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COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

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

Date of publication 5 November 2025

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

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 annualized 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 services	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

Table of terms and abbreviations

MTM	Mobile-to-mobile	Calls from a mobile network to a mobile network
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
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
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

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Executive summary

X1 Consumer reliance on traditional voice services and SMS, underpinned by the mobile termination access service (**MTAS**), has declined. Alongside this, developments in the fixed and mobile telephony markets, including competitive dynamics and broader structural changes, suggest that continued regulatory intervention with respect to the current MTAS may no longer be required to promote effective competition and efficient market outcomes. This shift forms the basis of the Commerce Commission's (**Commission**) draft recommendation to remove MTAS from Schedule 1 of the Telecommunications Act 2001 (**Act**).

X2 In March 2025, the Commission found there are reasonable grounds to commence an investigation into whether MTAS should be omitted from Schedule 1 of the Act.

X3 MTAS includes the termination of mobile-to-mobile (**MTM**) and fixed-to-mobile (**FTM**) voice calls, and short messaging services (**SMS**). It was first regulated in New Zealand 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. Regulated MTRs were determined by the Commission in 2011 and played a crucial role in enabling 2degrees to grow and compete effectively.

X4 This report sets out our draft recommendation to the Minister for Media and Communications (**Minister**) that regulation of MTAS may no longer be necessary, based on the following key developments:

X4.1 **Market structure**: 2degrees has established itself as a strong third mobile network operator (**MNO**), contributing to a more competitive market landscape. Traffic between the 3 MNOs is broadly symmetric, reducing the potential for strategic pricing advantages.

X4.2 **Usage trends:** Mobile call minutes increased over time and peaked in 2021/22, but have been falling since, with declines observed in both 2022/23 and 2023/24. 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.

X4.3 **Competitive dynamics**: MNOs now have limited incentives to raise MTRs. Retail competition has shifted away from 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.

X4.4 **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.

X4.5 **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.

X4.6 **Market entry**: There is currently no indication of new MNO entrants, and as such, we do not anticipate a need to continue regulating MTAS on this basis. While there has been some recent activity in the retail mobile market through mobile virtual network operators (MVNOs), these operators acquire wholesale capacity from MNOs and do not control termination rates, limiting their impact on wholesale dynamics. Discriminatory behaviour is unlikely under current, matured market conditions, but if it arose for any potential future entrant, the Commission retains the ability to recommend reintroducing regulation to ensure fair access.

X5 Taken together, these developments reflect a significant shift in both consumer behaviour and market dynamics, indicating that the relevance of continued regulation has reduced and may no longer be warranted.

X6 We are seeking submissions on our draft recommendation by 3 December 2025. Once we receive submissions and cross-submissions, we will prepare a final report and recommendation to the Minister.

Chapter 1 Introduction

Purpose of the report

1.1 This draft report sets out our draft 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 complete an investigation into MTAS 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 some background to MTAS and MTAS regulation, and outlines the process for this investigation;

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

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

[1] See paragraphs 2.19 – 2.21 and 3.11 – 3.17 of this report.

Background

1.7 Service providers sell a range of services to end-users, including voice calls, SMS, and data services in the retail mobile market.[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.

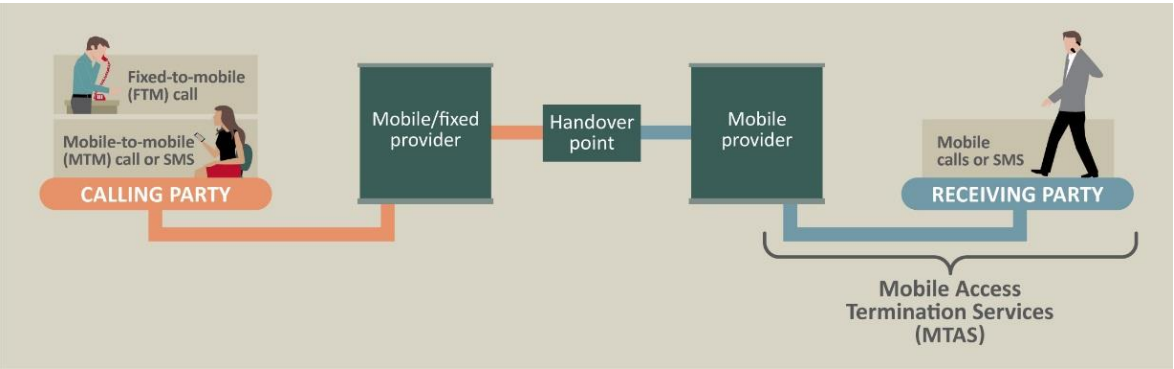
1.9 The key elements required to provide retail voice services and SMS are network access, call origination, call conveyance, and termination. Termination is the last leg of routing a call from the originating customer to the terminating customer.

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 price of a call or SMS is paid by the calling party. In the case of a call between subscribers on different networks (**off-net**), the retail price of the call 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 call 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 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 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]

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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 found that there were reasonable grounds to commence an investigation into whether MTAS should be omitted from Schedule 1 of the Act.

1.22 The Commission's MTAS investigation formally commenced with the publication in the New Zealand Gazette on 25 March 2025.[10]

1.23 The MTAS investigation is subject to 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.[11]

Our process to date and next steps

1.24 The Commission's latest final decision on the MTAS reasonable grounds assessment was released on 25 March 2025.

1.25 Table 1.1 sets out the process that we have followed to date and indicative dates 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 (this report)	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
Cross-submissions	Cross-submissions on our draft report due	19 December 2025

[10] See https://gazette.govt.nz/notice/id/2025-au1560.

[11] 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
Final report of recommendation	Final recommendation as to whether MTAS should be omitted from Schedule 1 of the Act	Due by March 2026

Information for interested parties on making a submission

Process and timeline for making submissions

1.26 We are seeking submissions on our draft recommendation by 3 December 2025. We then plan to invite cross-submissions by 19 December 2025. Cross-submissions should only focus on matters raised in submissions. We strongly discourage stakeholders from raising new matters via cross-submissions.

1.27 You should address your responses to:

1.27.1 Toni Shuker (Manager, Regulatory Rules and Compliance);

1.27.2 c/o telecommunications@comcom.govt.nz.

1.28 Please include "MTAS investigation - Submission" in the subject line. We prefer responses to be provided in a file format suitable for word processing in addition to PDF file format.

1.29 We do not intend to hold a conference or public hearing in relation to the proposed alterations. We believe engagement through submissions and cross-submissions will be sufficient.

Confidentiality

1.30 We intend to publish the non-confidential/public version of all submissions we receive on our website. This also applies to cross-submissions.

1.31 The protection of confidential information is something we take seriously. If you need to include commercially sensitive or confidential information in your submission or cross-submission, you must provide us with both confidential and non-confidential/public versions of your submission that are clearly identified.

1.32 You are responsible for ensuring that commercially sensitive or confidential information is not included in a public version of a submission or cross-submission that you provide to us.

1.33 All submissions and cross-submissions we receive, including any parts of them that we do not publish, can be requested under the Official Information Act 1982 (OIA). This means we would be required to release material that we do not publish unless good reason existed under the OIA to withhold it. We would normally consult with the party that provided the information before we disclose it to a requester.

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 draft 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 draft 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.[12]

[12] 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.[13]

2.7 In March 2025, we published our final decision that there are reasonable grounds to commence an investigation into whether MTAS should be omitted from Schedule 1 of the Act.[14]

Requirement and process to undertake an investigation

2.8 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.

2.9 We commenced and gave public notice of the commencement of the investigation on 25 March 2025.[15]

2.10 After giving public notice of the commencement of the investigation, the Commission must prepare a draft report (this report) and prepare and deliver a final report to the Minister within the statutory timeframe of 240 working days.[16] Failure to comply with the statutory deadline does not invalidate the report.[17]

2.11 We may include in our recommendations that the Minister defer a decision on MTAS. If the Minister accepts a recommendation to defer a decision, then at the end of the deferral period we must prepare:[18]

2.11.1 a draft report setting out any changes to our recommendations (to which we will give public notice of the draft report and the submissions closing date (which will be no later than 20 working days after the date of the public notice) and prepare a final report to the Minister after the submissions closing date); or

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13 The Act, sch 3 cl 1(3).

