

Review of Fixed PSTN Interconnection - reasonable grounds assessment final decision

Final decision on whether to commence an investigation under
Clause 1(3) of Schedule 3 of the Telecommunications Act 2001

The Commission

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Associated documents

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10 February 2026	ISBN 978-1-991414-58-8	Review of Fixed PSTN Interconnection - reasonable grounds assessment draft decision

Glossary

Terms and abbreviations

Act	The Telecommunications Act 2001
Commission	The Commerce Commission
Designated service	A service described in Part 2 of Schedule 1 of the Act, which includes both price and non-price terms for access
Fixed PSTN	(a) means a PSTN, or that part of a PSTN, that connects an end-user's building to the local switches or equivalent facilities; and (b) includes those local switches or equivalent facilities
FWA	Fixed wireless access – broadband access to a fixed location provided over a wireless mobile network
GEO	Geostationary satellite - Satellites positioned so that they remain over the same place on Earth at around 35,000km
LEO	Low earth orbit satellite - satellites deployed in constellations at lower levels (generally 500 – 1,500km above the Earth's surface)
MNO	Mobile network operator
MOS	Mean opinion score - a numerical rating from one to five that represents the perceived quality of a voice or video service, with five being "Excellent" and one being "Bad"
Off-net	When a call or message originates on one network and terminates on a different network
On-net	When a call or message originates and terminates on the same network
OTT	Over-the-top applications such as Facebook Messenger and WhatsApp
POTS	Plain Old Telephone Service
PSTN	Public Switched Telephone Network, defined in clause 5 of the Act as “a dial-up telephone network used, or intended for use, in whole or in part, by the public for the purposes of providing telecommunication between telephone devices”
PSTN Interconnection	Defined in part 2 of Schedule 1 of the Act as “origination and termination (and their associated functions) of voice and data calls (including dial-up Internet calls) on a fixed PSTN”
VoIP	Voice over Internet Protocol
WISP	Wireless Internet Service Provider

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Executive summary

X1 Decision

We have decided that there are reasonable grounds to commence an investigation into whether PSTN Interconnection should be omitted from Schedule 1 of the Telecommunications Act 2001 (the Act).

X2 Nature of this decision

This is a threshold assessment. It does not determine whether PSTN Interconnection should be deregulated. Rather, it considers whether there are reasonable grounds to investigate that question through a full clause 1(3) process.

We are not required to reach definitive conclusions on market power or competitive harm. Instead, the question is whether there is a realistic possibility, supported by evidence, that regulation may no longer be necessary to promote competition for the long-term benefit of end-users.

X3 Assessment framework

We have applied our Framework for reasonable grounds assessments (June 2025).¹

Consistent with that framework, we have:

- described the service;
- considered the availability and effectiveness of alternatives;
- examined competitive conditions – both current and forward-looking – in wholesale and downstream markets; and
- evaluated whether there is at least a realistic possibility that continued regulation may no longer be necessary to promote competition, consistent with section 18 of the Act.

We have drawn on Commission data, publicly available information, an independent report prepared by Network Strategies, and submissions received in response to our draft decision.

X4 Key findings

Declining relevance of PSTN services

Fixed-line voice services are in sustained decline across both residential and business segments, with falling connections, usage, and inclusion in service bundles.

¹ Commerce Commission, "[Framework for reasonable grounds assessments](#)" (17 June 2025)

This reduces the functional importance of PSTN Interconnection and the potential impact of any exercise of market power.

Availability and uptake of alternatives

Consumers and businesses have access to, and are actively using, alternative communication services, including mobile services, over-the-top (**OTT**) applications, and cloud-based telephony.

Mobile and broadband coverage is widespread, and users are actively substituting away from fixed-line voice services. This provides indirect competitive constraint on PSTN-based services.

Close substitutes and switching

Mobile services, including Wi-Fi calling, are a close substitute for fixed-line voice services. OTT and cloud-based services provide additional competitive constraint.

Users are actively switching to these alternatives, indicating that competitive constraint is real and operating in practice.

Limited evidence of competitive harm

We have not identified evidence of refusal to interconnect, discriminatory conduct, or excessive pricing.

