost, this could hinder the ability of 2degrees to compete.[6]

1.18 The inclusion of MTAS in Schedule 1 of the Act enabled the Commission to set the prices and terms by which MNOs terminate calls and SMS messages on their networks. On 5 May 2011, the Commission issued a Standard Terms Determination (**STD**) which set the price and non-price terms for MTAS in accordance with the Initial pricing principle (**IPP**).[7]

Previous MTAS assessments

1.19 Since MTAS became a designated service under the Act in September 2010, the Commission undertook reasonable grounds assessments in relation to MTAS in both 2015 and 2020.[8] Both assessments concluded that there were no reasonable grounds for commencing an investigation into whether MTAS should be omitted from Schedule 1 of the Act.

1.20 In those assessments, the Commission found that the regulation of MTAS remained necessary to best promote competition in telecommunications markets for the long-term benefit of end-users, and that omitting MTAS from Schedule 1 would likely result in higher retail prices and distortions in the retail markets that were apparent before MTAS was regulated. In its 2020 assessment, the Commission also noted that OTT services were increasingly being used by consumers, although were not at that stage an effective constraint on FTM and MTM MTAS.[9]

---

5 Commerce Commission "Reconsideration Report on whether the mobile termination access services (incorporating mobile-to-mobile voice termination, fixed-to-mobile voice termination and short-message-service termination) should become designated or specified services" (16 June 2010).

6 Ibid.

7 Commerce Commission "Standard Terms Determination for the designated services of the mobile termination access services (MTAS) fixed-to-mobile voice (FTM), mobile-to-mobile voice (MTM) and short messaging services (SMS) Decision 724" (5 May 2011).

8 As required under cl 1(3) of sch 3 of the Act.

9 The Commission found that OTT messaging services had become increasingly popular as an alternative to SMS and were likely to be an effective constraint on SMS MTAS, but the same constraints did not exist for other elements of the regulated service (that had to be considered together as a whole).
Commerce Commission "Final decision on Mobile Termination Access Services (MTAS)" (2 September 2020).

Current MTAS investigation

1.21 On 25 March 2025, the Commission published its final decision that there were reasonable grounds to commence an investigation into whether MTAS should be omitted from Schedule 1 of the Act.[10]

1.22 The Commission's MTAS investigation formally commenced with the publication in the New Zealand Gazette on 25 March 2025.[11]

1.23 The MTAS investigation is subject to a statutory deadline as prescribed in the Act. The Commission must deliver the final report to the Minister by 16 March 2026, being 240 working days after the investigation commenced.[12]

Our process

1.24 Table 1.1 sets out the process that we have followed to date for the MTAS investigation.

Table 1.1 Process for the investigation

Milestone	Details	Date
Draft reasonable grounds decision paper	Proposed legal framework, economic framework and our draft decision on the existence of reasonable grounds	13 November 2024
Submissions	Submissions on our draft decision received	11 December 2024
Final reasonable grounds decision	Final decision on whether there are reasonable grounds to commence an investigation into whether to omit MTAS from Schedule 1 of the Act	25 March 2025
Draft report of recommendation	Draft recommendation as to whether MTAS should be omitted from Schedule 1of the Act	5 November 2025
Submissions	Submissions on our draft report due	3 December 2025

[10] Commerce Commission "Final decision on whether to commence an investigation under clause 1(3) of Schedule 3 of the Telecommunications Act - Reasonable grounds assessment final decision" (25 March 2025).

[11] Notification of Commencement of Investigation Under Clause 1(5) of Schedule 3 of the Telecommunications Act 2001 into Deregulation of Mobile Termination Access Services, Notice Number 2025-au1560.

[12] The Act, sch 3 cl 4(1).
Working day is defined in s 5 of the Act. 240 working days from 25 March 2025, accounting for statutory non-working days, results in the date 16 March 2026.

Milestone	Details	Date
Cross-submissions	Cross-submissions on our draft report due	19 December 2025
Final report of recommendation (this report)	Final recommendation as to whether MTAS should be omitted from Schedule 1 of the Act	16 March 2026

Submissions and how we have addressed them

1.25 We have considered all feedback received in submissions and cross-submissions, and where relevant, reflected it in our analysis.

1.26 We received submissions from Symbio, Pivotel, Virtutel, Blue Reach, Spark, One NZ and 2degrees. Key issues raised include potential wholesale impacts on non-MNO providers, the extent to which OTT services act as substitutes, the role of reciprocity and routing/transit, and that ex-post action can be slow to prevent entrenched competitive and consumer harm. We respond to these issues in Chapter 3, step 3 at the relevant component level (MTM, SMS, FTM) and in our step 4, section 18 assessment.

Chapter 2 Assessment framework

Purpose and structure

2.1 This chapter sets out the assessment framework, including the legal and economic frameworks, that we have used in reaching our final recommendation.

2.2 This chapter is structured as follows:

2.2.1 legal framework; and

2.2.2 economic framework.

Legal framework

Overview

2.3 This section sets out the legal framework we have applied when reaching our final recommendation and highlights the key statutory provisions governing the MTAS investigation.

2.4 MTAS is a designated service, described in Schedule 1 of the Act as:

> Termination (and its associated functions) on a cellular mobile telephone network of any, or any combination, of the following:
>
> (a) voice calls originating on a fixed telephone network:
>
> (b) voice calls originating on another cellular mobile telephone network:
>
> (c) short-message-service (SMS) originating on another cellular mobile telephone network.
>
> For the avoidance of doubt, these services include the termination of internationally originated voice calls and SMS, and voice-over-Internet-protocol-originated voice calls, where these are handed over at a mobile switching centre in New Zealand

2.5 Since 23 September 2010, providers of regulated MTAS have been subject to regulation under Schedule 1 of the Act.[13]

---

[13] In sch 1 of the Act, an access provider of MTAS is described as “A person who operates a cellular mobile telephone network”.

Schedule 3 of the Act

2.6 To ensure that the scope of Schedule 1 remains appropriate, we are required by Schedule 3 to consider, at least every five years, whether there are reasonable grounds to commence an investigation into whether the service should be omitted from Schedule 1. Omitting a service from Schedule 1 would mean that the service is no longer regulated.[14]

Requirement and process to undertake an investigation

2.7 Having established that there are reasonable grounds for commencing an investigation into whether MTAS should be omitted from Schedule 1 under section 66(1)(b), we must have commenced the investigation not later than 15 working days after making the reasonable grounds decision.

2.8 After giving public notice of the commencement of the investigation, the Commission must prepare a draft report and prepare and deliver a final report (this report) to the Minister within the statutory timeframe of 240 working days.[15] Failure to comply with the statutory deadline does not invalidate the report.[16]

2.9 Upon receiving our final report, the Minister may:[17]

2.9.1 alter Schedule 1 of the Act in the way recommended (or defer consideration of the alteration for a period recommended by the Commission);

2.9.2 seek clarification or additional information on any point, or seek reconsideration of a particular issue from us; or

2.9.3 decline our recommended approach.

Statutory purpose and considerations

2.10 Schedule 3 is covered by the purpose set out in section 18 of the Act, which provides for the promotion of competition in telecommunications markets for the long-term benefit of end-users of telecommunications services, by regulating, and providing for the regulation of, the supply of certain telecommunication services between service providers.

2.11 In conducting the MTAS investigation under clause 1(3) of Schedule 3 of the Act, we must consider the purpose set out in section 18 of the Act and make the recommendation that we consider best gives, or is likely to best give, effect to section 18.

---

14 The Act, sch 3 cl 1(3).
15 The Act, sch 3 cl 4.
16 The Act, sch 3 cl 4(4A).
17 The Act, sch 3 cls 5A and 6.

2.12 In that regard, section 18 requires that:

2.12.1 in determining whether or not (or to the extent to which) any act or omission will result (or will be likely to result) in competition in telecommunications markets for the long-term-benefit of end-users, the efficiencies that will (or will be likely to) result from those acts or omissions must be considered; and

2.12.2 in determining whether or not competition for the long-term benefit of end-users is promoted, the incentives to innovate that exist for, and the risks faced by, investors in new telecommunications services that involve significant capital investment and that offer capabilities not available from established services, must also be given consideration.[18]

2.13 Our analysis is forward-looking, taking account of present and expected market conditions. Where relevant, we may compare these market conditions to those that prevailed when MTAS became a designated service, to inform our assessment of whether continued regulation remains justified.

2.14 In making our decision or recommendation we are required to:[19]

2.14.1 consider the purpose set out in section 18;

2.14.2 if applicable, consider the additional matters set out in Schedule 1 regarding the application of section 18;[20] and

2.14.3 make the decision or recommendation that we consider best gives, or is likely to best give, effect to the purpose set out in section 18.

Scope

2.15 The scope of the MTAS investigation under clause 1(3) of Schedule 3 of the Act is limited to considering whether to omit MTAS (as a whole) from Schedule 1 (under section 66(1)(b) of the Act).

2.16 The MTAS investigation must also consider the service description of MTAS in Schedule 1 (as a whole) and not as individual components (ie, FTM, MTM or SMS).

---

[18] The Act, s 18(2) and (2A). The High Court in *Chorus Ltd v Commerce Commission* [2014] NZHC 690 at [34] observed that s 18(1) is the "dominant" provision in s 18, and subss (2) (focusing on efficiencies) and (2A) (focusing on the investors' incentives to innovate and risks) are "specified for the purpose of assisting analysis under s 18(1)". In this sense, subss (2) and (2A) are not isolated considerations on their own. Rather, they form part of the consideration of whether competition is promoted for the long-term benefit of end-users.

[19] The Act, s 19.

[20] There are no 'additional matters' for MTAS for us to consider under s 19(b).

2.17 The scope of the MTAS investigation does not extend to amendments, such as adding a new service or amending the description of an existing service. Such alterations can only be considered under clause 1(1) of Schedule 3 of the Act if we are satisfied that there are reasonable grounds for an investigation to do so.[21]

Economic framework

Overview

2.18 This section sets out the economic framework we have applied in reaching our final recommendation.

2.19 The approach initially focuses on the regulated service and how it is used to deliver retail services to end-users, and then seeks to identify competitive constraints, including those that may continue to operate in the absence of regulation. If there are sufficient competitive constraints that would exist in the absence of regulation, that may suggest that regulation may no longer be necessary.

2.20 The economic framework we applied for the MTAS investigation includes four steps:

2.20.1 **Description of the service** – describe the regulated service, including where and how retailers use the service to offer retail services to end-users.

2.20.2 **Identification of alternatives** – identifying alternative services that could act as close substitutes for the regulated service.

2.20.3 **Competition assessment** – analysing the extent to which competition from alternatives provides competitive constraint on the regulated service.

2.20.4 **Alignment with the purpose of the regulation – section 18** – comparing the factual (the future state with existing regulation) to the counterfactual (the future state without regulation) and considering which best gives effect to the purpose in section 18.

---

[21] Under clause 1(1) of Schedule 3, we may, on our own initiative or if requested to do so in writing by the Minister, commence an investigation into whether or not Schedule 1 should be altered in any of the ways set out in sections 66 or 67, if we are satisfied that there are reasonable grounds for an investigation into the matter. We refer to this type of investigation that results from our decision under clause 1(1) of Schedule 3 that there are reasonable grounds to investigate, as a 'Clause 1(1) Investigation', which is separate to the MTAS investigation under clause 1(3).

2.21 Our analysis is forward-looking, taking account of present and expected market conditions, and analyses the effect of potential changes to regulation by comparing a future with the existing regulation (the factual) against the future with potential alterations to regulation (one or more counterfactuals). We do this by considering evidence as to the current state of competition and anticipate, based on relevant evidence, whether this state (alongside any historical changes and trends) can be expected to continue into the future. We then anticipate how this future may be different as a result of potential alterations to Schedule 1.

2.22 Where it will inform our assessment, we may compare these market conditions to those that prevailed when the service(s) was first regulated. For the MTAS investigation, we have had regard to how conditions that existed when the service was first regulated in 2010 have changed, and also how we expect competition to evolve. This approach provides a meaningful basis for assessing the relevance and potential impact of regulatory changes.

Step 1: Description of the service

2.23 Our first step is to describe the regulated service and the purpose it serves, applying the description of MTAS in Schedule 1 of the Act.

2.24 We start with the regulated service in question, (MTAS supplied at the wholesale level) and then look at how that service is being used to offer retail services to end-users.

2.25 Doing this involves considering the following:

2.25.1 First, how the service is described in existing legislation and regulatory decisions, as this directs (and informs) the role the regulated service is intended to play in the market; and

2.25.2 Second, how the service is used, including in the supply of services in downstream markets. There may be multiple uses at different levels of the value chain (ie, wholesale and retail) that are influenced by the service. Recognising that the service was initially regulated due to potential or actual end-user harm, it will be important to consider how services are supplied to end-users of the regulated service.

Step 2: Identification of alternatives

2.26 The next step is to identify alternative services that could be used as a substitute for the described regulated service.

2.27 We consider any alternatives that could provide direct competitive constraints to the components of MTAS (ie, wholesale alternatives). We also consider any alternatives which could provide indirect competitive constraints, such as via downstream retail markets.

2.28 We view steps 1 and 2 as defining the market for the purposes of the final report.

2.29 Due to the nature of MTAS and the CPP principle in New Zealand, there are no direct alternatives at the wholesale level for regulated MTAS. Instead, any competitive constraints are likely to operate indirectly, by way of services in downstream retail markets (such as the retail markets for voice and messaging services). As such, we focus on downstream retail markets for analysis of the competitive constraints that exist for the components of MTAS.

Step 3: Competition assessment

2.30 The third step involves consideration of the effectiveness of competition. In line with our forward-looking, objective approach, we consider how much competition MTAS faces and could be expected to face into the foreseeable future, and whether there is at least a realistic possibility that continued regulation is no longer necessary to best promote competition in telecommunications markets.

2.31 Both direct and indirect competitive constraints are considered in this step.

2.32 Consideration of market competitiveness includes analysis of factors such as:

2.32.1 whether the alternatives rely on regulated MTAS;

2.32.2 the market structure and trends;

2.32.3 the extent to which identified alternatives represent (sufficiently) close substitutes to regulated MTAS including their availability (the same applies for alternatives in downstream markets constraining services using MTAS);

2.32.4 actual switching behaviour by end-users; and

2.32.5 any other factors that may constrain the providers from raising MTRs.

2.33 We take expected future developments into account in assessing the competitive constraints on providers of the regulated service.

Step 4: Alignment with the purpose of the regulation – section 18

2.34 Finally, we assess the overarching costs and benefits of maintaining the current regulatory settings (the factual scenario) against the counterfactual scenario in which MTAS is omitted from Schedule 1 of the Act (ie, deregulation).

2.35 In comparing the factual and counterfactual, we consider a range of factors, including:

2.35.1 our degree of certainty regarding what is likely to happen in the future;

2.35.2 the potential benefits (direct and indirect) of each;[22]

2.35.3 the potential costs (direct and indirect) of each;

2.35.4 possible unintended consequences and asymmetric risk attached to the counterfactual – for example, we may conclude that the detrimental impact of deregulating too early outweighs the detrimental impact of keeping the regulation too long;

2.35.5 any remaining supply or demand side constraints; and

2.35.6 any remaining market power and its ability to be exercised.

2.36 We will then test the factual and counterfactual against the purpose in section 18. This comparison helps determine which state we consider best gives, or is likely to best give, effect to the purpose set out in section 18 of the Act to promote competition in telecommunications markets for the long-term benefit of end-users, taking into account, where appropriate, efficiencies that will result from the relevant scenario (in determining whether the relevant scenario will result in competition) and the incentives to innovate for, and the risks faced by, investors in new telecommunications services (in determining whether competition is promoted).

Evidence for the investigation

2.37 We use evidence such as the following in the MTAS investigation:

2.37.1 the availability of alternatives;

2.37.2 whether alternatives rely on regulated MTAS;

2.37.3 actual uptake (market share) of alternatives (including in downstream markets);

2.37.4 whether alternatives represent a sufficiently close substitute to MTAS (in terms of key price and non-price performance features); and

2.37.5 end-user satisfaction and switching data.

2.38 This evidence for the final report has been sourced from existing Commission data sources. We use data collected via the Annual Industry Questionnaire (**AIQ**) and refer to such data throughout the paper as 'Commission data'. We have used the Commission's Annual Monitoring Reports (**AMR**), and reference each where relevant throughout the paper. Where updated figures were available, we have refreshed the data used in the draft report with the latest AIQ figures.

---

22 A direct impact is defined as an impact that can be identified as resulting directly from the implementation or removal/simplification of regulation. Subsequent effects that occur as a result of the direct impacts, including behaviour change, are deemed indirect.

2.39 Additionally, we have used data collected via a questionnaire sent to known providers and seekers of MTAS, covering three years of call minutes and revenue data for MTM, FTM and SMS (**MTAS questionnaire**).

2.40 We also draw on findings from the Commission's Retail Service Quality (**RSQ**) programme, specifically a consumer survey focused on the usage of OTT messaging and calling services (**OTT survey**).[23] This survey provides insights into consumer behaviour and preferences, particularly the extent to which OTT services act as substitutes for traditional mobile voice, SMS, and fixed-line services. The survey results are referenced throughout the report where relevant, including in the analysis of close substitutes and consumer switching behaviour.

2.41 Where relevant, we have also used publicly available information, including public surveys and other Commission-led surveys.