14 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).

15 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.

16 The Act, sch 3 cl 4.

17 The Act, sch 3 cl 4(4A).

18 The Act, sch 3 cl 7(1)(b).

2.11.2 a final report recommending the Minister accept an undertaking under Schedule 3A.

2.12 Upon receiving our final report, the Minister may:[19]

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

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

2.12.3 decline our recommended approach.

Statutory purpose and considerations

2.13 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.

2.14 In conducting this 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 decision that we consider best gives, or is likely to best give, effect to section 18.

2.15 In that regard, section 18 requires that:

2.15.1 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

2.15.2 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.[20]

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19 The Act, sch 3 cls 5A and 6,

20 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.

2.16 In this investigation into whether MTAS should be omitted from Schedule 1, we are required to make a decision that promotes competition for the long-term benefit of end-users of telecommunication services. In determining whether or not, or the extent to which, the removal of MTAS from regulation will result, or will be likely to result, in competition in telecommunications markets for the long-term benefit of end-users, sections 18(2) and 18(2A) of the Act require us to consider the impact of our decision on efficiencies as well as incentives to innovate that exist for, and the risks faced by, investors in new telecommunications services that involve significant capital investment and offer capabilities not available from established services.

2.17 Our investigation will be 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.

2.18 In making our decision or recommendation we are required to:[21]

2.18.1 consider the purpose set out in section 18;

2.18.2 if applicable, consider the additional matters set out in Schedule 1 regarding the application of section 18;[22] and

2.18.3 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

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

2.20 The MTAS investigation must also consider the service description of MTAS as described in Schedule 1 (as a whole) and not as individual components ie, FTM, MTM or SMS. Therefore, the MTAS investigation is confined to consider omitting MTAS as a whole from Schedule 1 of the Act.

[21] The Act, s 19.

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

2.21 The scope of this 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.[23]

Economic Framework

Overview

2.22 This section sets out the economic framework we have applied in reaching our draft recommendation.

2.23 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.

2.24 The economic framework we applied for this investigation includes four steps:

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

2.24.2 **Identifying alternatives** – identifying alternative services that could act as close substitutes for the regulated service.

2.24.3 **Assessing competition** – analysing the extent to which competition from alternatives provides competitive constraint on the regulated service.

2.24.4 **Identifying what state best gives effect to the purpose in 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.

2.25 The Act does not prescribe a specific timeframe over which to conduct our analysis as part of Schedule 3 reviews.

[23] 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).

2.26 Our reviews are forward-looking, taking account of present and expected market conditions, and analyse 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.

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

Step 1: Describing the service

2.28 Our first step is to describe the regulated services and the purpose they serve, applying the description of MTAS in Schedule 1 of the Act.

2.29 We start with the regulated services 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.

2.30 Doing this involves considering the following:

2.30.1 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

2.30.2 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: Identifying alternatives

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

2.32 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.

2.33 We view steps 1 and 2 as defining the market for the purposes of the draft report.

2.34 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: Assessing competition

2.35 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.

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

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

2.37.1 whether the alternatives rely on regulated MTAS;

2.37.2 the market structure and trends;

2.37.3 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);

2.37.4 actual switching behaviour by end-users; and

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

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

Step 4: Identifying what state best gives effect to the purpose in section 18

2.39 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 Telecommunications Act 2001 (ie, deregulation).

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

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

2.40.2 the potential benefits (direct and indirect) of each;[24]

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

2.40.4 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;

2.40.5 any remaining supply or demand side constraints; and

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

2.41 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

2.42 We use evidence such as the following in the investigation:

2.42.1 the availability of alternatives;

2.42.2 whether alternatives rely on regulated MTAS;

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

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

2.42.5 end-user satisfaction and switching data.

2.43 This evidence for the draft 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.

[24] 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.

2.44 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**).

2.45 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**).[25] 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.

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

2.47 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. We will continue to do this as we receive submissions on this draft report and finalise our decision.

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

Chapter 3 Draft Recommendation on whether to omit from Schedule 1

Purpose and structure

3.1 This chapter sets out our draft recommendation regarding whether Schedule 1 should be altered with respect to the relevant mobile termination access services.

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

Description of MTAS (step 1)

3.4 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.

3.5 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.

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

3.6.1 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;

3.6.2 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.

3.7 Our assessment must consider the MTAS service description 'as a whole', rather than as individual components (ie, FTM, MTM and SMS, on a standalone basis). For our analysis and assessment, we discuss these components of MTAS separately as they experience different market conditions.

3.8 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).

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

3.10 While we analyse these components separately, our overall decision must consider the MTAS as described in Schedule 1, as a whole service.

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

3.11 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.

3.12 The description of MTAS in Schedule 1 does not include certain forms of A2P messaging. Web interfaces that enable SMS functionality that originate from a cellular mobile telephone network and have an associated MTAS reply path are currently covered under MTAS. However, other forms of SMS, such as a business' use of a web-to-text system to send messages to subscribers who are not officers, employees, contractors, agents, or customers of the business, are excluded from MTAS.[26]

[26] 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).
Commerce Commission: "Standard Terms Determination for the mobile termination access services – Mobile termination access terms" (5 May 2011).

3.13 In December 2024, during the cl 1(3) reasonable grounds assessment, submissions from two A2P messaging providers – Symbio and Pivotel - suggested expanding MTAS regulation to cover A2P messaging.[27]

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.

3.15 The Commission noted that any consideration of altering Schedule 1, so as to include A2P SMS in the service description, was outside the scope of the current cl 1(3) assessment and investigation but could be separately explored under a cl 1(1) investigation.

3.16 We note that the 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.[28] 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.

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

3.17.1 Independent of this investigation, the Commission is conducting an enquiry that considers certain alleged conduct in respect of A2P SMS under Part 2 of the Commerce Act 1986. 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.

3.17.2 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.

Identification of alternatives (step 2)

3.18 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 this investigation.

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27 Pivotel Group Pty Limited– submission on MTAS review (11 Dec 2024); Symbio Holdings Limited – submission on MTAS review (11 Dec 2024).

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

3.19 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.

3.20 The Commission's preliminary view is that the relevant markets for the purposes of the MTAS investigation are:

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

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

3.21 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

3.22 MTAS are wholesale inputs used in the supply of various downstream end-to-end services such as SMS, and FTM and MTM calling services.

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

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

3.25 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.

3.26 The receiving party would not respond to the increase in MTR, as they do not face the MTR under CPP. 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.

3.27 Under CPP, 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.

3.28 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.

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

3.30 Substitutes, however, may exist in the downstream retail markets. 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

3.31 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.

3.32 As there are 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.

3.33 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.

3.34 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).

Competition assessment (step 3)

3.35 As step 2 has identified, there are no effective substitutes in the wholesale market for MTAS, so we focus our discussion on competition for voice services and SMS in the retail market and whether there are any indirect competitive constraints on MTAS.

3.36 Our assessment takes into account the present and expected market conditions, including the level of competitive constraint on the provision of MTAS, compared to when MTAS became a designated service (2010).

3.37 We have examined whether there are any incentives for the MNOs to increase or maintain higher MTRs in the current market, if MTAS were deregulated, given that all MNOs have a relatively stable market share with broadly symmetric off-net traffic and are both providers and receivers of the service.

3.38 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.

3.39 Our reasonable grounds assessment highlighted the following trends:

3.39.1 Mobile ownership and connections continue to grow steadily.

3.39.2 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. Fixed call minutes have consistently declined since 2008/09.

3.39.3 Mobile call minutes increased over time but plateaued in 2020, with declines observed in 2022/23 and 2023/24.

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

3.39.5 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.

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

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

3.40 Building on these findings and the latest data, we present a comparative view of how conditions that existed when the service was first in 2010 have changed, and also how competition is expected to evolve.