This is significant given that the market has operated on a commercial basis without regulated pricing. The absence of such evidence indicates that market conditions are constraining behaviour.

Market structure and independent evidence

Market structure further limits the ability to exercise market power, including the availability of multiple interconnection pathways.

The Network Strategies report supports this assessment and finds that deregulation is unlikely to significantly harm competition.

X5 Interpretation of PSTN Interconnection

We interpret PSTN Interconnection to include VoIP-based fixed voice services.

This reflects the technology neutral wording of the Act and the evolution of fixed-line voice services, which are now commonly delivered using IP-based technologies.

Applying this construction, we have concluded that reasonable grounds exist to support our investigation under the statutory test.

For completeness, we note that the same conclusion would also follow on an alternative approach to interpretation, which excludes VoIP from the scope of the service and includes VoIP as an alternative.

X6 Submissions

We received submissions from Spark and Symbio.

Spark supported the draft decision, submitting that PSTN services are in structural decline and that deregulation is unlikely to result in competitive harm.

Symbio opposed the draft decision and raised concerns relating to pricing, impacts on smaller providers, reliance on PSTN pathways, international experience, and resilience.

We have carefully considered these submissions. The concerns raised are not supported by evidence of current market conduct, do not outweigh observed market developments, and do not undermine the existence of reasonable grounds for investigation.

X7 Overall conclusion

PSTN services are declining, alternatives are widely available, and users are actively switching.

Retail competition provides meaningful constraint, and there is no evidence of competitive harm in the wholesale market.

Taken together, these factors provide reasonable grounds for investigating whether continued regulation remains necessary.

X8 Next step

We will commence a clause 1(3) investigation within 15 working days of the date of this decision.

Chapter 1 Introduction and background

Purpose and structure

- 1.1 This paper sets out our final decision on whether there are reasonable grounds to commence an investigation into omitting PSTN Interconnection from Schedule 1 of the Telecommunications Act 2001 (the Act).²
- 1.2 This decision follows consultation on our draft decision and reflects our consideration of the available evidence and the submissions received.
- 1.3 This chapter sets out the statutory context, assessment framework, and evidential basis for our decision.

Statutory context

- 1.4 The Act requires that we consider, at least every five years, whether there are reasonable grounds to commence an investigation into whether the regulated wholesale services, including PSTN Interconnection, should be omitted from Schedule 1 of the Act.³
- 1.5 This involves a two-stage process:
 - 1.5.1 First, a reasonable grounds assessment, where we consider whether there are reasonable grounds to investigate deregulation; and
 - 1.5.2 Second, if such grounds exist, a Clause 1(3) investigation, where we undertake a full assessment of whether the service should be omitted from Schedule 1.
- 1.6 This paper addresses the first stage only.
- 1.7 The statutory question at this stage is whether there are reasonable grounds to consider that continued regulation of PSTN Interconnection may no longer be necessary to promote competition for the long-term benefit of end-users.
- 1.8 This is a threshold test. It does not require us to reach definitive conclusions about market power or the effects of deregulation.
- 1.9 Rather, we must assess whether there is a realistic possibility, supported by evidence, that regulation may no longer be required.

² Clause 1(3) of Schedule 3 of the Act.

³ Clause 1(3) of Schedule 3 of the Act.

Assessment framework

- 1.10 In June 2025, we published our Framework for reasonable grounds assessments.⁴ We have applied that framework in this review.
- 1.11 Consistent with the framework, our assessment considers:
- 1.11.1 the description of the regulated service;
 - 1.11.2 the availability and effectiveness of alternatives to the regulated service;
 - 1.11.3 competitive conditions in relevant markets, both current and forward-looking, including both wholesale and downstream markets; and
 - 1.11.4 whether there is at least a realistic possibility that continued regulation may no longer be necessary to promote competition, consistent with section 18 of the Act.
- 1.12 We are not required to establish that regulation is no longer necessary. Instead, we must determine whether the evidence before us shows there is a realistic basis for investigating that possibility.

Evidence relied on

- 1.13 Our assessment is based on various sources of evidence.