2.42 We are aware that our various data sources were collated at different points in time. We have had regard to how current our data is when undertaking our analysis and to submissions and cross-submissions on the draft report.

[23] Commerce Commission, "NZ Telecommunications Customer Satisfaction Tracking – Messaging Apps, January – March 2025".

Chapter 3 Final recommendation on whether to omit from Schedule 1

Purpose and structure

3.1 This chapter sets out our final recommendation on whether MTAS should be omitted from Schedule 1 of the Act, and the reasoning for that recommendation.

3.2 This chapter is structured as follows:

3.2.1 our recommendation;

3.2.2 description of MTAS and how it is used (step 1);

3.2.3 assessment of whether MTAS should be omitted from Schedule 1, through:

a. identification of alternatives (step 2);

b. competition assessment (step 3) (for each component);

(i) MTM;

(ii) SMS;

(iii) FTM; and

c. testing alignment with the purpose in section 18 (step 4).

Recommendation

3.3 Our final recommendation is that MTAS, incorporating MTM voice termination, FTM voice termination and SMS termination, should be omitted from Schedule 1 of the Act.

3.4 We have considered whether, based on the evidence available to us and in applying a forward-looking assessment, continued regulation of MTAS (as a whole) is justified and would best promote competition for the long-term benefit of end-users.

3.5 Having considered the relevant factors, we have concluded (as detailed later in our step 3 and 4 assessment) that competition for the long-term benefit of end-users is best promoted by deregulation, because:

3.5.1 On the evidence before us, current and expected conditions constrain the MNOs' incentive and ability to increase MTRs and to pass the increase through into retail prices. Wholesale conduct is relevant to long-term benefit of end-users when it can be sustained and causes harm at the retail level such as higher retail prices or reduced quality, choice or innovation.

3.5.2 Given how substantially market conditions have changed since 2010, and in the absence of the behaviours that prompted intervention at that time, we do not consider the dynamics or harms seen in 2010 are likely to re-emerge under current or expected conditions.

3.5.3 **MTM and person-to-person (P2P) SMS**: Given current conditions and constraints, we do not expect MTM or P2P SMS MTRs to increase post-deregulation, or give rise to retail harm. Despite the fact that mobile termination remains a technical bottleneck (meaning that only the receiving MNO can complete a call or SMS to its own customer, and other networks must purchase that termination service from it), MNOs are limited in their ability and incentive to increase MTRs, due to high degree of reciprocity of traffic flows and MTAS revenue (~97-99% – as discussed later in our reciprocity analysis), bundled/unlimited retail offerings, and increasing usage and popularity of OTT-based services.

3.5.4 **FTM**: Non-integrated fixed providers (ie, the small fixed, wholesale and enterprise providers), which must purchase mobile termination to complete calls to mobile numbers, may be technically more exposed to the risk of potential future increases in MTRs. However, even for these providers, the scope for sustained FTM MTR increases is limited. This is because:

a. fixed-voice demand is in structural decline, shrinking the commercial base for increases;

b. end-users (including enterprise customers) have OTT and mobile alternatives, reducing the durability of any pass-through;[24]

c. MTM reciprocity/retaliation dynamics constrain MNO incentives;

d. FTM accounts for a small and falling share of total termination revenue; and

e. routing/transit options provide some practical constraint on party-specific discrimination.

[24] This reflects the provider *vs* user distinction. OTT is not a wholesale substitute for non-integrated providers, but their customers can substitute at retail, creating an indirect constraint on MNOs' ability to sustain higher FTM MTRs.

Description of MTAS (step 1)

3.6 MTAS is the regulated termination service a fixed network operator or an MNO purchases to allow its subscribers to communicate with the subscribers of another mobile network.

3.7 MTAS is a designated access service under subpart 1 of Part 2 of Schedule 1 of the Act, which allows us to determine the price and non-price terms of the service.

3.8 Retail MTM calling services, FTM calling services and SMS are comprised of origination, conveyance, and termination elements:

3.8.1 Where the call or SMS is between subscribers on the same network (ie, on-net calls or SMS), all of these functions are undertaken (self-supplied) by the same network.

3.8.2 Where the call or SMS is between subscribers on different networks (ie, off-net calls or SMS), the network on which the call or SMS is originated must acquire a wholesale termination service for the call or SMS to be completed.

3.9 The regulated voice termination services component enables the completion of off-net voice calls between a fixed landline subscriber and a mobile subscriber (FTM), and between mobile subscribers (MTM).

3.10 The regulated SMS termination services component enables delivery of SMS to a receiving party's mobile device, from a different mobile network.

3.11 For the purposes of our analysis and competition assessment, we discuss these components of MTAS separately as they experience different market conditions. However, when forming our overall recommendation, our assessment must consider the MTAS service description 'as a whole' (as described in Schedule 1), rather than as individual components (ie, FTM, MTM and SMS) on a standalone basis.

Application-to-Person (A2P) messaging - out of scope of this investigation

3.12 A2P messaging or A2P SMS are messages sent through online platforms by businesses, enterprises, and government agencies to mobile users. These messages serve a range of purposes, including appointment reminders, bank alerts, two-factor authentication (**2FA**), delivery notifications, and promotional/marketing messages. These are sent from an application rather than an individual mobile subscriber's device.

Submitter views

3.13 We received stakeholder submissions during both the cl 1(3) reasonable grounds assessment and the draft report consultation suggesting that MTAS regulation should be expanded to cover A2P SMS.[25]

3.14 The submissions raised potential competition issues in the A2P SMS market, particularly that the termination rates charged by New Zealand MNOs for A2P SMS appear to be substantially higher than those in comparable developed markets; that overseas deregulation has led to substantial increases in A2P termination prices; and that the draft report overlooks the effects of deregulation on wholesale providers, A2P and enterprise messaging providers.

3.15 Symbio, Pivotel, Virtutel and Blue Reach submitted that:[26]

3.15.1 OTT is not a substitute for critical A2P use cases that require universal, number-based reach;

3.15.2 NZ A2P termination prices appear high versus benchmarks;

3.15.3 overseas deregulation has seen A2P/SMS price increases absent cost-based caps; and

3.15.4 removing the MTAS price-cap reduces pricing certainty for enterprise messaging and could risk resilience (interconnection stability, fraud/scam-prevention coordination).

3.16 One NZ, Spark, and 2degrees opposed amending MTAS to include A2P services, citing multiple alternatives for enterprises (eg, in-app messaging, push notifications, email, RCS, WhatsApp Business) and the fact that A2P is a separate commercial market with its own dynamics.[27] Spark also noted that A2P could be considered through the Commerce Act.[28]

---

25 Pivotel Group Pty Limited – submission on MTAS review (11 Dec 2024); Symbio Holdings Limited – submission on MTAS review (11 Dec 2024); Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025); Symbio Holdings Limited – MTAS draft report submission (3 Dec 2025); Virtutel Pty Limited – MTAS draft report submission (3 Dec 2025); Blue Reach Services Limited – MTAS draft report submission (6 Dec 2025); Symbio Holdings Limited – MTAS draft report cross submission (23 Dec 2025).

26 Symbio Holdings Limited – MTAS draft report submission (3 Dec 2025); Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025); Virtutel Pty Limited – MTAS draft report submission (3 Dec 2025); Blue Reach Services Limited – MTAS draft report submission (6 Dec 2025).

27 2degrees – MTAS draft report submission (23 December 2025); Spark – MTAS draft report cross submission (23 December 2025); One NZ – MTAS draft report cross submission (22 December 2025).

28 Spark – MTAS draft report cross submission (23 December 2025).

Our position

3.17 A2P SMS concern was first raised by Modica (an A2P provider) in a 2020 submission during the Commission's MTAS cl 1(3) reasonable grounds assessment.[29] While the Commission in 2020 found no grounds at that time to initiate a cl 1(3) investigation to remove MTAS from Schedule 1, it noted that changes to the service – such as amendments or additions – could be considered under a cl 1(1) investigation if we were satisfied there were reasonable grounds to do so.

3.18 We remain of the view that any consideration of altering Schedule 1, so as to include A2P SMS in the service description, falls outside the scope of the current cl 1(3) investigation. Such matters may instead be separately explored under a cl 1(1) investigation, if there are reasonable grounds to do so.

3.19 While A2P SMS is outside the scope of the MTAS investigation, the Commission considers it appropriate to acknowledge the concerns raised.

3.19.1 Independent of the MTAS investigation, the Commission is conducting an enquiry that considers certain alleged conduct in respect of A2P SMS under Part 2 of the Commerce Act. Subjects of the enquiry include, among other things, the competitive dynamics of inputs into A2P services, conditions on the availability or use of those inputs, and the competitive effects of those conditions.

3.19.2 We will continue to monitor the competition, performance and development of telecommunications market in New Zealand, including A2P services. The Commission would be concerned if termination rates were to increase significantly in a context where alternative options remain limited, potentially harming downstream providers or end-users.

3.19.3 If the enquiry under the Commerce Act or our monitoring identifies any competition concerns, regulatory intervention remains an option available to the Commission.

Identification of alternatives (step 2)

3.20 In determining whether or not to recommend that MTAS be omitted from Schedule 1 of the Act, the Commission has assessed the level of competition within the markets that are relevant to the MTAS investigation.

3.21 We consider the current market in which voice termination services and SMS termination services compete to comprise wholesale services that can be used to offer retail voice services and SMS to end-users.

---

29 Modica Group Limited "Submission to Commerce Commission on draft review of Mobile Access Termination Service (MTAS)" (3 July 2020).

3.22 Our view is that the relevant markets for the purposes of the MTAS investigation are:

3.22.1 the wholesale MTAS markets for voice services and SMS; and

3.22.2 the retail market for voice services and SMS (including MTM calling, FTM calling, SMS, and mobile data services).

3.23 We first consider the wholesale market, and any competitive constraints that exist there. We then look at any indirect competitive constraints that may exist for voice termination services and SMS termination services in the downstream retail market.

Wholesale MTAS markets for voice services and SMS

3.24 MTAS is a wholesale input used in the supply of various downstream end-to-end services such as SMS, and FTM and MTM calling services.

3.25 The use of the mobile termination service to supply retail FTM, MTM and SMS services is illustrated in Figure 1.1.

3.26 Under CPP billing that currently exists in New Zealand, the end-user making the call or sending an SMS pays for the cost of making the call or sending an SMS at the retail level. At the wholesale level, the originating fixed or mobile network operator makes a termination payment to the terminating MNO, to cover that operator's costs of terminating the call or SMS.

3.27 If the price of MTAS – the MTR – was to increase, parties to a call or SMS requiring MTAS would have several options to respond. We consider these options and whether such responses would constrain the terminating MNO's ability to sustain the price increase.

3.28 Under CPP, the receiving party would not respond to the increase in MTR, as they do not face the MTR. An end-user making a voice call (calling party) does face the MTR but typically cannot choose the network to which a given number (receiving party) is connected. The calling party's network requires termination services to make a fixed or mobile voice call to the receiving party, and the termination service is only provided by the receiving party's network. Further, with number portability, the calling party may not be able to easily identify which network is being called. Similarly, an end-user sending a message typically cannot choose the network to which a given number is connected.

3.29 Accordingly, the receiving party's MNO has monopoly power over the termination of traditional voice calls and SMS to its mobile subscribers, as another MNO cannot offer termination services for calls and SMS directed to those subscribers. The calling party's network operator has no alternative but to purchase MTAS to complete a voice call or SMS.

3.30 The calling party typically has no influence on the receiving party's choice of network and has no visibility of wholesale termination rates. This is because wholesale termination rates are paid by the calling party indirectly through the retail price of the mobile plan. Furthermore, these two factors limit downward pressure on MTRs, making each MNO a monopolist in this market with an ability to set MTRs.

3.31 Effectively, there are no substitutes in the wholesale MTAS market (ie, no direct substitutes) that other MNO networks can provide.

3.32 However, as noted in our economic framework, at paragraph 2.29, substitutes may exist in the downstream retail markets, which we discuss below. Calling parties may respond indirectly by switching to other means of contacting the called party which do not rely on MTAS.

Retail market for voice services and SMS

3.33 We consider the retail market to supply end-users with voice, messaging and data services across networks as the relevant retail market. It is in this market that service providers use MTAS to supply off-net voice calls and SMS.

3.34 With no direct substitutes at the wholesale level, calling parties might respond to an increase in MTRs indirectly by switching to other means of contacting the called party which do not rely on MTM, FTM or SMS MTAS.

3.35 One such alternative is using an OTT service such as WhatsApp, Facebook Messenger, Microsoft Teams, Apple Facetime, Google Meet, Instagram, Zoom, Viber, or WeChat – which are broadly available for use on a basic smartphone.

3.36 Additionally, as an alternative to mobile calls, end-users could use a fixed-line (ie, a FTM, a fixed-to-fixed (**FTF**) or a mobile-to-fixed (**MTF**) instead of a MTM call). Similarly, as an alternative to making a call on a fixed-line, end-users could use a mobile (ie, a MTM, or a MTF instead of a FTM call).

3.37 We recognise that not all parties are in the same position on termination incentives:

3.37.1 For consumer-to-consumer and enterprise/business communications, OTT substitution is widespread and constrains retail price responses to higher MTRs.

3.37.2 For non-integrated fixed providers, who must deliver calls to mobile numbers, OTT does not substitute at the wholesale layer and provides limited constraint. However, their enterprise customers do have OTT options, reducing the durability of any attempted pass-through of MTRs to retail prices. We also note the commercial availability of routing and interconnect pathways, which can mitigate targeted discrimination.

3.37.3 We assess the implications of these variations further in step 3 of our FTM assessment.

Market developments and context

3.38 Since 2010, market conditions have materially changed. Our data and findings highlight the following trends:

3.38.1 Mobile ownership and connections continue to grow steadily.

3.38.2 Fixed voice services, both standalone and bundled with broadband, are declining, although the total number of fixed lines remains relatively stable due to increased uptake of 'naked' broadband.[30] Fixed call minutes have consistently declined since 2008/09.

3.38.3 Mobile call minutes appear to have plateaued in 2021/22, and overall usage remains below peak levels.

3.38.4 SMS volumes have seen significant year-on-year declines since 2012/13.

3.38.5 Mobile data usage has surged, far outpacing growth in call minutes and SMS. This shift indicates that competition has moved away from traditional voice and text services toward differentiation based on data allowances and speeds.

3.38.6 Market share among MNOs remains relatively stable, with all operators participating on both sides of MTAS transactions.

3.38.7 MVNO entry continues, but the implications of MTR changes for these operators depend on their agreements with host networks.[31]

3.38.8 Traffic between MNOs has become broadly more symmetric, and retail voice/SMS are often offered within unlimited bundles.

3.39 Drawing on these trends and our analysis of potential indirect alternatives, we next consider how competition has evolved and how it is likely to develop.

---

30 Traditional fixed 'voice only' services and bundled 'broadband and voice' plans have continued to decline. See Figure 3.13.

31 Recent entry into the mobile market has been in the form of MVNOs. The implications for MVNOs of a change in MTRs are likely to depend on the commercial arrangements between the MVNO and the host MNO. We note that, in New Zealand, MNOs set and collect termination revenues for incoming calls and SMS directed to MVNOs.

Competition assessment (step 3)

3.40 Step 2 has identified that there are no effective substitutes in the wholesale market for MTAS. We therefore focus on whether indirect constraints arising from market structure, retail market dynamics and operator incentives are sufficient to prevent sustained increases in MTRs if MTAS is omitted from Schedule 1.

3.41 We compare present and expected conditions with those that existed at the time of MTAS regulation (2010), considering changes in technology, traffic patterns, retail offers, and market structure.

3.42 We have examined whether, absent regulation, MNOs would have the ability or incentive to increase or sustain higher MTRs, and whether any such changes could be sustained given current conditions and expected demand responses.

3.43 Our analysis takes into account:

3.43.1 the degree of symmetry in off-net traffic;

3.43.2 the prevalence of bundled retail offers (often unlimited voice/SMS) and data-centric plans;

3.43.3 the ongoing demand shifts across fixed voice, mobile voice, SMS, data, and adoption of substitutes (eg, OTT);

3.43.4 heterogeneous exposure across user groups – consumers, enterprises, and non-integrated providers – which shapes how constraints on MTM and FTM pricing operate; and

3.43.5 the availability of routing/transit pathways.

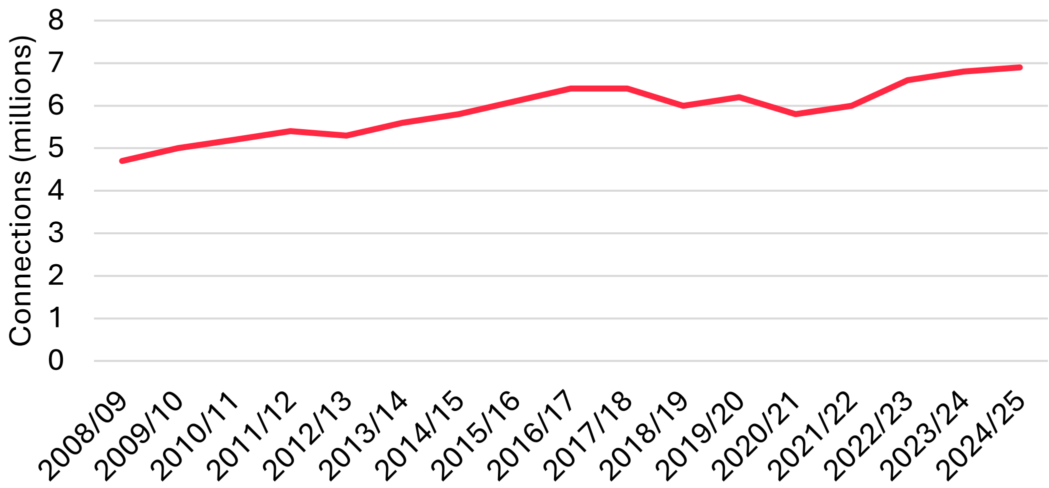
3.44 We acknowledge that mobile termination is technically a bottleneck; but, whether this affects competition depends on the incentives and constraints we assess for each component of termination – MTM, P2P SMS, and FTM – before forming an *overall view on MTAS 'as a whole'*.