Voice and SMS termination services

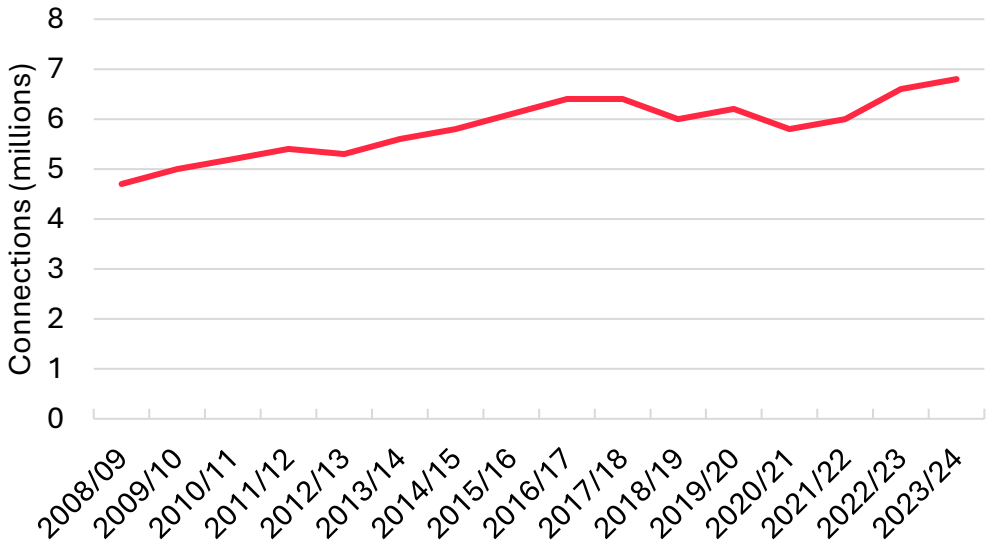
3.41 Both retail fixed voice services and retail mobile voice services are relevant downstream services, as MTAS is an input used to supply retail fixed voice services (ie, FTM calls), and retail mobile services (ie, MTM calls).

Mobile voice (MTM)

Market structure

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

Figure 3.1 Mobile connections



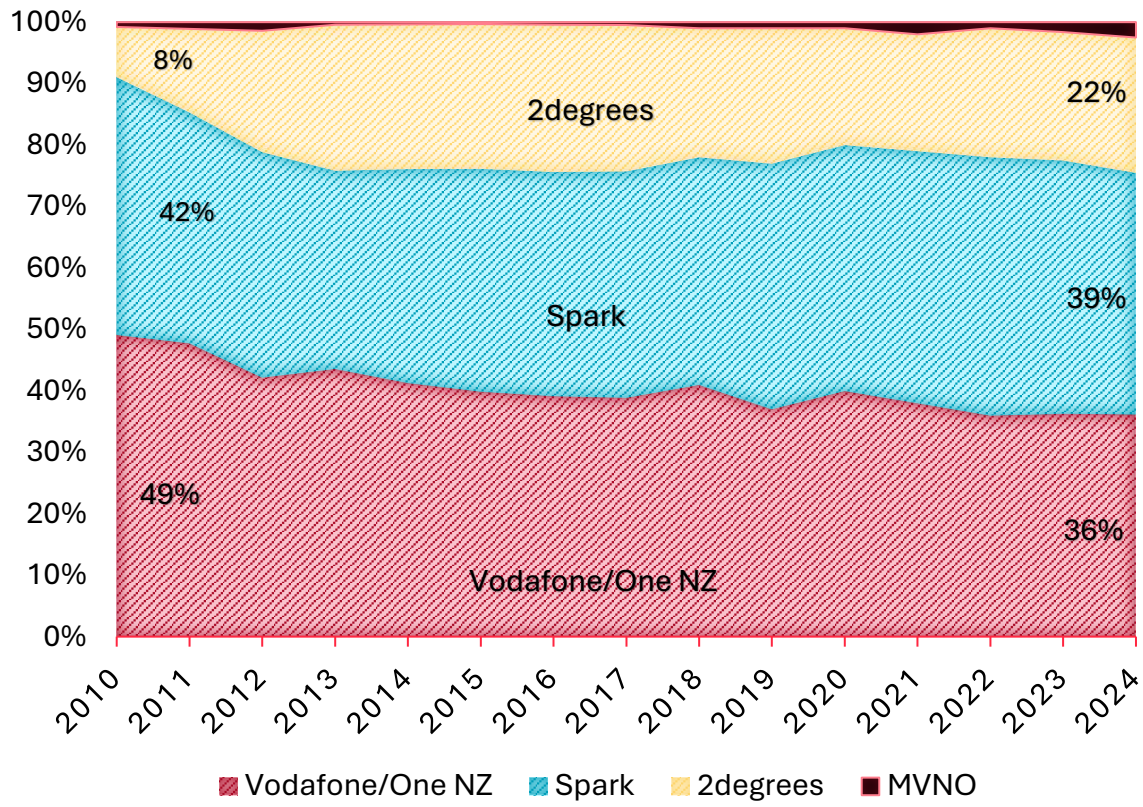
Source: Commission data

3.43 There are currently three MNOs in New Zealand: Spark, One NZ and 2degrees. Each of them operates nationwide 4G/5G networks.

3.44 The retail mobile market in New Zealand is highly concentrated, with the three MNOs making up 97.5% of the market (Figure 3.2).[29]

[29] MVNOs have a 2.5% market share. Commission 2024 AMR.

Figure 3.2 Mobile market share (by number of subscribers)



Source: Commission data

3.45 At the time of regulation of MTAS, 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.[30]

3.46 Since its entry, and facilitated by cost-based 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, offering similar levels of mobile coverage as Spark and One NZ.[31] 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).

[30] 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).

[31] Commission 2024 AMR.

3.47 There are currently eleven MVNOs operating in New Zealand, with a combined 2.5% market share (Figure 3.2). 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.

3.48 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.[32]

3.49 The New Zealand market has not yet seen the introduction of the thick MVNO model (which could involve the entrant negotiating its own termination rates) but we would expect that the market has matured to the extent that it is unlikely any incumbent MNO would discriminate against a new entrant.

3.50 The Commission retains the ability to recommend reintroducing regulation if such entry were to raise concerns around fair access.

Network evolution

Then (2009)

3.51 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. Vodafone's acquisition of BellSouth and its subsequent rollout of 3G Universal Mobile Telecommunications System (**UMTS**) in 2005 marked a shift toward higher-speed data services, but voice and SMS still dominated usage. Telecom's launch of the XT (3G) network in 2009 brought both major operators onto a common technological footing, intensifying competition and prompting Vodafone to accelerate its own 3G expansion.

3.52 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.

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[32] *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.

Now (2025)

3.53 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.

3.54 3G networks are being decommissioned, with shutdowns scheduled by the end of 2025 or in early 2026.[33] Spectrum is being reallocated to support more efficient 4G and 5G services. As of mid-2024, 5G coverage had reached 40% of the population,[34] and investment continues to focus on expanding next-generation infrastructure.

3.55 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.

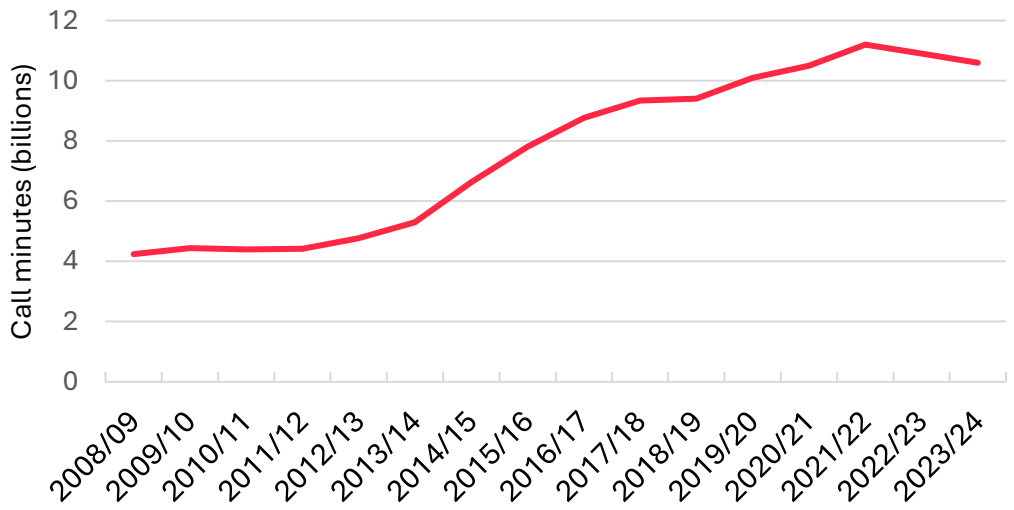
3.56 **Implications for MTAS regulation:** The original rationale for MTAS regulation ensuring fair pricing and competition in a voice-centric, circuit-switched environment no longer reflects the realities of today's mobile market. With the decline of legacy infrastructure, evolving consumer behaviour, and the rise of data-centric, all-IP networks, the relevance of MTAS is diminishing.[35]

Usage and pricing of mobile voice

3.57 Since 2013/14, the total volume of mobile call minutes has increased considerably (Figure 3.3), although the volume of mobile call minutes declined for the first time in 2022/23 and has continued to fall in 2023/24.