Commission data

- 1.14 We have relied on data we have collected, including information obtained through the Annual Industry Questionnaire and other data collection processes.
- 1.15 This data provides information on:
- 1.15.1 the number of fixed-line connections;
 - 1.15.2 call volumes;
 - 1.15.3 service bundles; and
 - 1.15.4 broader trends in telecommunications usage.

Publicly available information

- 1.16 We have also considered publicly available information on:
- 1.16.1 mobile and broadband coverage;
 - 1.16.2 the development of alternative communication services; and

⁴ Commerce Commission, "[Framework for reasonable grounds assessments](#)" (17 June 2025).

1.16.3 broader market trends.

Independent expert report

1.17 We commissioned an independent report from Network Strategies to inform this review.⁵ A summary of this report is set out in Attachment A.

1.18 That report provides:

1.18.1 an assessment of market structure and conduct;

1.18.2 analysis of interconnection arrangements; and

1.18.3 an evaluation of the likely impact of deregulation in the New Zealand context.

1.19 As discussed in Chapter 2, the findings of the Network Strategies report form an important part of the evidential basis for our assessment.

Submissions

1.20 We received submissions from Spark and Symbio in response to our draft decision.⁶

1.21 These submissions provide perspectives from market participants, including support for the draft decision, and concerns regarding potential impacts of deregulation.

1.22 We have carefully considered these submissions and have taken them into account in reaching our final decision.

Temporal considerations

1.23 The data and evidence relied on in this review relate to various time periods.

1.24 Where relevant, we have taken this into account in assessing trends and drawing conclusions about market developments.

The PSTN Interconnection service and regulatory history

1.25 PSTN Interconnection enables calls to be originated and terminated between users on different fixed networks.

⁵ This report has been published on our website. Network Strategies "[Fixed PSTN Interconnection in New Zealand Final Report for Commerce Commission](#)" (12 June 2025).

⁶ Submissions can be found on our [website](#).

- 1.26 PSTN Interconnection was added to the Act as two designated services in 2001 to cover:⁷
- 1.26.1 Interconnection with Telecom’s fixed PSTN; and
 - 1.26.2 Interconnection with another fixed PSTN.
- 1.27 The service has historically been regulated due to concerns that providers of fixed networks could control access to end-users and that this could enable exclusionary conduct or the exercise of market power.
- 1.28 The service description in the Act was amended in 2011 to create a single designated service, Interconnection with a fixed PSTN,⁸ which covers any origination and termination of voice and data calls on a fixed PSTN.

Previous reviews

- 1.29 We have reviewed PSTN Interconnection regularly over time. Our last two reviews were in 2016 and 2021.
- 1.30 In 2016, we concluded that the service should remain regulated, noting the lack of effective substitutes and the continued importance of PSTN services.⁹
- 1.31 In 2021, we again decided to retain regulation, while noting that market conditions were evolving and that the importance of PSTN services was declining.¹⁰
- 1.32 In the 2021 review, we also signalled that further changes in market conditions could affect future assessments.

Context for the current review

- 1.33 This review considers whether developments since the 2021 decision support the conclusion that there are reasonable grounds to investigate deregulation.
- 1.34 Relevant developments include:
- 1.34.1 declining use of fixed-line voice services;
 - 1.34.2 increased availability and uptake of alternative communication services; and

⁷ Designated services are services where we set both price and non-price terms as opposed to specified services where only the non-price terms can be set.

⁸ [Telecommunications \(TSO, Broadband, and Other Matters\) Amendment Act 2011](#), Schedule 1.

⁹ Commerce Commission, “[Review of Designated and Specified Services under Schedule 1 of the Telecommunications Act 2001](#)” (5 July 2016), pages 32 – 34.

¹⁰ Commerce Commission, “[Review of Services in Schedule 1 of the Telecommunications Act 2001](#)” (12 May 2021), pages 15 – 19.

1.34.3 changes in market structure and conduct.