Mobile voice (MTM)

Market structure

3.45 The ownership of mobile phones and total mobile connections continues to rise (Figure 3.1).

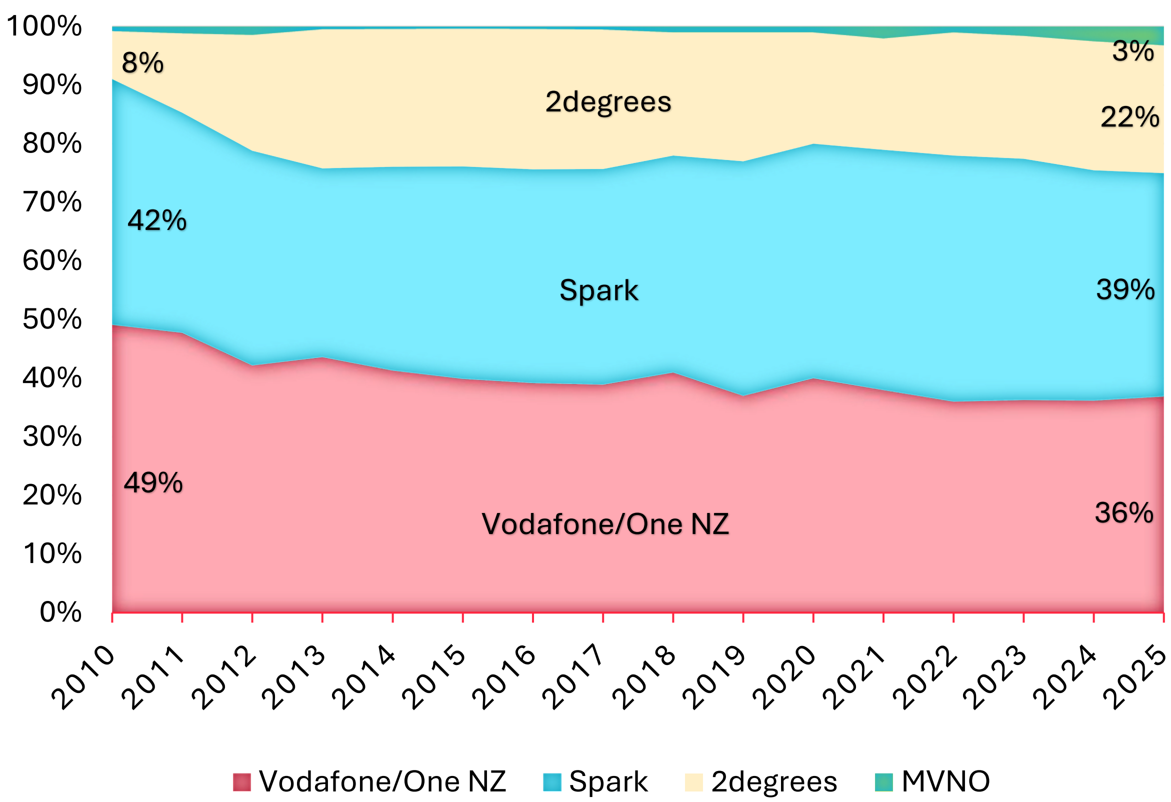
Figure 3.1 Mobile connections



Source: Commission data

3.46 The retail mobile market in New Zealand is highly concentrated, with the three MNOs – Spark, One NZ and 2degrees – making up 96.8% of the market (Figure 3.2) as of June 2025.[32] Each of them operates nationwide 4G/5G networks.

Figure 3.2 Mobile market share (by number of subscribers)



Source: Commission data

---

32 MVNOs have a 3.2% market share. Commission data.

3.47 At the time of regulation of MTAS (2010), the Commission noted that a new entrant, 2degrees, having a small on-net customer base, may have to offer low retail prices for off-net calls to attract customers, leading to traffic imbalances and hindering its ability to compete.[33]

3.48 Since its entry, and facilitated by lower prices for MTAS, 2degrees has been able to compete for retail customers and expand its share of the retail mobile market. It has expanded its own mobile network infrastructure, and has become an established and independent competitor, with mobile coverage levels similar to Spark and One NZ.[34] Current market shares show that 2degrees maintains its position as a more established and independent competitor in the mobile market. The share has been relatively stable over the last decade (Figure 3.2).

Network evolution

Then (2010)

3.49 At the time of MTAS regulation, New Zealand's mobile market was characterised by technological divergence and limited competition. Telecom operated a Code-Division Multiple Access (**CDMA**) network, while Vodafone used Global System for Mobile communications (**GSM**), resulting in fragmented service offerings, limited interoperability (and therefore high switching costs) and constrained consumer choice. Although both operators began moving to 3G networks by 2009 (supporting the early shift toward mobile data services) this transition was still emerging.

3.50 Consumer behaviour was largely centred on voice calls and text messaging, with mobile data usage still nascent. High MTRs discouraged switching and constrained consumer choice, justifying regulatory intervention to ensure fair competition and protect users.

Now (2025/26)

3.51 The mobile landscape has undergone a profound transformation. The rollout of 4G LTE throughout the 2010s shifted usage from voice to data, enabling app-based communication and high-speed internet access. Today, Spark, One NZ, and 2degrees are actively deploying 5G networks, which support ultra-fast speeds, low latency, and emerging technologies such as Internet of Things (IoT) and edge computing.

---

33 Commerce Commission "Reconsideration Report on whether the mobile termination access services (incorporating mobile-to-mobile voice termination, fixed-to-mobile voice termination and short-message-service termination) should become designated or specified services" (16 June 2010).

34 Commission 2024 AMR.

3.52 MNOs are decommissioning their 3G networks, with shutdowns scheduled for early 2026.[35] MNOs are reallocating spectrum to support more efficient 4G and 5G services. As of mid-2025, 5G coverage had reached 51% of the population,[36] and investment continues to focus on expanding next-generation infrastructure.

3.53 Consumer habits have also shifted dramatically. OTT services have become widely used alternatives for communication, bypassing traditional mobile networks for messaging in particular, but also for voice services. Internet Protocol (**IP**)-based services such as Voice over Long-Term Evolution (**VoLTE**) have largely replaced circuit-switched voice, and mobile data has overtaken voice as the primary driver of usage. Retail mobile services have evolved alongside these network upgrades, with a growing focus on data.

3.54 We have recently seen satellite supported connectivity and emerging direct-to-cell services extend data coverage. Current propositions (eg, a One NZ-Starlink bundle enabling WhatsApp calling)[37] are data services that bypass MTAS; they do not create a new voice terminating MNO nor change cellular MTM interconnection obligations.

Implications for MTAS regulation

3.55 The original rationale for MTAS regulation – ensuring fair pricing and competition in a voice-centric, circuit-switched environment – no longer reflects the realities of today's mobile market. With the decline of legacy infrastructure, evolving consumer behaviour, and the rise of data-centric, all-IP networks, the relevance of MTAS is diminishing.[38] New delivery modes such as satellite strengthen OTT substitution and reduce the strategic relevance of voice termination for retail competition.

Usage and pricing of mobile voice

3.56 Since 2013/14, the total volume of mobile call minutes has increased considerably (Figure 3.3), reaching a peak in 2021/22. Volumes then declined for the first time for two consecutive years, 2022/23 and 2023/24. While there has been a slight increase in 2024/25 compared with last year, the overall trend of the past few years does not indicate steady or sustained growth.

---

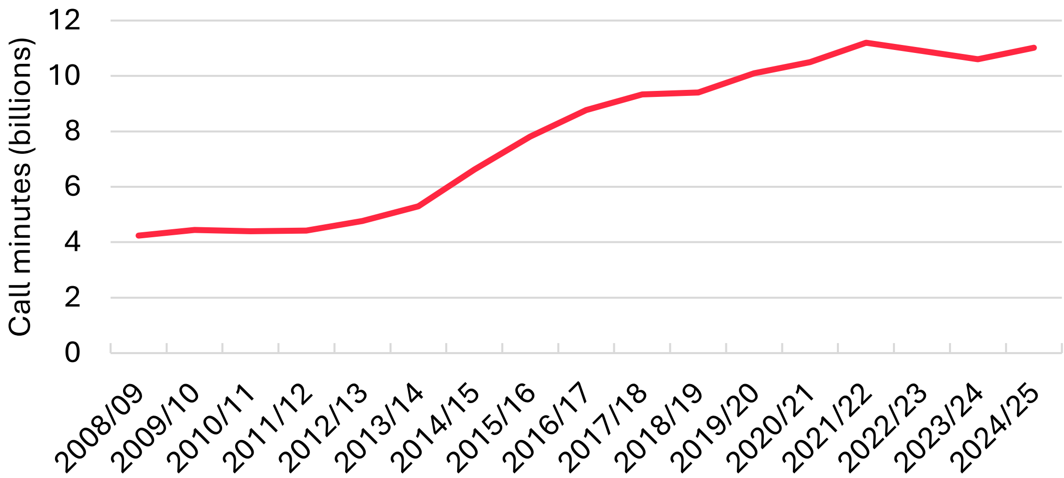
[35] Commission 2024 AMR.

[36] Commission data.

[37] One NZ update – Satellite calling on WhatsApp, accessed 23 February 2026.

[38] Richard Feasey, "Recommendations for telecommunications regulation in New Zealand - A report for the Commerce Commission" (6 October 2025), paragraph 274.

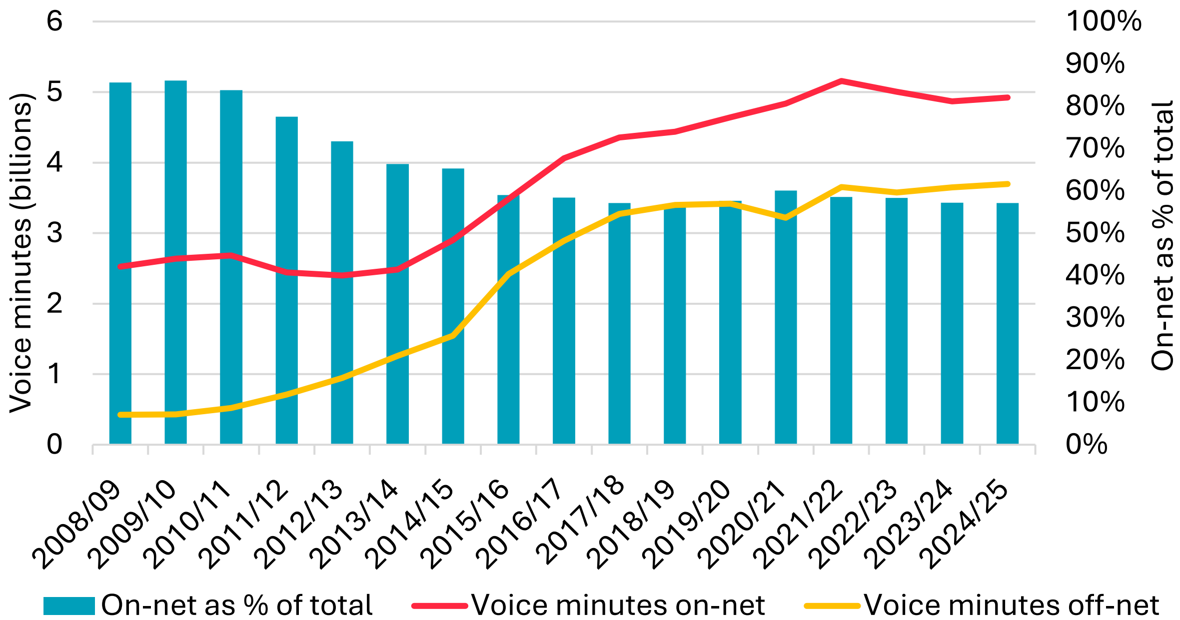
Figure 3.3 Mobile call minutes



Source: Commission data

3.57 MTAS was initially regulated due to heavy on-net discounts at the retail level, causing a high proportion of on-net calling relative to off-net calling. The MTRs that were prevailing at the time were considerably above cost. Since MTAS has been regulated, MNOs have moved away from offering aggressive on-net discounts, and towards retail mobile bundles that offer mobile call minutes to any network. As a result, the volume of off-net mobile call minutes has steadily increased relative to on-net minutes. Figure 3.4 shows that the proportion of mobile minutes carried on-net has dropped from 86% in 2008/09 to 57% in 2024/25.

Figure 3.4 Mobile-to-mobile traffic

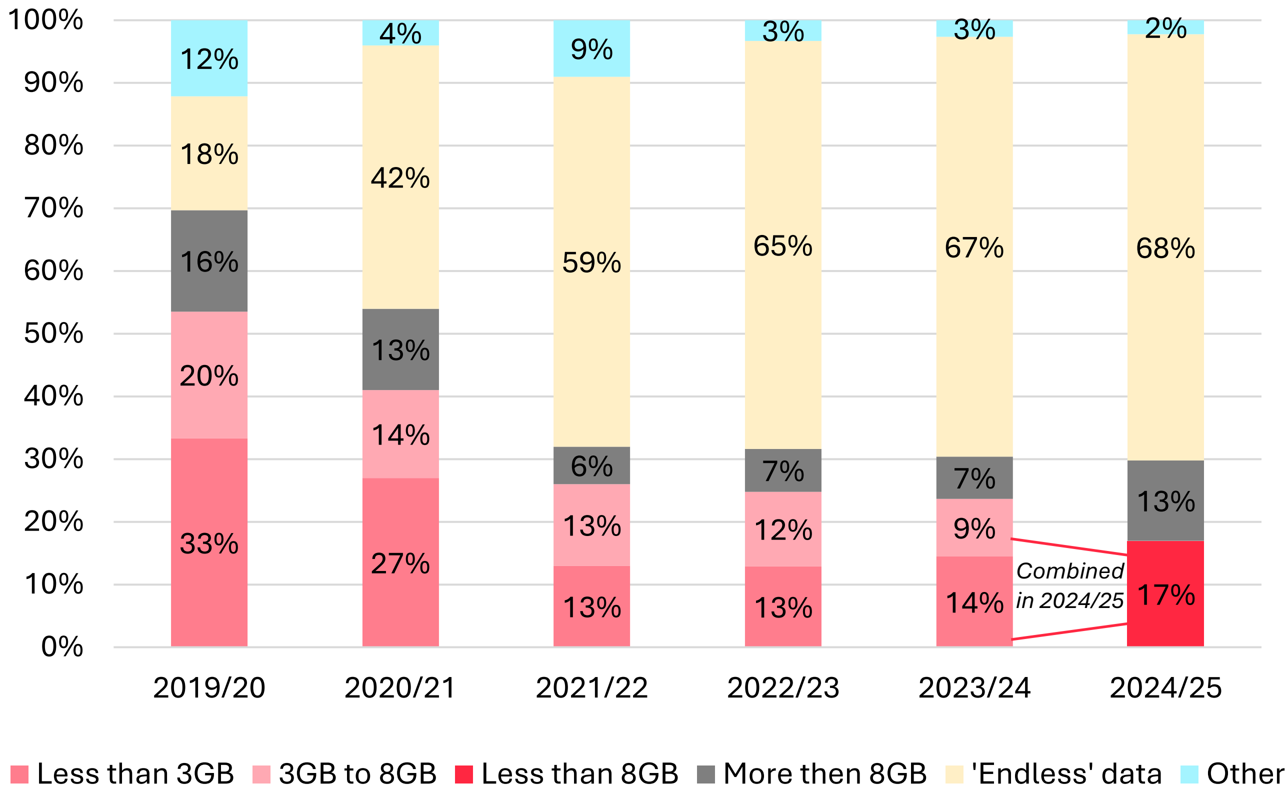


Source: Commission data

3.58 The key components of retail mobile offers now include plan allowances for data, data speeds, texts and calls. Figures 3.5 and 3.6 show that in recent years, consumers have been moving towards plans with higher data allowances or 'endless' data plans (where data continues to be available beyond a threshold at which speeds are reduced). Most mobile plans now offer unlimited call minutes and messages, which indicates that the focus of differentiation has shifted to data allowance and speeds.

3.59 Voice and in particular SMS allowances appear to no longer be such a differentiating feature of mobile plans. Retail mobile offers instead have an increased focus on data allowances, data speeds, 5G access and coverage, and other add-ons such as streaming subscriptions, hotspotting, data rollover and group plans.