33 Commission 2024 AMR.
34 Commission 2024 AMR.
35 Richard Feasey, "Recommendations for telecommunications regulation in New Zealand - A report for the Commerce Commission" (6 October 2025), paragraph 274.

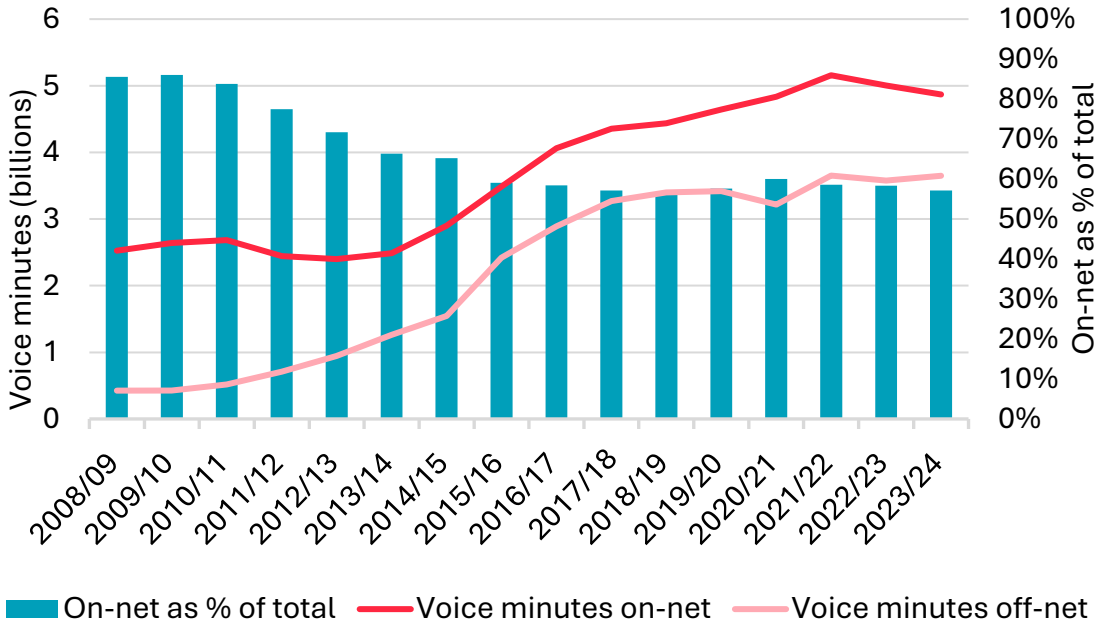
Figure 3.3 Mobile call minutes



Source: Commission data

3.58 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 2023/24.

Figure 3.4 Mobile-to-mobile traffic

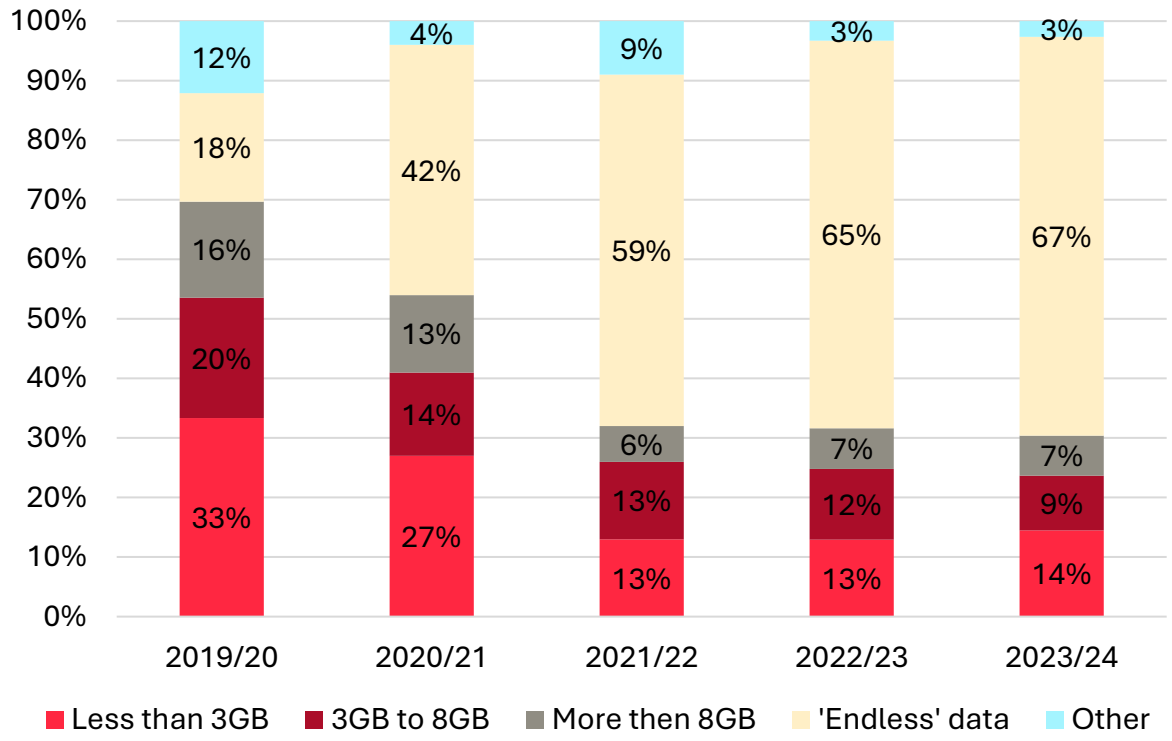


Source: Commission data

3.59 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.

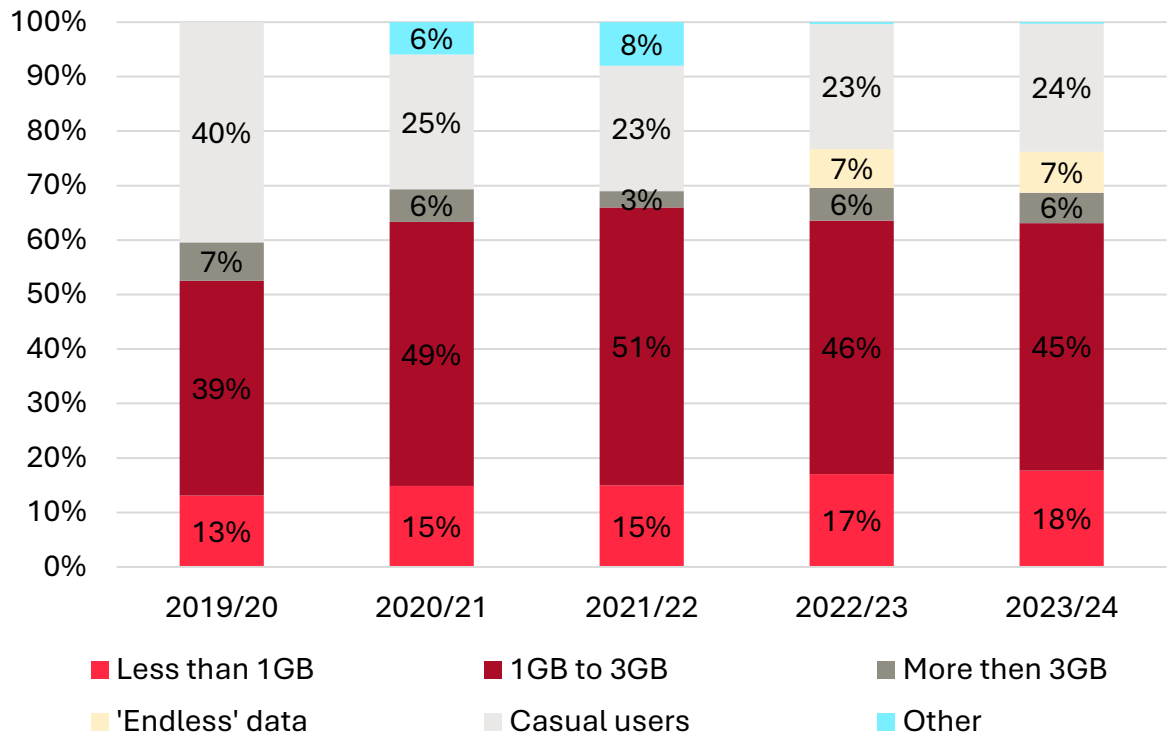
3.60 Voice and in particular SMS allowances appear to no longer be such a differentiating feature of mobile plans. Retail mobile offers instead have an increased focus on data allowances, data speeds, 5G access and coverage, and other add-ons such as streaming subscriptions, hotspotting, data rollover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