- 1.35 This review is limited to considering whether there are reasonable grounds for commencing a clause 1(3) Investigation into whether the relevant service should be omitted from Schedule 1 of the Act. It does not extend to considering introducing a new service or amending an existing service.¹¹

¹¹ Under clause 1(1) of Schedule 3, we can initiate at any time an investigation into whether a new service should be added to Schedule 1, or whether an existing service should be altered or omitted. This power is separate from our obligation to consider at intervals of not more than 5 years whether there are reasonable grounds to start a clause 1(3) investigation.

Chapter 2 Final decision on the existence of reasonable grounds

Final decision

- 2.1 We find that there are reasonable grounds to commence an investigation into whether PSTN Interconnection should be omitted from Schedule 1 of the Act.
- 2.2 This reflects our conclusion that there are reasonable grounds to investigate whether continued regulation remains necessary to promote competition for the long-term benefit of end-users.

Description and interpretation of PSTN Interconnection

- 2.3 PSTN Interconnection is a designated wholesale service that enables retail service providers (RSP) to connect their network with a fixed PSTN operated by a different provider. It allows calls to be made between users on different networks.
- 2.4 PSTN Interconnection is described in the Act as:¹²
- origination and termination (and their associated functions) of voice and data calls (including dial-up Internet calls) on a fixed PSTN.
- 2.5 Fixed PSTN is defined in the Act as:¹³
- (a) means a PSTN, or that part of a PSTN, that connects an end-user's building to the local switches or equivalent facilities; and
- (b) includes those local switches or equivalent facilities.
- 2.6 PSTN or public switched telephone network is defined in the Act as:
- means a dial-up telephone network used, or intended for use, in whole or in part, by the public for the purposes of providing telecommunication between telephone devices
- 2.7 We interpret PSTN Interconnection to include VoIP-based fixed-line voice services.
- 2.8 Taking a purposive approach to the construction of the relevant provisions,¹⁴ we consider this interpretation reflects:
- 2.8.1 the technology neutral nature of the definition, which refers to the functionality, rather than one particular network technology;

¹² Part 2 of Schedule 1 of the Act.

¹³ Section 5 of the Act.

¹⁴ Section 5(1) of the Interpretation Act 1999 requires legislation to be interpreted in light of its text and purpose. Our earlier reviews did not require us to be definitive on the position of VoIP services.

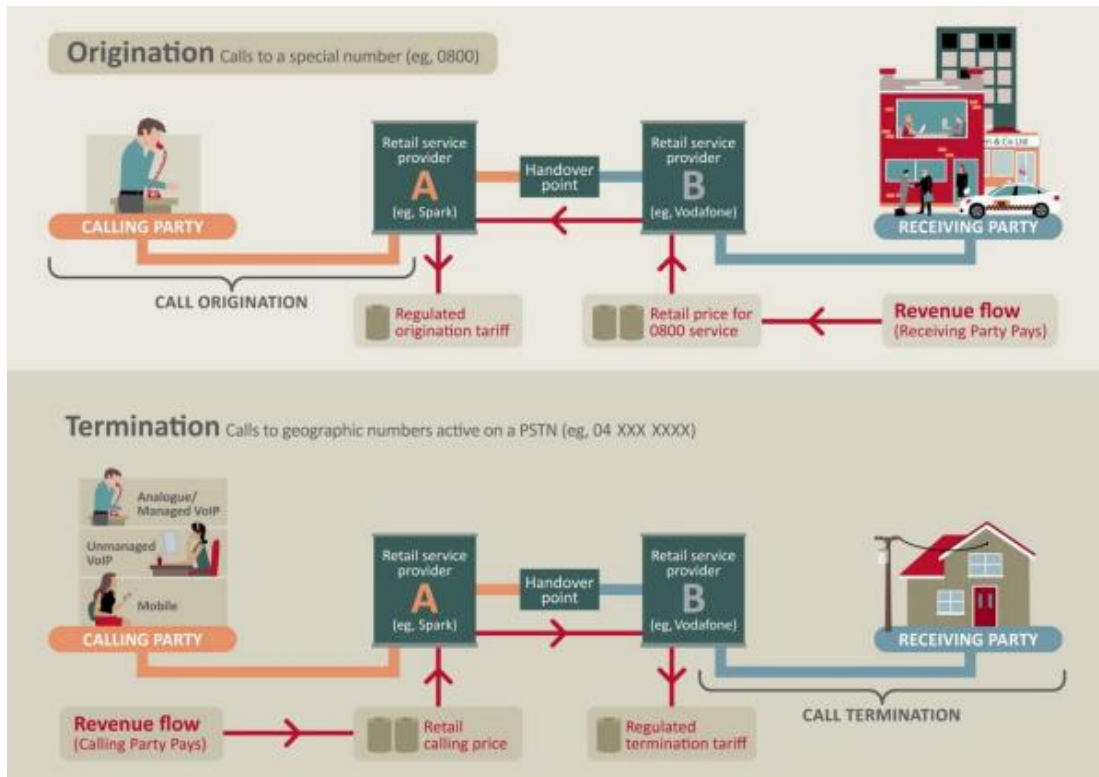
- 2.8.2 the absence of any limitation in the statutory language to copper-based networks;
 - 2.8.3 the reference to “voice and data calls”, which is not tied to a specific technology; and
 - 2.8.4 the evolution of fixed-line voice services, which are now commonly delivered using IP-based technologies.
- 2.9 In earlier reviews, we placed less emphasis on whether VoIP-based services fell within scope.¹⁵