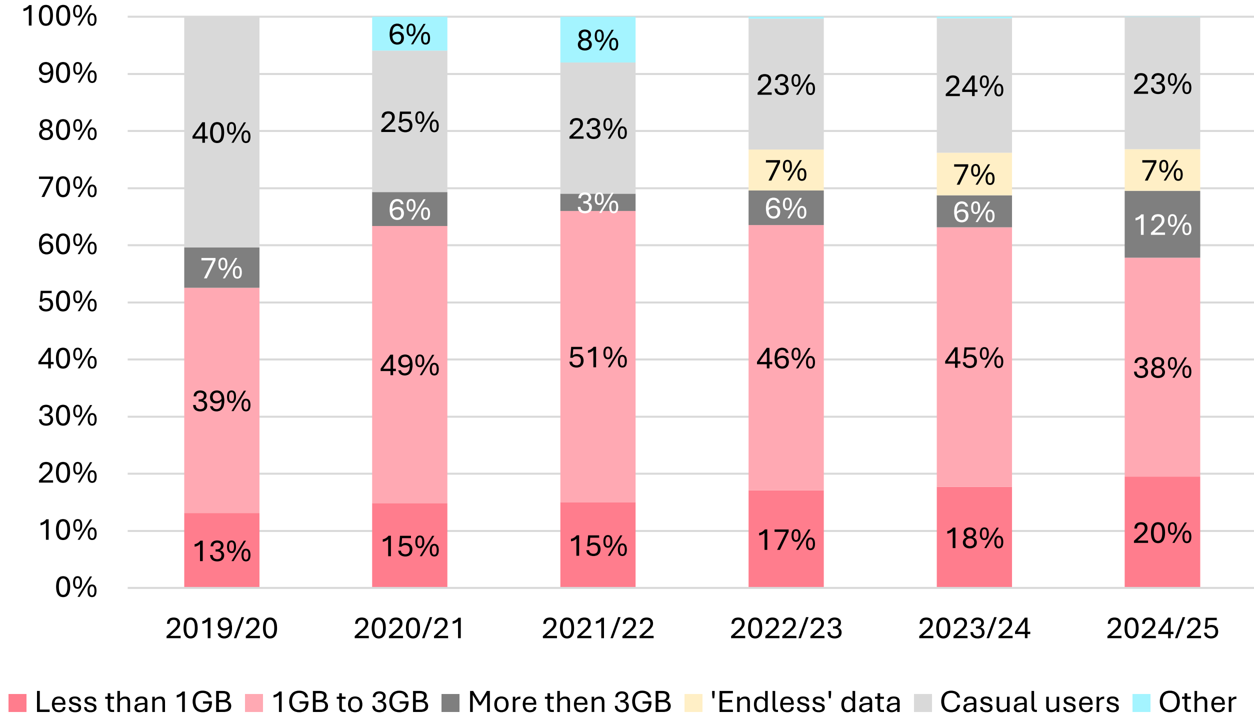
Figure 3.5 Data allowance of residential post-paid plans[39]



Source: Commission data

39 We have combined the 'Less than 3GB' and '3GB to 8GB' categories to a new 'Less than 8GB' category in 2024/25.

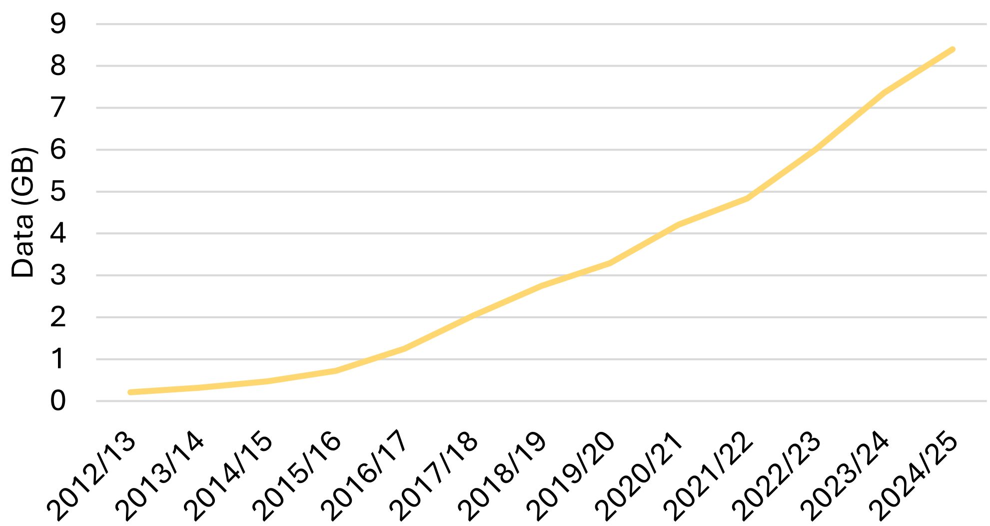
Figure 3.6 Data allowances of residential pre-paid plans



Source: Commission data

3.60 High mobile ownership, greater mobile and internet coverage, and the availability of plans with bigger data caps (including 'endless data' plans) have led to increased data usage (Figure 3.7). This supports an increase in the adoption of OTT services which are originated and delivered over the internet.

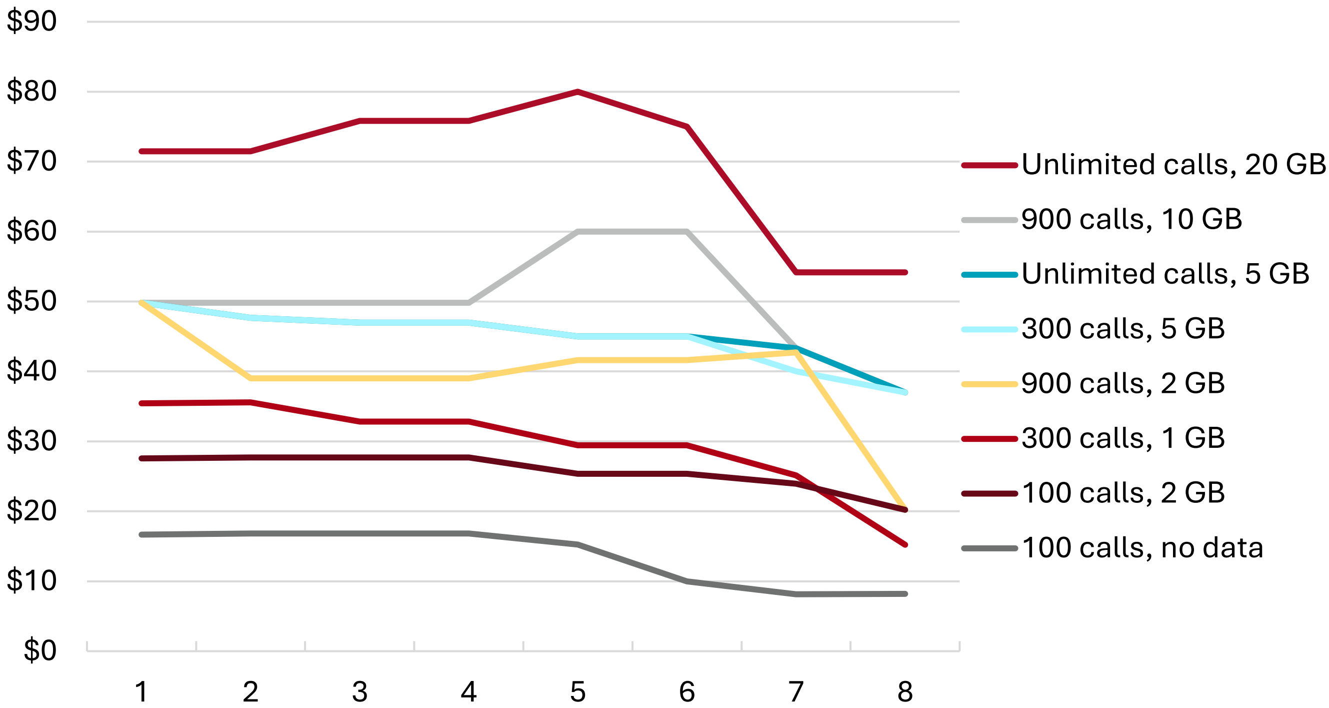
Figure 3.7 Average monthly mobile data usage



Source: Commission data

3.61 As competition has developed, consumers have benefitted from improvements and evolutions in mobile networks, including expanded network coverage and improved quality. The prices of mobile services have remained relatively stable over the past few years, with a drop noted in 2024 and 2025 across a range of levels of usage, as shown in Figure 3.8.

Figure 3.8 Price of mobile plans



Source: Strategy Analytics – Teligen benchmarking results, as of November 2025 (excludes MVNOs and promotions)

3.62 However, the bundled nature of retail mobile plans makes it difficult to isolate the cost of individual components. Services such as data, call minutes, SMS, and add-ons are typically packaged together, meaning the specific price attributable to call minutes is no longer transparent or easily determined.

3.63 This bundling also weakens the link between MTRs and the prices consumers perceive. Since call costs are hidden within the overall plan, changes in MTRs are unlikely to be noticed by consumers or reflected in retail pricing. While this may weaken the indirect constraint operating on MTRs, the prevalence of bundles of often unlimited call minutes with SMS and data in retail mobile plans also limits the extent to which regulation of MTAS promotes competition in the downstream retail market.

Submitter views

3.64 Symbio, Pivotel and Blue Reach cautioned that bundle-driven retail competition does not protect wholesale-facing providers (MVNOs, fixed operators reliant on FTM, enterprise providers) who must purchase termination to reach numbers; and that falling voice/SMS volumes do not reduce termination monopoly power.[40]

3.65 Spark noted that retail competition is increasingly based on data-centric offerings.[41] One NZ submitted that retail bundling weakens pass-through from MTRs to retail prices.[42]

Our assessment

3.66 For MNO-to-MNO MTM termination, three conditions materially limit incentives to increase MTRs in a way that could be sustained: (i) high inter-MNO reciprocity/symmetry of traffic flows (as shown in our reciprocity analysis);[43] (ii) retail plans that typically bundle unlimited voice/SMS alongside data; and (iii) pervasive OTT usage in consumer communications.[44] The implications for non-integrated providers are addressed under our FTM assessment.

MVNO landscape

3.67 There are currently eleven MVNOs operating in New Zealand, with a combined market share of about 3.2% (Figure 3.2).[45] MVNOs rely on wholesale access to the network infrastructure of the MNOs such as Spark, One NZ and 2degrees, in order to provide mobile services to retail customers.

3.68 Although the recent emergence of MVNOs has added diversity to the retail mobile market, we consider that their overall impact remains limited – particularly in the wholesale and infrastructure layers of the market. Most operate as "thin" MVNOs, with minimal control over core network elements, restricting their ability to innovate, differentiate offerings, or influence pricing at the wholesale level. In contrast, a "thick" MVNO, with greater control over core network elements, could exert stronger competitive pressure.[46]

---

40 Symbio Holdings Limited – MTAS draft report submission (3 Dec 2025); Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025); Blue Reach Services Limited – MTAS draft report submission (6 Dec 2025).

41 Spark – MTAS draft report cross submission (23 December 2025).

42 One NZ – MTAS draft report submission (3 December 2025).

43 See our reciprocity analysis, paragraphs 3.97- 3.106. Reciprocity levels are ~97-99%.

44 See our OTT survey findings. Commerce Commission, "NZ Telecommunications Customer Satisfaction Tracking – Messaging Apps, January – March 2025".

45 This figure has increased from 2.5% to 3.2% since our draft report. Commission data.

46 *Thin MVNOs* rely almost entirely on the host MNO's infrastructure, including core network functions, and typically only manage branding and customer service. *Thick MVNOs*, by contrast, operate more of their own network elements such as billing systems, customer databases, and sometimes even core network components, giving them greater control, flexibility, and potential to compete more effectively.

3.69 However, even a thick MVNO would likely compete primarily on data-led offerings, as retail mobile markets treat voice as a bundled, secondary feature rather than a standalone proposition.

New entrant

3.70 **What a new entrant could be:** Additional competition in New Zealand's mobile market could emerge from either a new MVNO or an infrastructure-based entrant. Of particular interest is the possibility of a 'thick MVNO', an operator that controls key network elements such as its own core network and customer management systems. Unlike traditional MVNOs, a thick MVNO can offer differentiated services and exert greater competitive pressure on incumbents, functioning more like a full-fledged MNO.[47]

3.71 **How it could enhance competition:** The entry of a thick MVNO or a fourth MNO could significantly disrupt the current market structure. It would introduce new retail offerings, potentially lower prices, and stimulate innovation. In such a scenario, MTAS regulation may remain relevant, especially during the early stages of market entry, to ensure fair interconnection terms and prevent anti-competitive pricing by incumbents.

3.72 **Support required for a new entrant:** To enable meaningful competition, a new entrant would require access to wholesale services, including fair MTRs and roaming or infrastructure sharing agreements. If we observed similar challenges that were present in 2010 when 2degrees entered the New Zealand market, we may consider whether regulation is needed to support fair access.

3.73 **Current market reality:** Despite this potential, no credible national entrant is expected in the foreseeable future. The market remains dominated by three established MNOs – Spark, One NZ, and 2degrees. MVNOs such as Kogan and Warehouse Mobile contribute to retail competition but rely entirely on MNO infrastructure, limiting their influence on wholesale pricing and market dynamics. Discriminatory behaviour by incumbents is unlikely under current conditions, as it typically arises only in response to a new infrastructure-based entrant or a thick MVNO capable of exerting wholesale level pressure. In such cases, we retain the ability to consider whether to intervene to promote competition, should that be necessary.

[47] Commerce Commission, "Mobile Market Study – Findings" (26 September 2019), discusses various MVNO models and MVNO access.

Submitter views

3.74 Submitters diverged on MVNO leverage. Pivotel argued that there was low MVNO penetration in NZ and that the draft report does not acknowledge the possibility of full (thick) MVNO entrants.[48] Symbio, Pivotel, Virtutel and Blue Reach argued that the draft report does not reflect the position of MVNOs including limited bargaining power.[49]

3.75 One NZ argued that MVNO competition is already well supported, citing recent wholesale agreements (such as its Advantai partnership) and the broader commercial incentives on all MNOs to offer wholesale access to utilise network capacity. It submitted that substantial recent growth in the MVNO market demonstrates the viability of the MVNO entry route, which it considers the only plausible path for additional operators given the economic barriers to a fourth MNO.[50]

Our assessment

3.76 We do not anticipate the emergence of a new national MNO or a thick MVNO in the near term. Although a thick MVNO model – where the entrant operates its own core network and may negotiate its own termination rates – remains a theoretical possibility, the market appears sufficiently mature that discriminatory behaviour by incumbent MNOs is unlikely. If a thick MVNO were to enter, we would monitor wholesale terms closely and we retain the ability to take action should reasonable grounds exist to do so.

3.77 MVNO retail share has increased from around 2.5% in 2024 to approximately 3.2% in 2025. However, MVNO growth is driven primarily by commercial wholesale arrangements, retail positioning, bundling with other utilities and the increasingly data-centric nature of competition, rather than by MTAS price caps. For this reason, retaining MTAS is not a proportionate or effective tool for shaping MVNO outcomes. Any infrastructure-based new entrant – whether a thick MVNO or a fourth MNO - would compete mainly on coverage, speeds, and data value, as current consumer usage patterns and plan structures do not support voice-led differentiation or entry.

3.78 Satellite supported offerings currently function as a data only connectivity pathway that enables OTT voice services (such as WhatsApp) and therefore bypass MTAS. They do not create a voice terminating cellular network or alter MTM termination incentives. If satellite services evolve to support direct cellular voice termination in future, we would monitor this market development and assess the regulatory implications, but we do not foresee this currently.

---

48 Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025).

49 Symbio Holdings Limited – MTAS draft report cross submission (23 Dec 2025); Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025); Virtutel Pty Limited – MTAS draft report submission (3 Dec 2025); Blue Reach Services Limited – MTAS draft report submission (6 Dec 2025).

50 One NZ – MTAS draft report submission (3 December 2025); One NZ – MTAS draft report cross submission (22 December 2025).

3.79 Overall, reciprocity of traffic flows, bundling, and widespread OTT adoption continue to dampen incentives for MNOs to increase MTRs in ways that could produce market-wide harm.

Close substitutes

3.80 There are several potential alternatives to mobile voice calls that rely on MTAS. We assess three main categories: fixed-line services, MVNOs, and OTT services.

Fixed-line services (FTF/MTF)

3.81 If MTRs were to increase, the calling party may respond to the price increase by contacting the recipient on their fixed number. In other words, the call would be a FTF or a MTF call (rather than a FTM or MTM call).

3.82 However, we do not consider these services to be an effective substitute for calls that rely on MTAS, for the following reasons:

3.82.1 From a pricing perspective, mobile voice services largely offer better value for money than fixed voice services offered over copper-based technologies and VoIP (which can be provided over fibre or fixed wireless access (FWA)), with much cheaper minutes to a wider range of devices (eg, mobiles and landlines).[51]

3.82.2 From a quality perspective, the availability of FTF calls will depend on the receiving party having a landline, and the ability to make phone calls independent of location is important to end-users.

MVNOs

3.83 MVNOs offer retail competition but rely entirely on MNO infrastructure for call termination. As such:

3.83.1 They do not own network infrastructure and are price takers at the wholesale level.

3.83.2 Their ability to influence MTAS pricing or exert competitive pressure is limited.

3.83.3 MVNOs do not offer a meaningful substitute to MTAS-dependent services from a wholesale competition perspective.

3.83.4 While a thick MVNO could exert greater competitive pressure, no such entrant currently exists in the New Zealand market.