Figure 3.5 Data allowance of residential post-paid plans



Source: Commission 2024 AMR

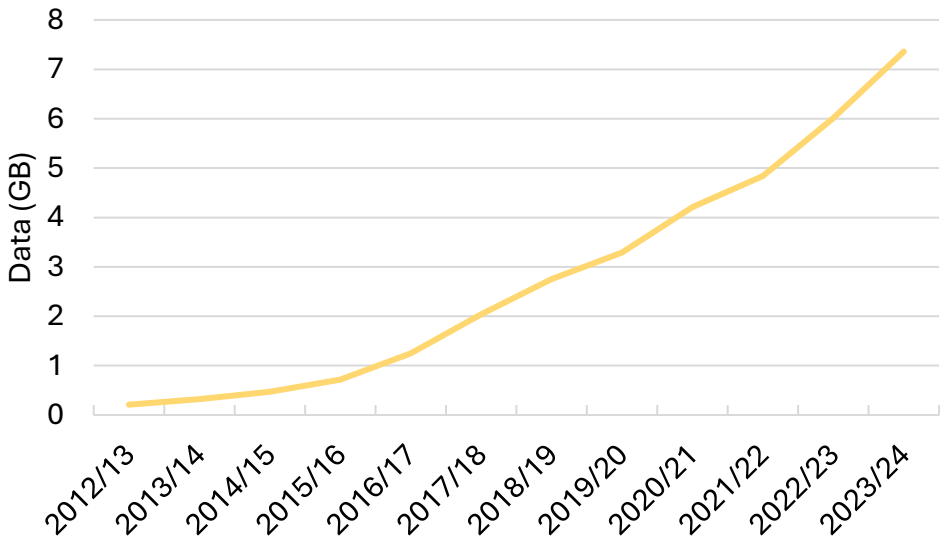
Figure 3.6 Data allowances of residential pre-paid plans



Source: Commission 2024 AMR

3.61 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.

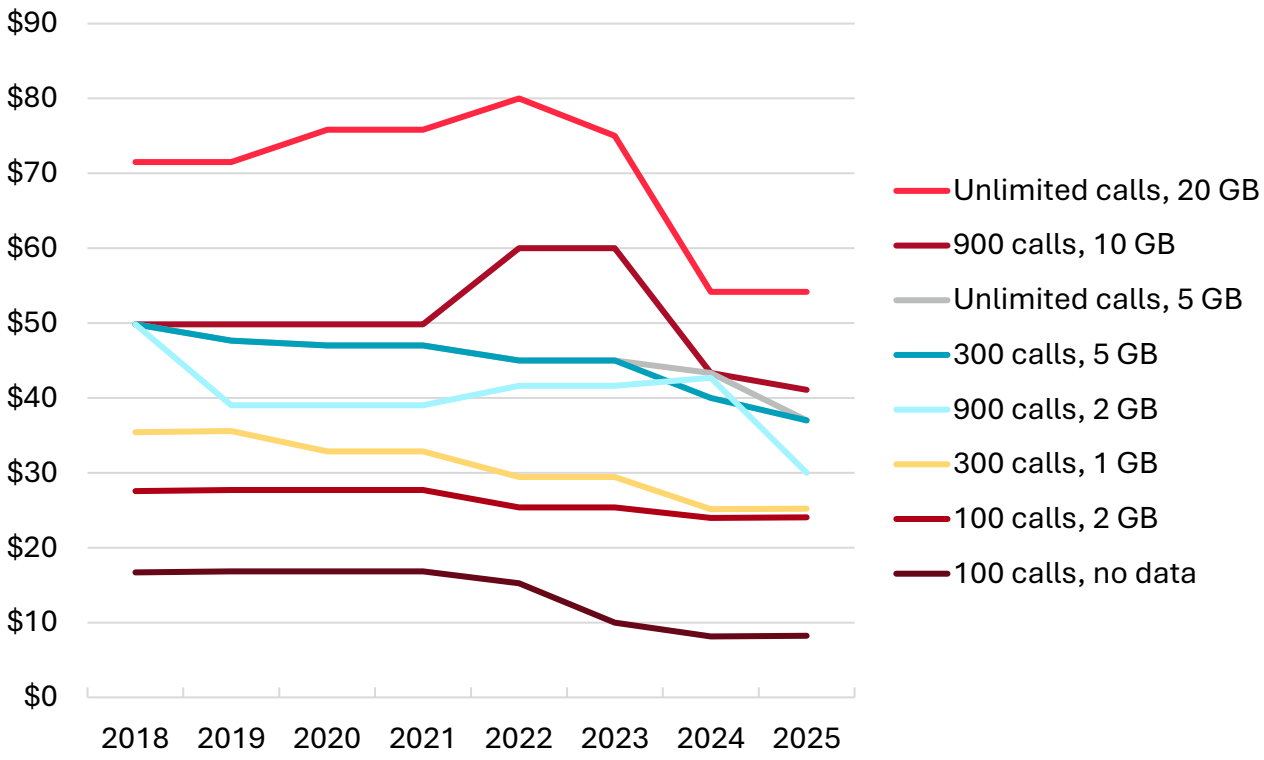
Figure 3.7 Average monthly mobile data usage



Source: Commission data

3.62 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 May 2025 (excludes MVNOs and promotions)

3.63 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.

3.64 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.

New entrant

3.65 **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.[36]

3.66 **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.

3.67 **Support required for a new entrant:** To enable meaningful competition, a new entrant would require access to wholesale services, including fair mobile termination rates and roaming or infrastructure sharing agreements. If the Commission observed similar challenges that were present in 2009 when 2degrees entered the New Zealand market, the Commission may consider whether regulation is needed to support fair access.

3.68 **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, the Commission retains the ability to intervene to maintain competitive conditions, should that be necessary.

Close substitutes

3.69 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)

3.70 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).

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

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

3.71.1 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).[37]

3.71.2 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

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

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

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

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

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

OTT

3.73 If retail prices were to rise due to higher MTRs, OTT services are emerging as a viable and promising substitute for traditional mobile voice services:

3.73.1 **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.

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

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

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[37] 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.

3.73.4 **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:[38]

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.[39]

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.

3.74 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 rise, OTT services provide a ready alternative for consumers. The OTT survey findings show OTT is increasingly seen as an alternative to traditional mobile calling services.

Consumer demand and switching behaviour

3.75 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

3.76 The mobile voice market in New Zealand has evolved significantly, with consumer behaviour increasingly shaped by data-centric usage and OTT alternatives. 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. This trend reflects a broader move towards data-first communication.

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

39 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.

OTT adoption

3.77 OTT services appear to be substitutes to traditional voice services. InternetNZ's 2024 survey found that consumers have started using the internet for calling with 7% of respondents using it for voice and video calls. 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.[40] 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

3.78 Consumer preferences continue 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:[41]

3.78.1 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.[42]

3.78.2 When switching plans with the same provider, just 9% sought more texts or call minutes, while 26% wanted more data.

3.79 Further insights from the Commission's RSQ research show: [43]

3.79.1 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.