---

[51] Commerce Commission "Fibre fixed line access service deregulation review under section 210 of the Telecommunications Act - Reasonable grounds assessment final decision" (19 December 2024), paragraph 3.40.

OTT

3.84 If retail prices were to increase due to higher MTRs, OTT services have emerged as a viable substitute for traditional mobile voice services:

3.84.1 **Functionality**: OTT voice services offer similar core features to mobile voice calls, with added benefits like video calling, international reach, and integration with messaging and media sharing.

3.84.2 **Affordability**: OTT calls are typically free or low-cost, using mobile data or Wi-Fi, rather than relying on MTAS.

3.84.3 **Accessibility**: With widespread smartphone ownership, users can easily switch to OTT voice services if the costs of calling a mobile number increase.

3.84.4 **Competitive constraint**: OTT services bypass traditional mobile termination entirely, and their growing adoption may place downward pressure on retail mobile voice pricing. Our OTT survey found that:[52]

a. While 91% of respondents still use mobile voice calls, 47% use voice calling apps and 52% use video calling apps.

b. For calling, OTT services are widely available and actively used. Among users, daily engagement is seen with Facebook Messenger (17%), FaceTime (15%), and WhatsApp (13%). Weekly call usage is even higher – 49% of Messenger users, 47% of FaceTime users, and 44% of WhatsApp users make calls through these platforms – highlighting their increasing role as substitutes.[53]

c. The majority of consumers with messaging apps on their smartphones have used those apps to make calls. Key drivers include cost (free), simplicity, privacy, and added features such as media sharing and international reach.

3.85 While OTT voice usage has not yet overtaken mobile voice, the infrastructure and user behaviour needed for substitution are already in place. The bundling of voice and data by MNOs may obscure voice pricing, but if MTRs were to increase, OTT services provide a ready alternative for consumers. Our OTT survey findings show consumers increasingly see OTT as an alternative to traditional mobile calling services.

---

52 Commerce Commission, "NZ Telecommunications Customer Satisfaction Tracking – Messaging Apps, January – March 2025".

53 The calling frequency is even higher among SME respondents, with Facebook Messenger (30%) and WhatsApp (34%) used at least once a day. Weekly usage is also significant, with Facebook Messenger (66%), WeChat (65%), and WhatsApp (63%) users making calls at least once a week.

3.86 For consumer use-cases, OTT services offer functionally rich, data-based communication channels that bypass MTAS and are widely used alongside bundled mobile voice.

Consumer demand and switching behaviour

3.87 The mobile voice market in New Zealand has evolved significantly, with consumer behaviour increasingly shaped by data-centric usage and OTT alternatives. These changes have reduced the relevance of MTAS regulation in supporting competition and protecting consumers.

Shift to data and decline of traditional voice services

3.88 While mobile voice remains an important service – still accounting for over 10 billion minutes annually – its growth has plateaued. Usage increased by 164% from 4.24 billion minutes in 2008/09 to a peak of 11.2 billion in 2021/22 but has since declined in both 2022/23 and 2023/24, with a slight increase noticed in 2024/25. Data usage has increased from 0.21 GB in 2012/13 to 8.4 GB in 2024/25 (See Figure 3.7). This trend reflects a broader move towards data-first communication.

OTT adoption

3.89 OTT services appear to be substitutes for some traditional voice services. InternetNZ's 2025 survey found that consumers have started using the internet for calling with 8% of respondents spending most of their time on voice and video calls.[54] Our OTT survey provides stronger evidence: as noted above, 47% of respondents used voice calling apps and 52% used video calling apps. Nearly half of users with Facebook Messenger, FaceTime, and WhatsApp made calls via these apps weekly.[55] Consumers now prefer mobile plans that prioritise data, with call minutes often unlimited and bundled – but no longer central to the mobile experience.

Consumer priorities: Data over Voice/SMS

3.90 Consumer focus continues to shift toward data over traditional voice services and SMS. The Commission's RSQ monitoring confirms that consumer demand is driven by data as compared to call minutes or texts. In 2025:[56]

---

54 InternetNZ "New Zealand's Internet Insights" (March 2026), page 10.

55 Commerce Commission, "NZ Telecommunications Customer Satisfaction Tracking – Messaging Apps, January – March 2025".

56 Commerce Commission "Telecommunications Consumer Satisfaction Monitoring Report – Jan – June 2025". Respondents were able to select more than one option.

3.90.1 When choosing a new mobile provider, most consumers were influenced by lower prices for similar inclusions (data being one of the inclusions), faster speeds and more data. Only 6% of users prioritised more texts or call minutes when choosing a provider, down from 7% in 2024, and 11% in 2023.[57]

3.90.2 When switching plans with the same provider, 26% wanted more data, while only 9% prioritised more texts or call minutes, down from 11% in 2023.[58]

3.91 Further insights from the Commission's RSQ research show: [59]

3.91.1 42% of users chose a new provider for lower prices with similar inclusions; 22% for more data; only 6% for more texts or call minutes.

3.91.2 When leaving a provider, 29% cited more data as a key reason, 18% faster speeds, and 11% better coverage.

3.92 These figures reinforce that voice call minutes are no longer such a meaningful factor in consumer decision-making. Data has become the dominant consideration.

Switching and termination rates

3.93 In the past, technical barriers (such as incompatible network technologies and limited number portability) along with high MTRs restricted consumer mobility. Providers often offered lower or free call and SMS rates within their own networks, creating a 'club effect' where users stayed on the same network to avoid higher costs. This discouraged switching and justified regulatory intervention to address these distortions and promote fair competition.

3.94 Now, providers offer bundled plans that include call minutes, SMS, and data – often with unlimited call minutes and SMS. Voice and SMS are no longer central to consumer decision-making. Mobile data usage has surged, and consumers now prioritise data allowances and performance. As a result, switching decisions appear to no longer be based primarily on call or SMS pricing, and are not influenced by MTAS or interconnection pricing.

---

57 Commerce Commission "Telecommunications Consumer Satisfaction Monitoring Report – Jan – June 2023". Respondents were able to select more than one option.

58 Ibid.

59 Commerce Commission "Telecommunications Consumer Satisfaction Monitoring Report – Jan – June 2025". Respondents were able to select more than one option.

Broader digital trends

3.95 Increased internet accessibility has expanded consumer choice and accelerated the shift to OTT services for voice, video, and messaging. InternetNZ's 2025 survey found that 64% of New Zealanders spend two to four hours online daily, with 46% spending most time on social media.[60] Our OTT survey reinforces this, showing widespread use of OTT services for communication, driven by cost, simplicity, and international connectivity. Over half of respondents (51%) strongly agreed that OTT services are ideal for staying connected with overseas contacts.[61] This further illustrates the rise of data-driven communication and the declining relevance of traditional mobile voice.

Regulatory relevance

3.96 MTAS regulation was introduced to address a barrier to entry and expansion faced by a new entrant at a time when voice and SMS were the core features of retail mobile plans. However, with the rise of OTT alternatives and data-first plans, voice services are no longer central to competition or consumer protection and MTAS may no longer play such a meaningful role.

Data analysis overview

3.97 We analysed three years of data collected relating to MTM calls, through our MTAS questionnaire. The analysis reveals two key findings:

3.97.1 **High market reciprocity**: ~97-99% of all MTAS revenue is reciprocal, meaning any increase in MTRs is largely offset by corresponding cost increases.

3.97.2 **Minimum incentive to increase price**: The maximum possible net financial gain for any operator in any year was only 2.55% of the market volume, indicating insufficient incentive for unilateral price manipulation.

3.98 These findings are discussed in detail below, considering both current market conditions and foreseeable near-term developments. While entry of a fourth MNO could alter these dynamics, we do not anticipate such entry in the near future.[62]

---

60 InternetNZ "New Zealand's Internet Insights" (March 2026), pages 9, 10. Respondents were able to select more than one option for the latter.

61 Commerce Commission, "NZ Telecommunications Customer Satisfaction Tracking – Messaging Apps, January – March 2025".

62 See paragraphs 3.67 - 3.79 of this report.

Market wide reciprocity

3.99 We examined the balance of payments and receipts between operators to assess how much of the revenue earned by one operator is offset by costs paid to others. This helps determine whether price changes by one operator are neutralised by the system. A lower net-balance value indicates that operators' MTAS revenues are largely offset by reciprocal payments, reflecting a high degree of financial balance across the market.

3.100 From a competition perspective, this reciprocity also acts as a form of countervailing power – if one operator were to increase the price for terminating traffic on its network, others could respond by increasing their own rates. This mutual retaliation would result in higher revenues but also higher costs for all parties, effectively cancelling out any financial gain and discouraging unilateral price increases.

Table 3.1 Average weighted net-balance range

Metric	2023	2024	2025
Average weighted net-balance	1.84%	1.21%	2.61%
Market reciprocity 100% - (net-balance)	98.16%	98.79%	97.39%

3.101 Table 3.1 shows average weighted net-balance and the market reciprocity rate over three years.

3.101.1 The net-balance measures the difference between what an operator pays and receives. A lower percentage indicates that most revenue received is offset by costs, reflecting high reciprocity.

3.101.2 The reciprocity rate is calculated as 100% minus the net-balance. A higher percentage indicates a more balanced market, where financial flows between operators are largely neutralised.

3.102 With reciprocity rates at ~97-99%, the market demonstrates a high degree of financial balance. This creates a form of financial lock-in, where any increase in MTRs by one operator is likely to return as a cost when purchasing services from others. As a result, the financial benefit of raising prices is minimal, reducing the incentive to do so.

Operator-level net positions

3.103 We also analysed the net financial position of each operator. This analysis looks at how much they gained or lost as a percentage of the total market value (**TMV**). This helps assess whether any operator consistently benefits from the current structure. A net position closer to zero means the operator's revenue from the market is largely offset by its costs, indicating financial neutrality.

Table 3.2 Operator net positions

Operator	2023 Net position (% of TMV)	2024 Net position (% of TMV)	2025 Net position (% of TMV)	Maximum gain	Status volatility
MNO1	+0.59% (Receiver)	+0.74% (Receiver)	-1.33% (Payer)	+0.74%	Switched from receiver to payer
MNO2	-1.68% (Payer)	-1.02% (Payer)	+2.55% (Receiver)	+2.55%	Switched from payer to receiver
MNO3	+1.09% (Receiver)	+0.27% (Receiver)	-1.22% (Payer)	+1.09%	Switched from receiver to payer

3.104 Table 3.2 highlights the ‘zero-sum pattern’ in operator net positions:

3.104.1 A positive percentage means the operator received more than they paid (net receiver).

3.104.2 A negative percentage means they paid more than they received (net payer).

3.104.3 The maximum gain for any operator was 2.55% of TMV, which is relatively small in the context of the overall market.

3.105 All operators have moved between being net payers and net receivers over the three years. This confirms that the market operates as a ‘zero-sum system’ – one operator’s gain is another’s loss. The small size of these gains and the reversals suggest that no operator consistently benefits. This further reduces the incentive to manipulate prices, as any short-term advantage is likely to be temporary and offset in future periods.

3.106 The data and analysis above confirm that the market is structurally stable. High reciprocity ensures that most revenue is offset by cost, and the small, shifting net positions of individual operators show that no single player consistently benefits. Together, these factors create a self-balancing system where price increases offer limited financial reward and are naturally discouraged.

3.107 Regulated MTRs in New Zealand are currently capped at 3.56 cents per minute for voice calls and 0.06 cents per SMS – rates that remain higher than in other comparable international markets.[63] Under current market conditions, if the price caps were removed, we would not expect that this would have any effect on the end-user retail prices. The structure of the market and the level of symmetry mean that any unilateral price increases are unlikely to be sustainable or pass-through to retail. However, if we observed pricing behaviour that distorts competition, such as targeted increases in specific segments or sustained imbalances that suggests an operator is gaining an advantage, we would consider intervention to ensure that access remains reasonable and non-discriminatory. It is likely that any future benchmarking-based pricing determination would be at lower rates (given current MTRs in previously benchmarked countries such as Australia).

MTM – conclusion

3.108 In MTM, the technical termination bottleneck persists in theory, but given the evidence presented above that shows broad MNO symmetry, the prevalence of bundled retail plans, and data-centric competition, it is our conclusion that MTM termination is no longer an economic bottleneck capable of causing market-wide harm. OTT services also provide a material indirect constraint. We therefore do not expect MTM MTRs to increase post-deregulation or reflect in retail prices under current or expected conditions.

SMS

3.109 The Commission in 2020 noted that OTT services were effectively constraining MNOs from raising the SMS MTRs. While each MNO controls the termination of SMS to mobile subscribers on its network, they were likely to be indirectly constrained by substitution of OTT services.[64]

---

[63] In New Zealand, the Initial Pricing Principle for MTAS is based on benchmarking against the costs of providing similar services in comparable countries where a forward-looking cost-based methodology has been applied (or bill-and-keep), while the Final Pricing Principle refers to the Total Service Long-Run Incremental Cost (TSLRIC). The regulated mobile termination rates determined by the Commission in 2011 were set based on benchmarking against comparable countries where TSLRIC or a similar methodology had been used. This resulted in a profile of cost-based MTRs, including a glide-path down to the current caps of 3.56 cents per minute for voice calls and 0.06 cents per SMS.
A number of the countries used in the Commission's benchmarking in 2011 have since applied a different cost methodology. However, countries such as Australia have continued to apply a TSLRIC methodology when determining MTRs, and MTRs have typically declined since 2011. For example, the Australian benchmark used by the Commission in 2011 was 5.8 Acpm for voice MTAS; in 2020, the ACCC determined a price for voice MTAS of 1.19 Acpm, and in 2025 the ACCC set a final MTR of 0.93Acpm.
In the European Union, termination rates are harmonized across member states under a Pure LRIC framework, with a maximum mobile voice termination rate of 0.2 eurocents per minute (approximately 0.35 NZ cents) and 0.07 eurocents per minute for fixed calls.

[64] Commerce Commission "Final decision on Mobile Termination Access Services (MTAS)" (2 September 2020).

Market structure

3.110 The retail mobile services market is the relevant downstream market, as MTAS is an input used to supply retail messaging services (SMS). The structure of the SMS market closely mirrors that of mobile voice services. Both are typically offered by the same providers, within the same retail bundle, and are considered part of the same overall market.

Network evolution

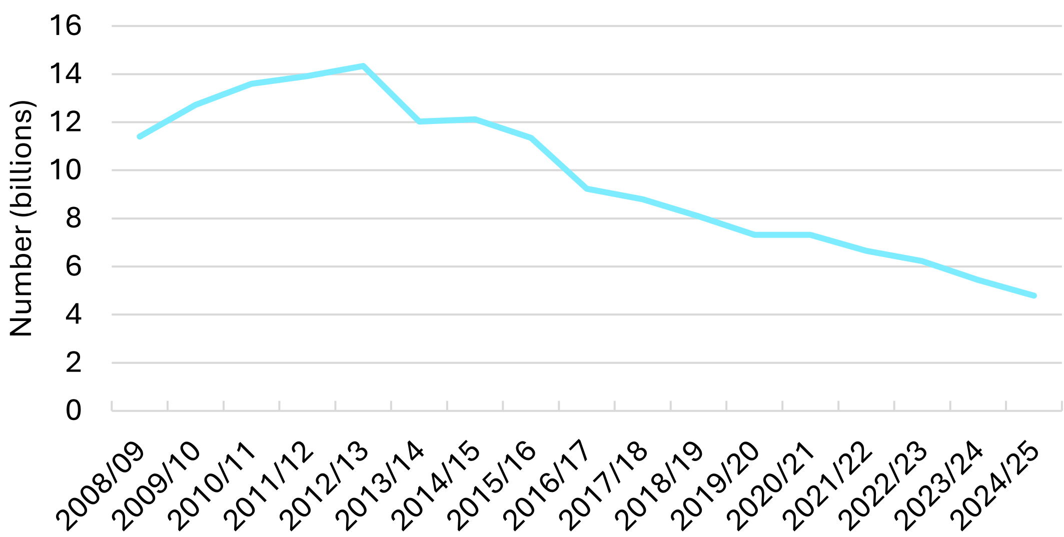
3.111 In 2010, SMS was a core part of mobile communication, with high termination rates contributing to competition concerns. However, as with voice, the mobile market has transformed. The rollout of 4G and 5G networks, widespread internet access, and smartphone adoption have enabled the rise of OTT services, which bypass traditional SMS infrastructure.

3.112 As a result, SMS usage has steadily declined and is no longer a key factor in consumer choice or competition. The same trends that have reduced the relevance of voice termination – data-first usage, bundled plans, and OTT substitution apply equally if not more strongly to SMS. Consequently, the strategic and regulatory importance of SMS termination has significantly diminished.

Usage and pricing of SMS

3.113 SMS volumes have declined significantly from a peak of 14.3 billion messages in 2012/13 to 4.8 billion messages in 2024/25 (Figure 3.9).

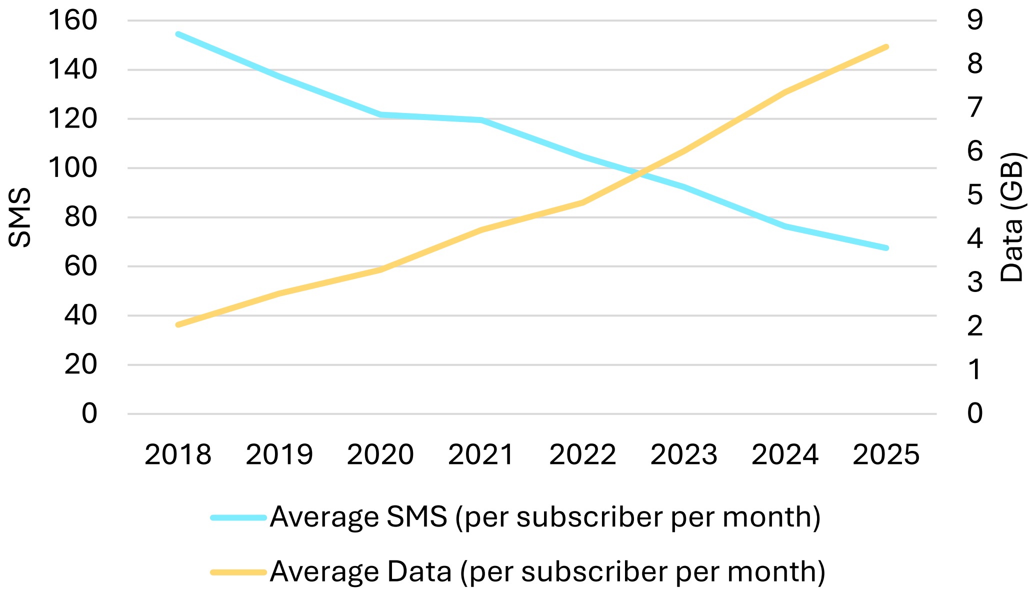
Figure 3.9 SMS volumes



Source: Commission data

3.114 The trend is mirrored in average monthly usage, where SMS volumes continue to decline while mobile data usage steadily increases (Figure 3.10).

Figure 3.10 Average monthly SMS vs mobile data usage[65]



Source: Commission data

3.115 As discussed in the MTM section, OTT services are widely available as alternatives to mobile (MTAS-based) messaging services wherever mobile data is provided by the MNO networks or a broadband connection/Wi-Fi is available. These services can be easily accessed with basic smartphones now prevalent among end-users.

3.116 SMS allowances, in particular, no longer appear to be a distinguishing feature of mobile plans that MNOs compete on, with an increased focus on data allowance, data speeds, 5G access and coverage, and other add-ons such as streaming subscriptions, hotspotting, data rollover, and group plans.

3.117 High adoption of OTT messaging services has likely played a significant role in the sharp decline in traditional SMS usage. Competition from OTT messaging services may have contributed to the inclusion of unlimited SMS on mobile plans.

3.118 Given declining demand and market saturation, new entrants are unlikely to focus on SMS as a core service. SMS is no longer central to retail mobile offerings and is expected to evolve primarily through integration with data services and enterprise platforms, rather than as a standalone product.

[65] While SMS volumes are declining, this trend does not necessarily imply a direct shift to OTT messaging services. SMS contributes only a small portion of overall network capacity, and the increase in mobile data usage is more likely driven by other factors such as video streaming, social media, and other data-intensive applications.

Close substitutes

OTT

3.119 There are strong substitutes to traditional SMS, primarily in the form of OTT messaging services.

3.119.1 **Functionality:** OTT messaging services offer similar core features to SMS, with added benefits such as multimedia sharing, group chats, and integration with voice and video calling.

3.119.2 **Affordability:** OTT messages are typically free, using mobile data or Wi-Fi rather than relying on SMS termination.

3.119.3 **Accessibility:** With widespread smartphone ownership and near-universal internet coverage, users can easily switch to OTT messaging services.

3.119.4 **Competitive constraint**: In our 2020 MTAS reasonable grounds assessment we found that there were strong competitive constraints on SMS termination services from OTT services. Some of the evidence supporting this conclusion was sourced from Analysys Mason's 'Connected Consumer' 2019 survey of OTT usage in New Zealand, which reported that 89% of smartphone users in New Zealand used OTT services for messaging (with 47% using OTT services for voice calls).[66] In 2025, our OTT survey found that:[67]

a. 78% of respondents used messaging apps, and 63% used social networking apps to communicate.

b. For messaging, OTT services are widely available and actively preferred. Among users, daily engagement is high – 58% for Facebook Messenger, 38% for WhatsApp, and 40% for Instagram. Weekly messaging activity is even more prominent, with 88% of Messenger users, 73% of WhatsApp users, and 71% of Instagram users sending messages at least once a week – highlighting their preference.[68]

c. The majority cited cost (free), simplicity, and media sharing features as key reasons for preferring OTT messaging.

---

66 Commerce Commission "Final decision on Mobile Termination Access Services (MTAS)" (2 September 2020), paragraph 54.3.2.

67 Commerce Commission, "NZ Telecommunications Customer Satisfaction Tracking – Messaging Apps, January – March 2025".

68 Similar to calling, OTT messaging usage is higher among SME respondents. Daily usage is notable for Facebook Messenger (66%) and WhatsApp (51%). Weekly usage is even more pronounced, with Facebook Messenger (90%), WhatsApp (83%), and Instagram (69%) users sending messages at least once a week.

3.120 SMS usage continues to decline, even though unlimited SMS allowances feature in most mobile plans (that is, SMS allowances are not a differentiating factor). In addition to competitive pressure from OTT services, the current market structure sufficiently disincentivises MNOs from raising SMS termination rates. Our OTT survey findings reinforce the strong competitive pressure OTT services place on SMS.

Consumer demand and switching behaviour

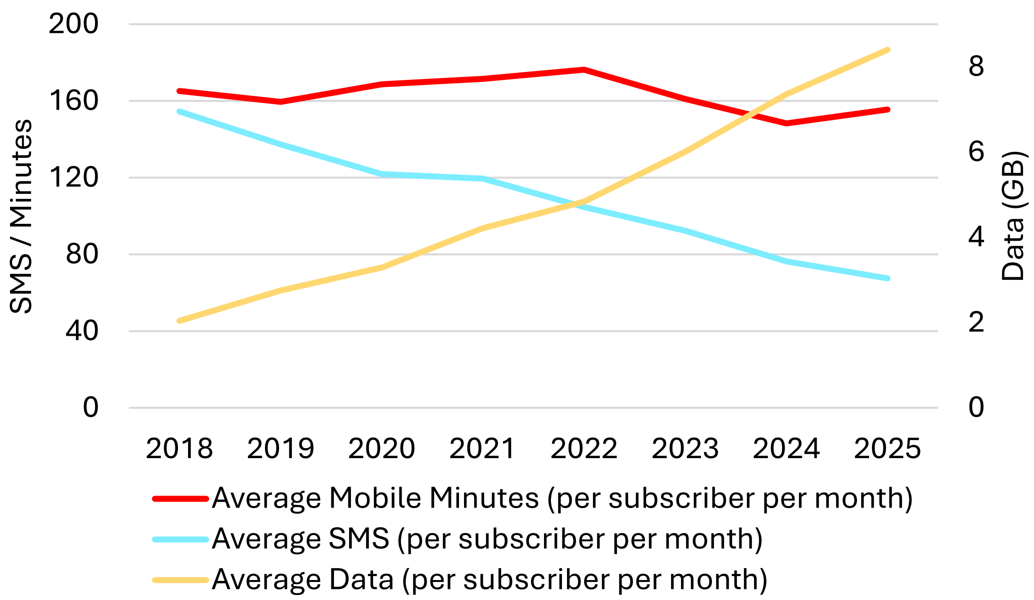
3.121 The SMS market in New Zealand appears to be undergoing a more pronounced decline than mobile voice, influenced by the growing adoption of data-centric communication and the availability of OTT messaging alternatives. These shifts suggest that SMS may no longer play a central role in consumer decision-making or mobile plan differentiation.

SMS decline stronger than voice

3.122 While mobile voice usage has plateaued, SMS volumes have declined more sharply. This may reflect a stronger consumer shift away from traditional messaging toward OTT services. Since their peak in 2012/13, SMS volumes have dropped by 67% (Figure 3.9).

3.123 Figure 3.11 shows the average monthly SMS, mobile call minutes and data usage. Over the last 6 years the compound annual growth rate (**CAGR**) of the usage of mobile data (22.4% per annum) significantly outweighs the growth of usage of mobile call minutes (-0.9% per annum) and SMS (-11.2% per annum) indicating a shift in consumer demand and preference for data.

Figure 3.11 Average monthly SMS and mobile minutes vs data usage



Source: Commission data

OTT a key substitute

3.124 OTT services are widely used and appear to be acting as substitutes for SMS. This is consistent with survey data on SMS and OTT usage. InternetNZ's annual survey of internet users reports that the decline in the use of SMS has coincided with increased use of alternative OTT messaging services:[69]

3.124.1 In 2020, 55% of respondents sent at least one SMS each day; by 2025, this had dropped to 45% of respondents.

3.124.2 In 2020, 47% of respondents used Facebook Messenger at least once a day; by 2025, it remained the same at 47%.

3.124.3 In 2020, 24% of respondents used WhatsApp at least once a day; by 2025, this had increased to 25% of respondents.

3.124.4 In 2020, 27% of respondents used Instagram at least once a day; by 2025, this had increased to 31% of respondents.

3.124.5 Our OTT survey further found that Facebook Messenger appears to be the strongest competitor to SMS, with higher usage frequency than SMS among many users. WhatsApp and Instagram also showed high usage, reinforcing the substitution effect.[70]

Consumer preferences: Data over SMS

3.125 Consumer priorities continue to shift toward data, with SMS playing a decreasing role in mobile plan selection and switching. As noted in the MTM section, consumers are placing greater emphasis on data offerings over SMS when choosing new providers or switching plans.[71]

3.126 These trends suggest that SMS is increasingly being replaced by data-based OTT messaging services.

3.127 As with MTM, the original rationale for MTAS regulation is less compelling in today's data-driven market. Given the steeper decline in SMS usage and the potential for stronger OTT substitution, our view is that the case for continued regulation of SMS termination is even weaker than MTM.

Data analysis overview

3.128 We analysed three years of data relating to SMS traffic, collected through our MTAS data questionnaire. The findings closely mirror those observed in the MTM analysis, with high market reciprocity and minimal financial incentive for unilateral price changes.

---

69 InternetNZ "New Zealand's Internet Insights" (March 2026), pages 12 and 13.

70 Commerce Commission, "NZ Telecommunications Customer Satisfaction Tracking – Messaging Apps, January – March 2025".

71 See paragraphs 3.90 - 3.92.

Market wide reciprocity

3.129 Table 3.3 presents the average weighted net-balance and the market reciprocity rate for SMS over three years. As with MTM, a lower net-balance value indicates that most MTAS revenue is offset by reciprocal costs, reflecting strong financial balance across the market.

Table 3.3 Average weighted net-balance

Metric	2023	2024	2025
Average weighted net-balance	0.97%	0.83%	2.76%
Market reciprocity 100% - net-balance	99.03%	99.17%	97.24%

3.130 These results confirm that SMS traffic is also subject to a high degree of reciprocity, with over 97% of revenue flows offset by costs in each year.

Operator-level net positions

3.131 Table 3.4 shows the net financial positions of each operator for SMS, expressed as a percentage of TMV. As with MTM, the data reflects a zero-sum pattern, where gains by one operator are offset by losses to another.

Table 3.4 Operator net positions

Operator	2023 Net position (% of TMV)	2024 Net position (% of TMV)	2025 Net position (% of TMV)	Maximum gain	Status volatility
MNO1	+0.54% (Receiver)	+0.20% (Receiver)	-1.88% (Payer)	+0.54%	Switched from receiver to payer
MNO2	-0.89% (Payer)	-0.66% (Payer)	+2.51% (Receiver)	+2.51%	Switched from payer to receiver
MNO3	+0.36% (Receiver)	+0.47% (Receiver)	-0.63% (Payer)	+0.47%	Switched from receiver to payer

3.132 The SMS market, like MTM, exhibits strong financial symmetry. Operators' net positions fluctuate year to year, with no consistent beneficiary. The small scale of gains and the regular role reversals further confirm the absence of sustained financial advantage. This reinforces the conclusion that the SMS market is also structurally stable and self-balancing, with limited incentive for price manipulation.

Submitter views

3.133 Symbio, Pivotel, Virtutel and Blue Reach submitted that falling SMS volumes do not remove the termination bottleneck; that OTT does not substitute for A2P/critical use cases requiring number delivery (eg, 2FA, emergency alerts); that A2P termination prices appear high vs benchmarks; and reciprocity among MNOs does not protect wholesale/A2P providers.[72]

3.134 One NZ argued that A2P is out of scope for this investigation; that for P2P use cases, OTT and in-app channels provide strong alternatives; P2P SMS is bundled/unlimited and no longer a retail differentiator; and that there is now no material incentive or ability for MNOs to increase or sustain higher MTRs.[73]

Our assessment

3.135 We distinguish P2P SMS from A2P SMS. A2P is not a component of the MTAS service description, and therefore out of scope for the MTAS investigation. The P2P findings here do not predetermine A2P outcomes – which the Commission is considering separately under the Commerce Act.

3.136 For P2P SMS, the evidence and analysis above show low incentive and ability to increase MTRs.

SMS – conclusion

3.137 For P2P SMS, the technical bottleneck persists, but its strategic relevance has diminished due to OTT substitution, shift to data-centric bundled retail plans, and high reciprocity.

3.138 We do not expect P2P SMS MTRs to increase or pass-through to end-users under current or expected conditions.

Fixed-line voice (FTM)

3.139 FTM termination is a technical, per-number bottleneck: to complete a fixed-to-mobile call the originating fixed network must purchase termination from the recipient's MNO.

3.140 We therefore test supply-side ability, incentives, and durability at source. We also account for an indirect, retail pass-through constraint, where higher FTM costs, if passed through, may prompt end-users to switch faster to mobile/OTT, shrinking volumes and undermining payoff.

---

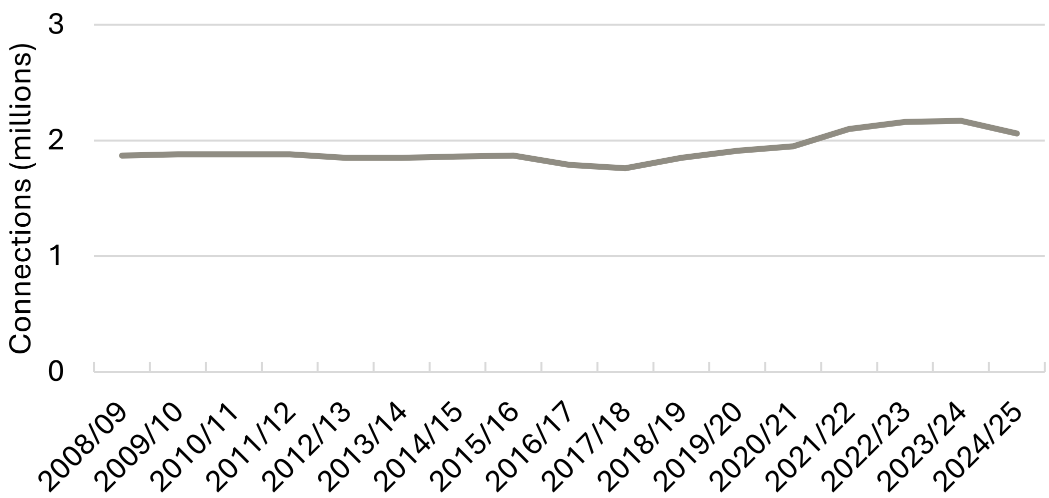
72 Symbio Holdings Limited – MTAS draft report submission (3 Dec 2025); Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025); Virtutel Pty Limited – MTAS draft report submission (3 Dec 2025); Blue Reach Services Limited – MTAS draft report submission (6 Dec 2025).

73 One NZ – MTAS draft report submission (3 December 2025); One NZ – MTAS draft report cross submission (22 December 2025).

Market structure

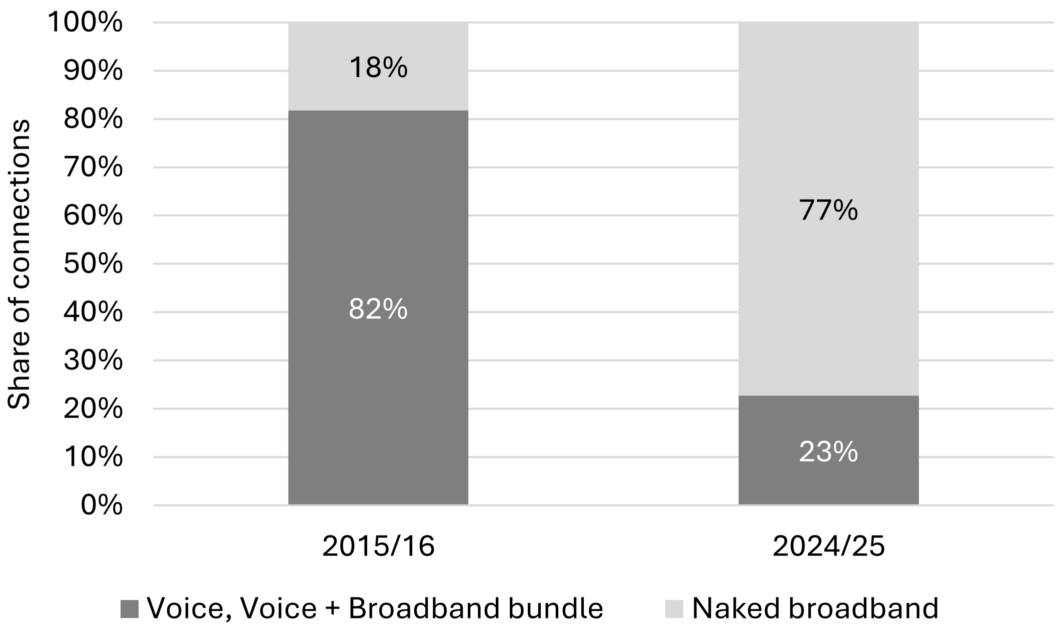
3.141 The overall number of fixed lines has remained relatively stable (Figure 3.12), largely due to the growing use of 'naked' broadband connections. In contrast, traditional fixed 'voice only' services and bundled 'broadband and voice' plans have continued to decline (Figure 3.13).