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

3.79.3 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.

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

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

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

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

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

Switching and termination rates

3.81 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.

3.82 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.

Broader digital trends

3.83 Increased internet accessibility has expanded consumer choice and accelerated the shift to OTT services for voice, video, and messaging. InternetNZ's 2024 survey found that 60% of New Zealanders spend two to four hours online daily, with 47% spending most time on social media.[44] 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.[45] This further illustrates the rise of data-driven communication and the declining relevance of traditional mobile voice.

Regulatory relevance

3.84 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 plays such a meaningful role.

Data analysis overview

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

3.85.1 **High market reciprocity**: Over 97% of all revenue is reciprocal, meaning any increase in MTRs is largely offset by corresponding cost increases.

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44 InternetNZ "New Zealand's Internet Insights" (March 2025), pages 9, 10. Respondents were able to select more than one option for the latter.

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

3.85.2 **Minimum incentive to raise 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.

3.86 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 an entry in the near future.[46]

Market wide reciprocity

3.87 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' revenues are largely offset by reciprocal payments, reflecting a high degree of financial balance across the market.

3.88 From a competition perspective, this reciprocity also acts as a form of countervailing power – if one operator were to raise 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%

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

3.89.1 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.

3.89.2 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.

[46] See paragraphs 3.65 – 3.68 of this report.

3.90 With reciprocity rates consistently above 97%, 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

3.91 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

3.92 Table 3.2 highlights the 'zero-sum pattern' in operator net positions:

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

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

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

3.93 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.

3.94 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.

3.95 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.[47] Under the current market conditions, if the price cap were removed, MTRs could change; however, we do not expect MTRs to rise. If anything, we anticipate they would fall and be more in line with international rates – which appear to have declined since our MTAS STD.[48] 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.

SMS

3.96 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.[49]

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47 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 is currently proposing a further reduction to 0.9 Acpm.
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.

48 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).

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

Market structure

3.97 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

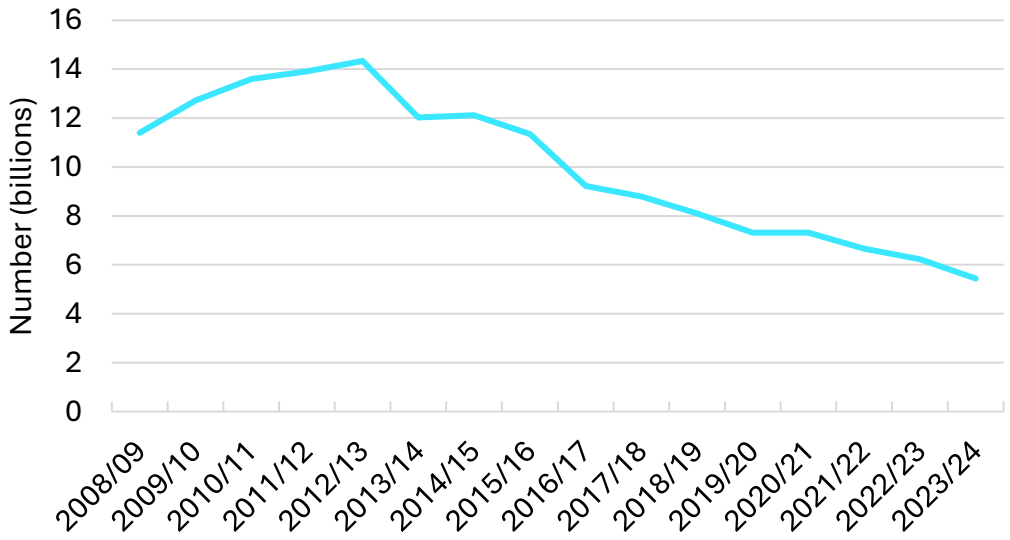
3.98 In 2009, SMS was a core part of mobile communication, with high termination rates contributing to competition concerns. However, as with voice, the mobile market has transformed. The rollout of 4G and 5G networks, widespread internet access, and smartphone adoption have enabled the rise of OTT services, which bypass traditional SMS infrastructure.

3.99 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

3.100 SMS volumes have declined significantly from a peak of 14.3 billion messages in 2012/13 to 5.4 billion messages in 2023/24 (Figure 3.9).

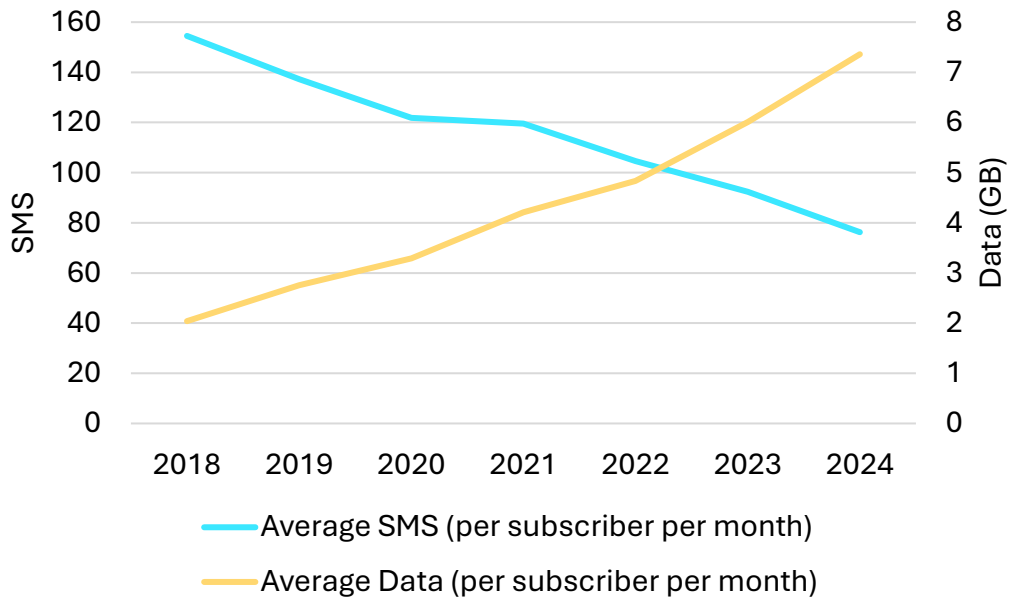
Figure 3.9 SMS volumes



Source: Commission data

3.101 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[50]



Source: Commission data

3.102 As discussed in the mobile 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.

3.103 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.

3.104 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.

3.105 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.

[50] 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

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

3.106.1 **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.

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

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

3.106.4 **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).[51] In 2025, our OTT survey found that:[52]

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.[53]

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

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

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

53 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.

3.107 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

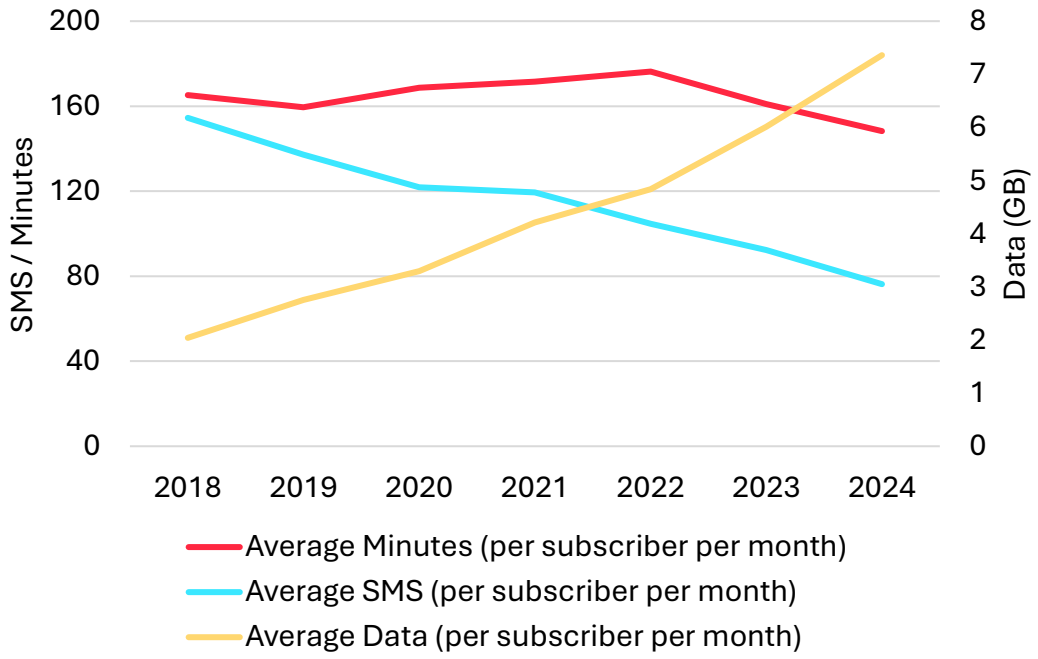
3.108 The SMS market in New Zealand appears to be undergoing a more pronounced decline than mobile voice, influenced by the growing adoption of data-centric communication and the availability of OTT messaging alternatives. These shifts suggest that SMS may no longer play a central role in consumer decision-making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

SMS decline stronger than voice

3.109 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 62% (Figure 3.9).

3.110 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 (23.8% per annum) significantly outweighs the growth of usage of mobile call minutes (-1.8% per annum) and SMS (-11.1% 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

3.111 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:[54]

3.111.1 In 2020, 55% of respondents sent at least one SMS each day; by 2024, this had dropped to 48% of respondents.

3.111.2 In 2020, 47% of respondents used Facebook Messenger at least once a day; by 2024, this had increased to 51% of respondents.

3.111.3 In 2020, 24% of respondents used WhatsApp at least once a day; by 2024, this had increased to 27% of respondents.

3.111.4 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.[55]

Consumer preferences: Data over SMS

3.112 Consumer priorities continue to shift toward data, with SMS playing a decreasing role in mobile plan selection and switching. As noted in the mobile section, consumers are placing greater emphasis on data offerings over SMS when choosing new providers or switching plans.[56]

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

3.114 As with mobile voice, 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.

Data analysis overview

3.115 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.

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54 InternetNZ "New Zealand's Internet Insights 2024" (March 2025), pages 12 and 13.

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

56 See paragraphs 3.78 – 3.79.

Market wide reciprocity

3.116 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 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%

3.117 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

3.118 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

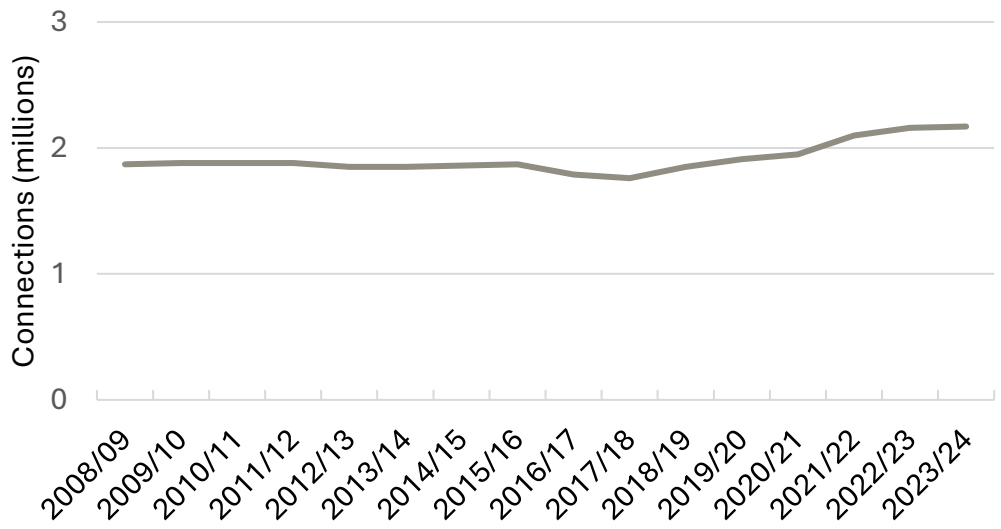
3.119 The SMS market, like MTM, exhibits strong financial symmetry. Operators' net positions fluctuate year to year, with no consistent beneficiary. The small scale of gains and the regular role reversals further confirm the absence of sustained financial advantage. This reinforces the conclusion that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

Fixed-line voice (FTM)

Market structure

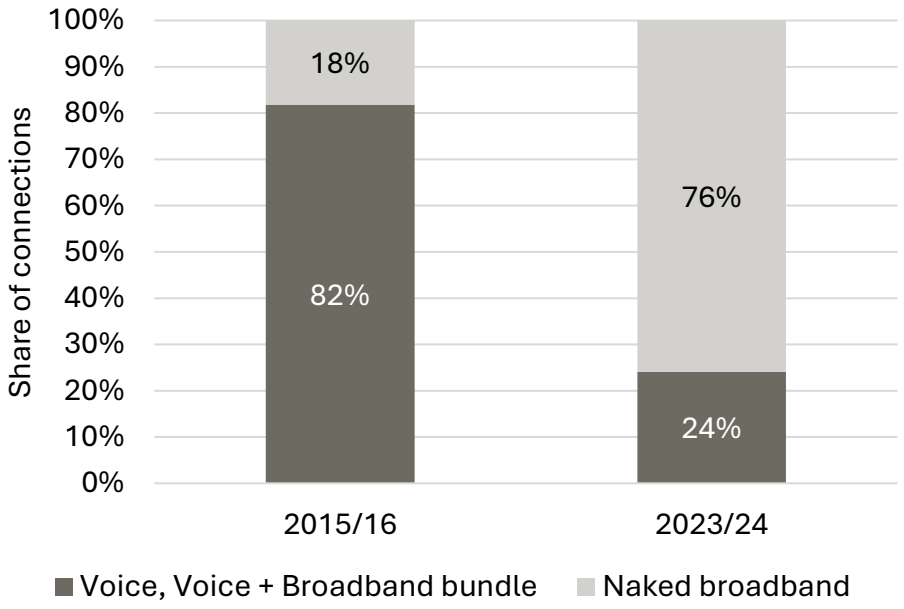
3.120 The overall number of fixed lines has remained relatively stable (Figure 3.12), largely due to the growing use of 'naked' broadband connections. In contrast, traditional fixed 'voice only' services and bundled 'broadband and voice' plans have continued to decline (Figure 3.13).

Figure 3.12 Fixed-line connections



Source: Commission data

Figure 3.13 Residential fixed lines by connection type – 2015/16 vs 2023/24



Source: Commission data

3.121 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.

3.122 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

3.123 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.

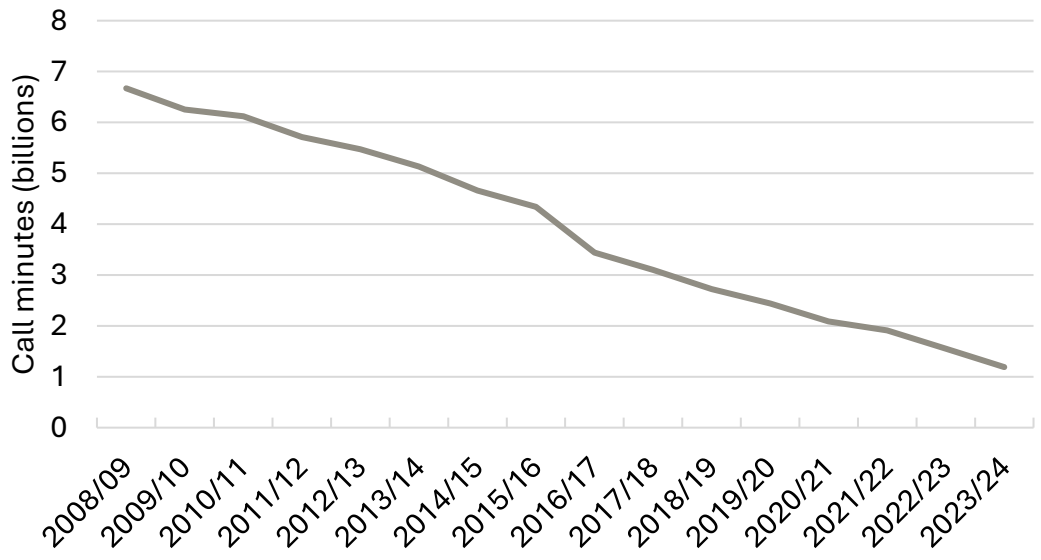
3.124 Historically, retail fixed voice services relied on copper infrastructure. However, in urban areas, copper voice services are being progressively withdrawn and replaced by fibre-based alternatives.