Figure 3.12 Fixed-line connections



Source: Commission data

Figure 3.13 Residential fixed lines by connection type – 2015/16 vs 2024/25



Source: Commission data

3.142 In the retail market, a number of competitors provide FTM calling services. The main suppliers of FTM calling services include Spark, One NZ, 2degrees, Symbio and Devoli, along with a number of other smaller operators. There are also retailers such as Contact, Mercury and Sky, who on-sell white-label products.

3.143 The Commission has estimated the market shares for fixed voice call services. The Retail service providers (RSPs) which are also MNOs dominate the market with Spark being a major player.

Network evolution

3.144 Fixed-line calls can be made on legacy copper-based technologies or newer technologies such as Voice over IP (**VoIP**). As copper landline services continue to decline, there has been a notable increase in the uptake of VoIP, which operates over broadband connections including fibre and other access technologies.

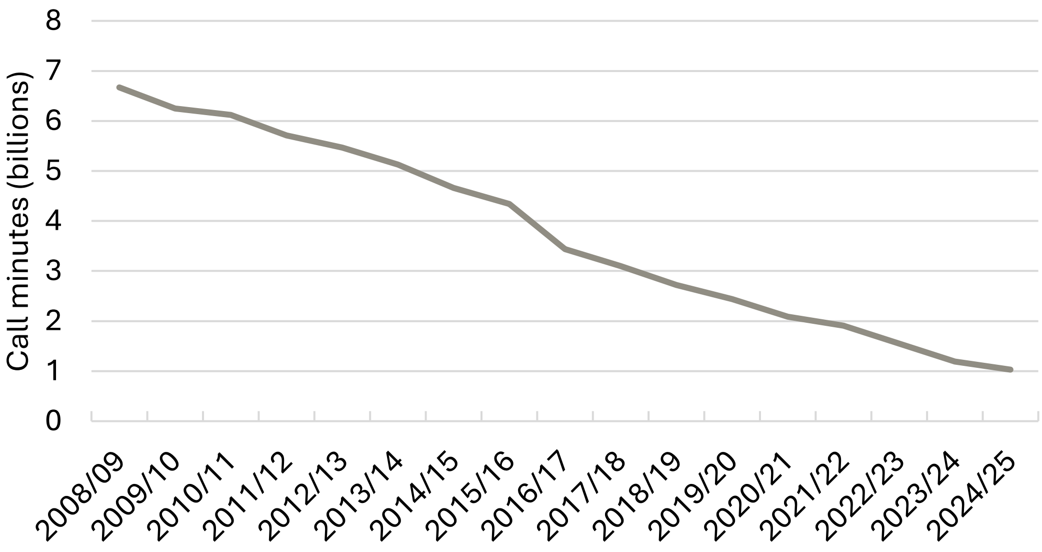
3.145 Historically, retail fixed voice services relied on copper infrastructure. However, in urban areas, copper voice services are being progressively withdrawn and replaced by alternatives such as mobile or fibre-based voice services.

3.146 Today, fixed voice services are primarily delivered over fibre and wireless networks. These modern technologies offer enhanced reliability, scalability, and functionality, and are increasingly preferred by consumers as the market transitions away from legacy systems.

Usage and pricing of fixed voice

3.147 The volume of fixed call minutes has significantly declined over time, from 6.7 billion in 2008/09 to 1.03 billion in 2024/25 (Figure 3.14). This reflects a broader shift in consumer behaviour away from traditional fixed voice services.

Figure 3.14 Fixed call minutes



Source: Commission data

3.148 Table 3.5 summarises retail voice service pricing over different technologies, split by voice only or bundled with broadband.

Table 3.5 Summary of retail voice plans by technology (August 2025)[74]

Voice technology	Monthly price	NZ Landlines c/p/min	NZ Mobiles c/p/min	Notes
Fibre **(voice only)**	$49 or $68	$0.18	$0.48	Mercury ($49) and Spark ($68) are the only major RSPs who sell a fibre voice only plan.
FWA **(voice only)**	-	-	-	There are no FWA voice only plans available.[75]
Fibre **(bundled)**	From $70	Unlimited	$0.22	Landlines are able to be added to an existing fibre broadband connection from $10 a month.
FWA **(bundled)**	From $60	$0.24	$0.39	Comes with 50GB monthly data.
Low Earth Orbit (LEO) satellite[76] **(bundled)**	From $92	$0.05	$0.17	
Mobile[77] **(Bundled with SMS and data)**	From $8 – plans with unlimited minutes from $15	Free – some plans have caps	Free – some plans have caps	Data caps may apply for cheaper plans.

74 Pricing data taken from the websites of RSPs (Spark, One NZ, 2degrees, Mercury, Starlink, Kiwi Voip, Slingshot, Contact, Kogan, Warehouse Mobile and Rocket Mobile) on 26 August 2025.

75 Spark has a $50 landline plan over FWA that comes with 50GB per month data if you want to connect to the internet.

76 Starlink do not offer a voice service but one can be purchased from a third party to use over a Starlink LEO broadband connection. This price includes both the broadband connection and the third-party voice service.

77 Some mobile RSPs offer ‘monthly’ plans while others offer plans for four weeks. While there will be some differences over the long term, we have included all as ‘monthly’ for the sake of this analysis. Our view is that the difference would be minimal at most.

3.149 From a pricing perspective, mobile services largely offer better value for money than all other voice services, with much cheaper minutes to a wider range of devices (eg, mobiles and landlines) and locations (eg, many mobile plans include calling to Australian landlines and mobiles).

3.150 This pricing analysis suggests that alternative retail voice services – particularly mobile – act as a competitive constraint on fixed voice pricing. As consumers increasingly adopt these alternatives, the ability to increase prices for fixed voice services is likely to be limited.

New entrant

3.151 The fixed voice market in New Zealand is widely considered a sunset segment. In our view, any new provider entering the fixed-line space would likely do so through broadband services, rather than fixed voice. Given the ongoing decline in fixed voice usage and limited consumer demand, the prospect of a viable new entrant specifically targeting fixed voice appears unlikely.

Close substitutes

3.152 There are several viable substitutes to fixed-line voice services, including mobile voice, OTT services, and Wi-Fi calling.

Mobile voice services

3.153 As of June 2024, over 99% of urban households were within mobile coverage from at least one MNO, ensuring widespread access to mobile voice services.[78] As such:

3.153.1 Mobile phones offer strong value for money, with competitive pricing and bundled plans that include voice, text, and data.

3.153.2 Mobility is a key advantage, allowing users to make and receive calls regardless of location, unlike fixed-line services.

3.153.3 While mobile services depend on network coverage and device battery life, their widespread availability, convenience, and functionality are likely to make them a close substitute for fixed-line calling services.

OTT

3.154 OTT services are widely used for voice and video calling, also provide ready alternatives to traditional landline services:

3.154.1 These apps are typically free or low-cost, using mobile data or Wi-Fi rather than traditional voice networks.

3.154.2 High smartphone ownership and mobile internet access (on 4G and 5G) have driven strong uptake of OTT services.

[78] Commission 2024 AMR.

3.154.3 OTT services bypass fixed-line infrastructure entirely, offering a flexible and feature-rich alternative to landline calls.

3.154.4 According to our OTT survey, only 27% of respondents reported using landlines,[79] while 47% used voice calling apps and 52% used video calling apps. Nearly half of users with Facebook Messenger (49%), FaceTime (47%), and WhatsApp (44%) made calls via these platforms at least once a week. Consumers cited cost (free), simplicity, and international connectivity as key reasons for preferring OTT services.[80]

Wi-Fi calling

3.155 Wi-Fi calling enables mobile users to make and receive calls over a Wi-Fi network instead of the cellular network, offering an alternative in the wider retail voice market.

3.155.1 It extends mobile functionality into areas with limited cellular coverage, provided a Wi-Fi network is available.

3.155.2 Wi-Fi calling is supported by most modern smartphones and is increasingly integrated into mobile service offerings.

3.156 Mobile networks cover over 99% of urban premises, while VoIP over alternative broadband technologies is also highly present with FWA (99% coverage) and LEO services (all premises with sufficient line of sight to the sky) near ubiquitous.[81]

3.157 With internet access being so widely present on fixed-line and wireless (including mobile) technologies, both OTT services and Wi-Fi calling are available to nearly all urban premises (assuming ownership of a smartphone).

3.158 The availability of substitutes creates commercial headwinds to retail pass-through of any FTM MTR increases. Attempts to pass-through these MTRs risk accelerating end-user switching to alternatives, further shrinking volumes and undermining payoff.

Consumer demand and switching behaviour

3.159 Consumers are switching away from landlines towards mobile services, with this trend going on for many years. As shown in Figure 3.14, the number of chargeable fixed voice call minutes has decreased 85% from 6.67 billion to 1.03 billion since 2008/09, while as shown in Figure 3.3, mobile voice call minutes have grown 160% from 4.24 billion to 11.02 billion over the same period.[82]

---

79 Landline usage was even lower for SME respondents at 24%.

80 Commerce Commission, "NZ Telecommunications Customer Satisfaction Tracking – Messaging Apps, January – March 2025".

81 Commission data. Coverage does not mean availability in this sense. We use coverage to mean where a service is physically present, but capacity issues may mean a consumer cannot purchase a new service making it not available.

82 Commission data.

3.160 Landline connections still exist across both urban and rural areas but are increasingly concentrated in locations with limited mobile coverage or where households prefer to retain a backup connection, such as VoIP.

3.161 Consumers are switching away from landline services towards mobile services, with OTT adoption on the rise. Nationwide, residential landline connections have continued to decline in 2024, down 14% from 2023.[83]

3.162 The rise in mobile usage is further supported by the growing adoption of OTT services such as WhatsApp and Messenger, which offer voice and video calling over data networks. Our OTT survey confirms this trend, showing that OTT services are widely used for calling, with nearly half of users making weekly calls via these platforms. These services, combined with widespread smartphone ownership and mobile coverage, have contributed to the decline in traditional fixed voice usage.

3.163 While mobile services offer strong value and flexibility, there are still some limitations, such as the need for coverage and battery life. In some rural areas, where mobile coverage may be less reliable, fixed voice services may still play a role. In this context, any increase in fixed-to-mobile termination rates (FTM MTRs) could disproportionately affect rural consumers who rely on landlines. However, there are already viable alternatives, in areas with limited mobile coverage such as LEO (enabling Wi-Fi calling and OTT services). Looking ahead, direct-to-cell satellite connectivity is expected to become available in the near future, further expanding the options for staying connected.

3.164 Overall, the sustained decline in fixed voice usage and the growth in mobile and OTT alternatives reflect a clear shift in consumer demand. This trend reinforces the competitive pressure on fixed voice pricing and highlights the diminishing relevance of legacy voice services in the current telecommunications landscape.

Data analysis overview

3.165 The supply of FTM calls takes place within a broader voice calling environment that has been steadily contracting over the past decade. Our analysis draws on AIQ data, MTAS questionnaire, and survey insights on OTT adoption.[84] Key observations are discussed below.

Diminishing market relevance

3.166 The fixed voice market has contracted significantly, falling from 6.67 billion minutes in 2008/09 to just 1.03 billion minutes in 2024/25. This represents a total traffic loss of ~85%, with a CAGR of -11%.

---

83 Commission 2024 AMR. Our 2023 AMR noted that landline connections across all access technologies continued to decline in 2023, down 33% from 2022.

84 Surveys include our OTT survey and other reports used in the 'Close substitutes' and 'Consumer behaviour and switching' sections in 'MTM' and 'SMS' sections.

3.167 The contraction appears primarily driven by substitution toward mobile and OTT services. Survey data (discussed in sections above) indicates increasing adoption of OTT services, with users shifting to internet-based voice and messaging services. This trend continues to erode the relevance of traditional fixed networks.

3.168 The ongoing decline in fixed voice traffic, combined with growing OTT, reduces the overall volume base for FTM. These demand shifts provide important context for any pricing changes.

MNO layer self-constraint

3.169 As outlined in the mobile section and Table 3.1, MNOs operate within a highly reciprocal mobile termination market, where ~97-99% of MTAS revenue is offset by costs.

3.170 This reciprocal balance characterises MTM traffic flows and provides important context for behaviour in adjacent termination settings, including FTM.

3.171 FTM termination revenue accounts for less than 10% of total termination revenue across the three large operators (for 2023 – 2025). Overall FTM termination revenue decreased 27% from 2023 to 2025.

Limited leverage for non-integrated providers

3.172 Non-integrated providers lack reciprocal mobile traffic, limiting their ability to negotiate with MNOs. While they do terminate MTF traffic, their MTF/FTM revenue ratio indicates a relatively weaker position. Their customer bases are typically enterprise users (eg, banks, large corporates, public sector) with increasing access to OTT.

Our assessment

Market structure and exposure

3.173 Unlike MTM, where broadly symmetrical traffic between the three MNOs creates a reciprocal, self-balancing environment, the FTM termination market has a more varied structure on the fixed-originating side.

3.174 Fixed-originating providers range from integrated operators (MNOs with fixed operations) to small non-integrated fixed providers with no mobile presence.

3.175 This distinction matters as integrated providers can, to some extent, offset FTM termination costs within wider commercial relationships, whereas non-integrated fixed providers face more direct exposure because they must purchase FTM termination from MNOs.

3.176 Within the non-integrated segment, the customer base is typically enterprise and mass-market customers. While non-integrated providers lack a wholesale substitute for FTM termination, their customers are not equally constrained. If fixed voice costs increase sufficiently, enterprise customers can migrate traffic to OTT, reducing or bypassing traditional FTM calls. The indirect discipline arises from enterprise end-users' ability to switch, not from the non-integrated provider's wholesale choices.

Regulatory question

3.177 We acknowledge non-integrated providers' exposure and the absence of OTT as a wholesale substitute for terminating fixed calls on mobile networks. The question is whether continued regulation is justified to promote competition in mobile termination for the long-term benefit of end-users, given current and expected market conditions. A relevant indicator would be credible evidence that sustained, material increases in FTM MTRs would be expected despite supply-side constraints and the indirect retail pass-through headwind.

Fixed voice shrinkage and pass-through risk

3.178 Our data suggests that fixed voice is in structural decline. In a contracting segment, attempting retail pass-through of higher FTM costs is commercially risky as it can accelerate end-user switching to alternatives, further shrinking volumes and undermining commercial payoff.

Indirect demand-side constraint from enterprise substitution (OTT)

3.179 Where fixed-originated calls must be delivered to mobile numbers, non-integrated providers cannot bypass MNO termination. However, if higher FTM MTRs are passed through, enterprise customers can switch to alternatives like OTT, reducing reliance on FTM. The prospect of demand exiting at the retail level feeds back through the value chain, limiting MNO incentives to increase FTM MTRs durably.

MTM reciprocity and system-level balance

3.180 Our reciprocity analysis shows that MNOs operate in a broadly reciprocal MTM environment (~97-99%). Efforts to increase FTM MTRs risk retaliation that could destabilise the larger MTM system, with any system-wide effects outweighing modest FTM gains.

Low relative materiality of FTM

3.181 As FTM accounts for a small share of total termination revenue (less than 10% for 2023-2025), and overall FTM termination revenue has decreased 27% from 2023 to 2025, strategies centred on raising FTM MTRs offer limited upside relative to the risks of demand erosion and the constraints noted above.

Routing/transit practicality

3.182 Spark noted that given the maturity of the mobile market, retail competition and the network of interconnection agreements, it is unlikely any MNO could discriminate against the non-integrated providers.[85]

3.183 In our view, while not a wholesale substitute for termination, commercial routing and transit arrangements can mitigate targeted discrimination at the margin, providing additional (albeit limited) flexibility.

Response to submissions

3.184 We now address the specific points raised by submitters. These are addressed following our assessment, as our responses draw directly from the findings set out above.

Structural asymmetry

3.185 Symbio, Pivotel, Virtutel and Blue Reach argued that the draft report overemphasises MNO-to-MNO symmetry (traffic balancing, reciprocal flows) and fails to recognise that non-integrated fixed, wholesale, MVNO and transit providers have no such symmetry and therefore cannot constrain MNO pricing. They contended that symmetry between MNOs does not protect non-MNOs.[86]

3.186 We agree that non-integrated providers occupy a structurally different position. They are pure payers for mobile termination, do not terminate traffic on their own radio networks, lack reciprocal traffic flows, and cannot offset termination cost increases through retail bundles.