3.125 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

3.126 The volume of fixed call minutes has significantly declined over time, from 6.7 billion in 2008/09 to 1.2 billion in 2023/24 (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

3.127 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)[57]

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.[58]
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[59] **(bundled)**	From $92	$0.05	$0.17	
Mobile[60] **(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.

57 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.

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

59 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.

60 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.

3.128 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).

3.129 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 raise prices for fixed voice services is likely to be limited.

New entrant

3.130 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

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

Mobile voice services

3.132 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.[61] As such:

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

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

3.132.3 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

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

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

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

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[61] Commission 2024 AMR.

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

3.133.4 According to our OTT survey, only 27% of respondents reported using landlines,[62] 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.[63]

Wi-Fi calling

3.134 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.

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

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

3.135 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.[64]

3.136 With internet 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).

Consumer demand and switching behaviour

3.137 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 82% from 6.67 billion to 1.19 billion since 2008/09, while as shown in Figure 3.3, mobile voice call minutes have grown 150% from 4.24 billion to 10.6 billion over the same period.[65]

3.138 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.

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

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

64 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.

65 Commission data as at 30 June 2024.

3.139 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.[66]

3.140 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.

3.141 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.

3.142 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

3.143 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.[67] Key observations are discussed below.

Diminishing market relevance

3.144 The fixed voice market has contracted significantly, falling from 6.67 billion minutes in 2008/09 to just 1.19 billion minutes in 2023/24. This represents a total traffic loss of over 82%, with a CAGR of -10.9%.

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

67 Surveys include our OTT survey and other reports used in the ‘Close substitutes’ and ‘Consumer behaviour and switching’ sections in ‘Mobile’ and ‘SMS’ sections.

3.145 The contraction appears primarily driven by substitution toward mobile and OTT services. Survey data 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.

3.146 The ongoing decline in fixed voice traffic, combined with growing OTT substitution, limits the commercial viability of raising termination rates in the FTM market. Any price increase risks accelerating traffic loss to substitutes, further undermining the segment's relevance.

MNO self-constraint

3.147 As outlined in the mobile section and Table 3.1, MNOs operate within a highly reciprocal mobile termination market, where over 97% of revenue is offset by costs. This balance discourages unilateral termination rate increases both in FTM and MTM markets.

3.148 In our view, any attempt by the integrated MNOs to raise termination rates in the shrinking FTM market risks triggering retaliation that could disrupt the equilibrium in the larger MTM market. The potential risk of retaliation and disruption to the MTM balance may outweigh any short-term gain, acting as a constraint on termination rate increases in the FTM market.

3.149 Moreover, FTM termination revenue accounts for less than 10% of total termination revenue across the three large operators (2023 – 2025), reinforcing its limited financial relevance. This further reduces the incentive to pursue aggressive pricing strategies in the FTM market.

Limited leverage for small fixed-only providers

3.150 Small fixed-only 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. However, this imbalance may be mitigated by competitive forces, particularly OTT substitution. Any increase in termination rates in the FTM market would likely force these providers to raise retail prices, accelerating traffic loss to alternatives. As such, market dynamics act as a natural constraint on MNOs' pricing power.

Competition summary – MTAS voice and SMS

3.151 MTAS was included as a designated service in Schedule 1 of the Act (and therefore subject to price regulation) due to concerns about the combination of high MTRs and on-net/off-net pricing differentials representing a barrier to entry and expansion for a new entrant MNO.

3.152 In a relatively stable mobile telecommunications market, such as New Zealand, the strategic advantage to increase and maintain higher MTRs has diminished, as the incentives to increase MTRs in a market with established and stable market shares are reduced as MNOs are both access seekers and access providers of MTAS.

3.153 The distinguishing/competitive features of most mobile plans are now data allowance and speed, with most retail plans including unlimited SMS to any network, and significant or unlimited call minutes (often to any network). Consumers have limited visibility of the unit prices of 'voice calls' or 'SMS' only as most plans are sold as voice, SMS and data bundles.

3.154 Consumers appear to prioritise lower prices, more data, and faster speeds, with less interest in call minutes and SMS. Increasing data usage reflects a shift in consumer focus towards data-driven services, indicating that competition is likely to be more centred around data offerings rather than traditional termination-based services.

3.155 Further, we have also considered whether retail voice alternatives represent close substitutes to retail voice services that use the regulated MTAS as an input. This involves consideration of both price and non-price performance characteristics.

3.156 We do not consider that calling a fixed number is a competitive alternative to MTAS voice, due to higher retail prices, lack of mobility and the requirement that the recipient must have a landline. Fixed-line termination remains relevant for smaller fixed providers but is likely to be constrained by competitive pressure and growing OTT substitution.

3.157 OTT services appear to represent increasingly competitive alternatives for SMS (in particular) and also for voice – both mobile and fixed, bypassing the termination monopoly that regulation is intended to address.

3.158 Given the structure of the retail mobile market with three established MNOs, the uptake of OTT services which do not rely on MTAS, and the features of retail mobile plans (where data is often the key differentiating feature, and SMS and call minutes are often unlimited), our view is that there is limited incentive and ability for each MNO to raise MTRs in the absence of regulation, diminishing the relevance of MTAS as a regulated service.

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

3.159 Our final step is to determine whether, in light of our findings in relation to competition, omission of MTAS from the Act is required to best give effect to the purpose in section 18.[68]

3.160 Section 18 provides that the purpose of Part 2 of the Act (where Schedule 1 sits and within which MTAS is a designated service) is to "promote competition in telecommunications markets for the long-term benefit of end-users of telecommunications services within New Zealand".

3.161 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:

3.161.1 the efficiencies that will result, or will be likely to result;[69] and

3.161.2 the incentives that exist for, and the risks faced by, investors in new telecommunications services.[70]

3.162 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.

Factual assessment (the future state with existing regulation)

3.163 Under the factual scenario, MTAS remains regulated under Schedule 1. Access providers must continue offering the service under a wholesale price cap, despite declining usage of traditional voice services and SMS.

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

3.164.1 Consumer migration to OTT services; and

3.164.2 Retail plans focused on data rather than voice/SMS.

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68 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".

69 The Act, cl 18(2).

70 The Act, cl 18(2A).

3.165 Continued regulation imposes administrative, compliance, and reporting costs on providers. These costs are increasingly disproportionate to the benefits, given the declining relevance of MTAS. Although regulation may still offer some consumer protection, it negatively affects efficiency and investor incentives by maintaining legacy obligations.

3.166 Retaining MTAS regulation may impose unnecessary costs on MNOs for a service that is no longer central to consumer demand or market competition.

Counterfactual assessment (the future state without regulation)

3.167 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:

3.167.1 MTRs would be set commercially, but competitive market conditions are expected to constrain any significant price increases.

3.167.2 Providers would no longer bear the costs of compliance and reporting.

3.167.3 Market trends such as OTT usage, data-centric plans would continue to reduce reliance on MTAS, further diminishing its relevance.

3.168 The removal of regulation is unlikely to negatively impact competition or end-user outcomes. Instead, it may enhance efficiency and support innovation by reducing regulatory burden. Deregulation also promotes regulatory certainty and supports investor confidence.

3.169 Since our draft view is that continued regulation of MTAS is no longer necessary to best promote competition, it follows that the costs imposed by regulation may outweigh its benefits. The anticipated costs of conducting this investigation do not materially impact this assessment.

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

3.170 Based on our analysis, our draft view is that regulation of MTAS may no longer be necessary to best give effect to the purpose in section 18. Competition in the relevant markets is expected to continue or strengthen, and the MTAS itself is becoming increasingly limited in its ability to promote competition due to technological and consumer behaviour shifts.

3.171 The future state without regulation is likely to deliver improved efficiencies, better alignment with investment incentives, and continued competitive outcomes for end-users.

3.172 Our draft recommendation is therefore that **MTAS** is omitted from Schedule 1 of the Act.