3.187 However, this structural asymmetry already exists today, under regulation. The draft report's reliance on MNO-to-MNO symmetry reflects where reciprocal incentives operate; this does not apply to non-integrated fixed providers, and structural asymmetry alone is not evidence that sustained FTM MTR increases are commercially viable or likely. Further, maintaining sector-wide price controls across a segment representing a small and declining share of termination traffic, to protect a commercial niche, is not a proportionate competition-based regulatory response.

Retail trends do not constrain wholesale

3.188 Symbio, Pivotel, Virtutel and Blue Reach argued that declining retail usage of voice/SMS does not diminish the wholesale per network control over termination to a mobile number.[87]

---

85 Spark – MTAS draft report cross submission (23 December 2025).

86 Symbio Holdings Limited – MTAS draft report submission (3 Dec 2025); Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025); Virtutel Pty Limited – MTAS draft report submission (3 Dec 2025); Blue Reach Services Limited – MTAS draft report submission (6 Dec 2025).

87 Symbio Holdings Limited – MTAS draft report submission (3 Dec 2025); Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025); Virtutel Pty Limited – MTAS draft report submission (3 Dec 2025); Blue Reach Services Limited – MTAS draft report submission (6 Dec 2025).

3.189 Spark submitted that opponents focus only on the technical termination function and ignore the wider competitive context in which services are offered. Spark argued that intense OTT-based competition now exists with carrier voice connections, minutes, and messaging volumes in structural decline.[88]

3.190 One NZ acknowledged the technical bottleneck at termination but argued MTAS was imposed for past market features (above cost MTRs and on/off-net retail distortions) that no longer exist. It submitted that Symbio/Pivotel's bottleneck and significant market power (**SMP**) at point of termination claims do not justify continued regulation, and that regulation is justified only where it is necessary to promote competition for the long-term benefit of end-users.[89]

3.191 We agree that retail declines do not eliminate the per-network control of termination at wholesale. The question is whether regulation of this control is justified, having regard to current and expected market conditions, and promotes competition in the mobile termination market for the long-term benefits of end-users. We do not think that is the case as we discuss further in step 4.

OTT not a substitute

3.192 Symbio, Pivotel and Blue Reach submitted that consumer OTT apps are not substitutes for number-based call or SMS delivery. Where the terminating endpoint is a mobile number, the originating network must purchase FTM termination from the MNO that controls that number; OTT requires mutual adoption and does not assure universal reach for number-based services.[90]

3.193 One NZ argued competition analysis must look beyond the network boundary to include functional substitutes such as OTT and in-app messaging/push used by both enterprises and consumers which constrain and bypass MTAS.[91] It also endorsed the Commission's draft view that *"if MTRs were to rise, OTT services provide a ready alternative for consumers"*.[92]

3.194 We acknowledge this distinction. OTT may not be a wholesale substitute for non-integrated providers for the termination of fixed calls on mobile networks; at the same time, as discussed in paragraph 3.179, OTT and unlimited bundles at retail are relevant indirect constraints on the payoff from raising FTM rates. We therefore do not assume OTT disciplines wholesale price-setting directly. Instead, we recognise it reduces pass-through durability.

---

88 Spark – MTAS draft report cross submission (23 December 2025).
89 One NZ – MTAS draft report cross submission (22 December 2025).
90 Symbio Holdings Limited – MTAS draft report submission (3 Dec 2025); Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025); Blue Reach Services Limited – MTAS draft report submission (6 Dec 2025).
91 One NZ – MTAS draft report cross submission (22 December 2025).
92 One NZ – MTAS draft report submission (3 December 2025).

3.195 We note that the submitters here are focusing on whether there are any direct competitive constraints from substitutes at the wholesale level. But as noted in our framework at paragraph 2.29 *any competitive constraints are likely to operate **indirectly**, by way of services in downstream retail markets (such as the retail markets for voice and messaging services). As such, we focus on downstream retail markets for analysis of the competitive constraints that exist for the components of MTAS*.

Wholesale enterprise voice resilience

3.196 Symbio stated that voice traffic remains resilient, with outgoing fixed-originated traffic increasing over time, and that retail declines do not reflect wholesale conditions.[93]

3.197 Our data does not support this for the broader market. Figure 3.14 shows that retail FTM volumes, which represent majority of termination traffic, are declining significantly year-on-year. FTM termination revenues have declined 27% over the period 2023-2025. Against this, the submission's reliance on enterprise volume growth must be assessed proportionately. Even if certain enterprise sub-segments show growth, they are doing so against a shrinking overall base.[94] The market trajectory is one of structural decline, not resilience or demand.

Reciprocity shields only MNOs

3.198 Symbio and Pivotel argued that reciprocity constrains only MNOs and fixed providers lack retaliation leverage.[95]

3.199 We agree that non-integrated providers lack reciprocity. However, our assessment does not rely on reciprocity at the fixed originating side. It relies on MNO incentives at source (retaliation risk in MTM), low FTM materiality, and commercial headwinds if pass-through is attempted.

~70% outbound-to-mobile

3.200 Symbio argued that a high share of outbound-to-mobile traffic demonstrates structural dependence and heightened risk if MTAS is deregulated.[96]

3.201 A high outbound-to-mobile share reflects demand patterns (mobile-centric, OTT-enabled), not MTAS design. The relevant question is whether this exposure can be used to sustain higher FTM MTRs; given the constraints discussed above, sustained high MTRs appear difficult to maintain.

---

93 Symbio Holdings Limited – MTAS draft report cross submission (23 Dec 2025).

94 Spark's noted sharp declines in fixed voice connections (-20%) and revenues (-17%) in the past year. Spark – MTAS draft report submission (3 December 2025).

95 Symbio Holdings Limited – MTAS draft report submission (3 Dec 2025); Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025).

96 Symbio Holdings Limited – MTAS draft report submission (3 Dec 2025)

High MTRs, traffic shift and contracts

3.202 Symbio, Pivotel, Virtutel and Blue Reach argued that higher FTM rates would drive traffic and customers to integrated MNOs, distort competition, and undermine fixed price contracts.[97]

3.203 Claims that higher FTM could drive traffic/business shifts toward integrated MNOs must be weighed against the same headwinds: fixed-voice shrinkage, low FTM materiality, end-users shifting to OTT if prices are lifted and system-level retaliation risks. These factors limit the payoff from a strategy based on sustained FTM increases. We acknowledge concerns about pricing volatility and will monitor termination prices (see monitoring section – from paragraph 3.230).

Routing/transit practicality

3.204 In response to concerns raised by non-integrated providers Spark noted that if an MNO sought to discriminate against a particular provider, traffic could transit via another MNO or a fixed-network carrier, and prices for similar calls would tend to align.[98]

3.205 While transit is not a substitute for termination and does not remove the terminating MNO's control, it is a secondary constraint and reduces the feasibility of sustained party-specific discrimination.

Tollfree analogy

3.206 Symbio, Pivotel, Virtutel and Blue Reach noted that unregulated mobile-to-tollfree origination shows how a termination style monopoly input behaves without controls – prices increase (reportedly 2–3 times MTAS) and competition weakens.[99]

3.207 Our view is that mobile-to-tollfree origination is outside MTAS and differs from FTM in demand, contracting and control structures. It is informative but not determinative: it shows how pricing can evolve where constraints are weak, but FTM faces constraints including shrinkage, reciprocity/retaliation risks, low relative materiality, and routing/transit practicality. Our expectation is that MNOs would not charge non-integrated providers differently than they charge each other for termination.

---

97 Symbio Holdings Limited – MTAS draft report submission (3 Dec 2025); Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025); Virtutel Pty Limited – MTAS draft report submission (3 Dec 2025); Blue Reach Services Limited – MTAS draft report submission (6 Dec 2025).

98 Spark – MTAS draft report cross submission (23 December 2025).

99 Symbio Holdings Limited – MTAS draft report submission (3 Dec 2025); Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025); Virtutel Pty Limited – MTAS draft report submission (3 Dec 2025); Blue Reach Services Limited – MTAS draft report submission (6 Dec 2025).

Resilience, emergency services, scam mitigation

3.208 Symbio, Pivotel, Virtutel and Blue Reach contended that regulated MTAS supports cross-network resilience, traceability, and anti-scam initiatives; deregulation risks weakening these systems.[100]

3.209 Resilience, emergency and scam-mitigation outcomes are primarily supported through technical standards and bilateral interconnection arrangements, rather than a national MTAS price-cap.

Timing and International evidence

3.210 Symbio argued that ex-post intervention would be too slow to prevent harm, noting that pricing changes could affect wholesale contracts, traffic patterns, or market structure before regulatory action could occur. It pointed to overseas examples where regulators intervened only after increases had already taken effect.[101] Submitters referred to overseas experience indicating termination prices rose absent cost-based caps, with subsequent monitoring or intervention.[102]

3.211 We recognise these concerns; however, under current and expected market conditions we consider the most appropriate and proportionate response to be targeted monitoring rather than continued ex-ante MTAS regulation. This is discussed further from paragraph 3.230 onwards.

FTM – conclusion

3.212 We recognise that non-integrated providers are more exposed to any future potential increase in MTRs because they must buy termination to complete calls to mobile numbers. However, under current and expected conditions, sustained FTM MTR increases face commercial and system-level headwinds including fixed-voice shrinkage, availability of mobile and OTT as consumer/business-level substitutes, MNO reciprocity/retaliation in the larger MTM system, FTM's low and declining share of total termination revenue, and routing/transit as a secondary, practical constraint on targeted strategies.

3.213 Accordingly, we do not consider that regulation remains justified. We will, however, continue to monitor FTM pricing affecting fixed-only providers and would take action if we observed developments that provided reasonable grounds to believe a non-transitory competition problem may be emerging.

---

100 Symbio Holdings Limited – MTAS draft report submission (3 Dec 2025); Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025); Virtutel Pty Limited – MTAS draft report submission (3 Dec 2025); Blue Reach Services Limited – MTAS draft report submission (6 Dec 2025).

101 Symbio Holdings Limited – MTAS draft report submission (3 Dec 2025).

102 Symbio Holdings Limited – MTAS draft report submission (3 Dec 2025); Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025); Blue Reach Services Limited – MTAS draft report submission (6 Dec 2025).

Alignment with the purpose of the regulation – section 18 (step 4)

3.214 Our final step is to determine whether, in light of our findings in relation to competition, the maintenance of regulation or the omission of MTAS from the Act, best gives effect to the purpose in section 18.[103] Section 18 provides that the purpose of Part 2 of the Act (which relates to the designated and specified services set out in Schedule 1 of the Act) is to "promote competition in telecommunications markets for the long-term benefit of end-users of telecommunications services within New Zealand".

3.215 It also provides that, when determining whether any act or omission may contribute to or promote competition in telecommunications markets for the long-term benefit of end-users, we must consider:

3.215.1 the efficiencies that will result, or will be likely to result;[104] and

3.215.2 the incentives that exist for, and the risks faced by, investors in new telecommunications services.[105]

3.216 In this section, we compare the factual (the future state with existing regulation) to the counterfactual (the future state without regulation) and consider which would best give effect to the purpose in section 18, including the efficiencies that will result and the incentives face by investors in new services.

Factual assessment (the future state with existing regulation)

3.217 Under the factual scenario, MTAS remains regulated under Schedule 1. Access providers must continue offering the service under a wholesale price-cap.

3.218 While regulation provides a safeguard against potential increases in MTRs, this safeguard is increasingly redundant due to:

3.218.1 the decreasing relevance of MTAS given the decline in usage of traditional voice services and SMS;

3.218.2 consumer migration to OTT services which are outside the scope of the regulation;

---

[103] Section 18 outlines that "the purpose of this Part and Schedules 1 to 3 is to promote competition in telecommunications markets for the long-term benefit of end-users of telecommunications services within New Zealand by regulating, and providing for the regulation of, the supply of certain telecommunications services between service providers".

[104] The Act, cl 18(2).

[105] The Act, cl 18(2A).

3.218.3 retail plans focused on data rather than voice/SMS and bundled/unlimited retail offerings de-linking MTAS from end-user prices; and

3.218.4 broadly symmetric inter-MNO traffic meaning MNOs lack the incentive to increase MTRs.

3.219 We expect MTAS to continue declining in relevance irrespective of whether regulation is retained or removed. We also expect competition from OTT services and consumer focus on data to continue increasing over time. Where competition exists in the relevant markets that is expected to remain or grow, and the role of the regulated service is reducing, our starting point is that regulation may no longer be required to promote competition in those markets for the benefit of end-users.

3.220 On costs and benefits in the factual, some submitters considered the ongoing cost of MTAS regulation to be modest relative to perceived benefits from price certainty and stability.[106] We acknowledge this view; however, on the evidence before us, we consider that the marginal benefit of retaining a national price-cap in current and expected conditions is low. We also acknowledge that One NZ submitted that the administrative, compliance and reporting costs of MTAS are disproportionate in a data-centric market.[107]

3.221 We acknowledge that continued regulation imposes administrative, compliance, and reporting costs on providers which can negatively affect efficiency and investment incentives by diverting resources from next-generation services. We also acknowledge that maintaining legacy obligations when no longer necessary, can negatively affect investor confidence.

Counterfactual assessment (the future state without regulation)

3.222 The counterfactual scenario represents the Commission's view of what is likely to occur in the absence of regulation (ie, if MTAS is removed from Schedule 1). In this scenario:

3.222.1 market trends such as the decline in usage of traditional voice services and SMS and increase in OTT usage and data-centric plans would continue to reduce reliance on MTAS;

3.222.2 MTRs would no longer be subject to a price-cap and would be set commercially, but current and expected market conditions, including the existence and growth of OTT alternatives, are expected to constrain any significant price increases; and

3.222.3 providers would no longer bear the costs of compliance and reporting.

---

106 Pivotel Group Pty Limited – MTAS draft report submission (3 Dec 2025).

107 One NZ – MTAS draft report submission (3 December 2025).

3.223 For MTM and P2P SMS, market conditions including traffic symmetry between MNOs, widespread bundled/unlimited retail plans, and strong OTT substitution mean these termination services no longer function as economic bottlenecks capable of negatively impacting competition to the detriment of end-users. This is expected to continue.

3.224 For FTM, while non-integrated providers may be more exposed to hypothetical increases in MTRs, we observe the following trends:

3.224.1 fixed-voice is shrinking;

3.224.2 attempts to increase FTM-related charges risk accelerating migration to IP and OTT, diminishing incentives to increase MTRs; and

3.224.3 reciprocity within the larger MTM system (arising from integrated MNO incentives and current market dynamics rather than from reciprocity with fixed-only originators), along with mobile, OTT substitutes and routing options, limits the ability for providers to sustain higher prices.

3.225 We also observe that FTM accounts for a low and declining share of termination revenues. Against this context, to maintain regulation across MTAS as a whole in order to guard against residual concerns from non-integrated providers in this sector, would be a disproportionate response and inconsistent with the section 18 purpose, which requires the Commission to make the recommendation that best promotes competition in MTAS **as a whole**, for the long-term benefit of end-users.

3.226 Given the factors identified above we consider that deregulation would in fact best promote the section 18 purpose, since regulation is no longer required to promote competition in MTAS, and deregulation, when regulation is no longer needed, reduces regulatory burden, promotes efficiency, promotes regulatory certainty, and supports investor confidence.

Overall assessment of the regulatory state that best gives effect to the purpose in section 18

3.227 Section 18 requires us to make the recommendation that best promotes competition for the long-term benefit of end-users, looking at mobile termination **as a whole**. In our assessment, regulation of MTAS is no longer necessary to best give effect to section 18. Our analysis shows that competition in the relevant markets is expected to continue or strengthen, and that MTAS itself is becoming increasingly limited in its ability to promote competition due to technological and consumer behaviour shifts. We also consider the future state without regulation is likely to deliver improved efficiencies, better alignment with investment incentives, and continued improved competitive outcomes for end-users

3.228 The regulation imposed in 2010 addressed a specific misuse of SMP at that time. It was not imposed simply because a bottleneck or SMP existed in theory. Regulation has achieved its purpose and market conditions have changed significantly. We do not see those dynamics re-emerging under current or future market conditions.

3.229 Our final recommendation is therefore that **MTAS** is omitted from Schedule 1 of the Act.

Post-implementation monitoring recommendation

3.230 If the Minister accepts our recommendation to omit MTAS from Schedule 1, we will continue to monitor MTRs and the traffic to which they apply, as part of our ongoing oversight of the telecommunications market. This will ensure we have early visibility of any developments that could signal the re-emergence of competition concerns, including cases affecting non-integrated providers.

3.231 We note that One NZ has emphasised there is now no material incentive or ability for MNOs to increase or sustain higher MTRs.[108] Our assessment finds the same. Our monitoring will provide transparency over these dynamics over time and allow for early identification of potential issues and engagement with market participants to deter any conduct that risks undermining competition.

3.232 Should our monitoring indicate that a non-transitory competition problem may be emerging – such as material and sustained increases in termination prices that are not supported by cost or benchmark trends, targeted discriminatory or foreclosure conduct, or adverse impacts on end-users – we are prepared to take action to protect competition and consumers.

[108] One NZ – MTAS draft report submission (3 December 2025).