How the PSTN Interconnection service is used

- 2.10 In New Zealand, a calling party pays system has typically applied, where the party making the call pays for the call. Under this charging model, owners of networks charge other providers for calls to be terminated on their network. This charge is recovered from the calling party in the form of a retail price (either a per minute price or a retail plan cost if it includes an allocation of minutes). If a PSTN determination were in effect, this charge would be capped at the regulated termination rate.
- 2.11 Origination rates apply in specific situations where the calling party does not pay for making the call, such as calls to a special number (eg, an 0800 number) or toll bypass. In this case, the ‘receiving party pays’ for the call. If a PSTN determination were in effect, the wholesale price for originating the call would be capped at the regulated origination rate.
- 2.12 These functions and the associated revenue flows with origination and termination of calls on a fixed PSTN are illustrated in Figure 2.1.

¹⁵ Commerce Commission, “Review of Services in Schedule 1 of the Telecommunications Act 2001”, 12 May 2021, paragraph 50. 2.92.10 We now adopt a definitive position that they do taking a purposive approach to the construction of the relevant provisions.

Figure 2.1 Origination and termination on a fixed PSTN

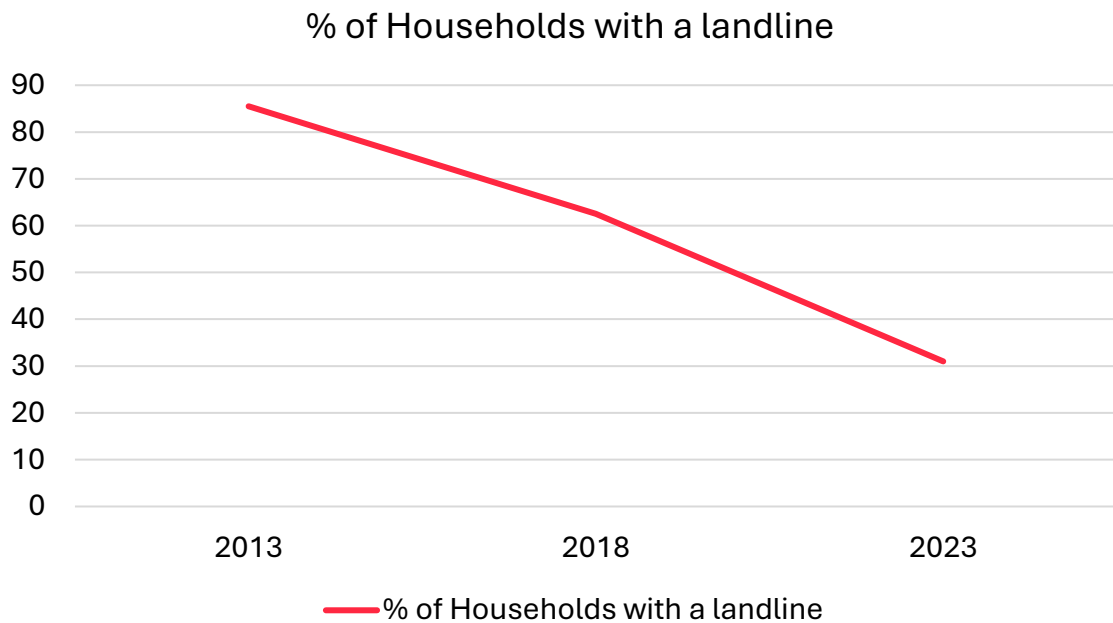


- 2.13 The regulated service therefore covers origination and termination of voice and data calls on a fixed PSTN including fixed-line calls.
- 2.14 Finding reasonable grounds to investigate omitting the regulation of either of these components of interconnection will trigger an investigation. Accordingly, this paper considers both origination and termination as components of the regulated service as a whole.

Market context and developments

Decline in fixed-line connections

Figure 2.2 Household landline penetration (2013-2023)¹⁶



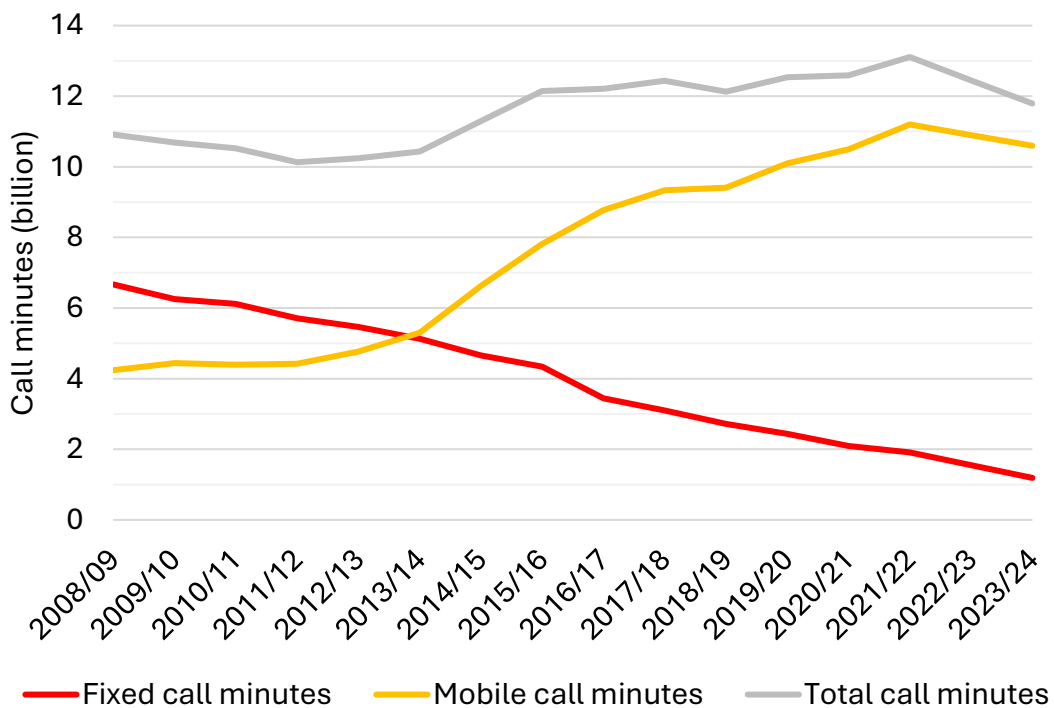
Source: Stats NZ

- 2.15 Landline penetration has declined substantially over time, from historically high levels to a minority of households.
- 2.16 This indicates that a large proportion of consumers have moved away from fixed-line voice services altogether.
- 2.17 As PSTN Interconnection is only required where such services are used, this reduces the functional importance of the regulated service.

¹⁶ Stats NZ “[2023 Census Your Place, Your Data](#)” (11 April 2025), page 13.

Decline in fixed-line call volumes

Figure 2.3 Mobile and fixed call minutes (2008-2024)¹⁷

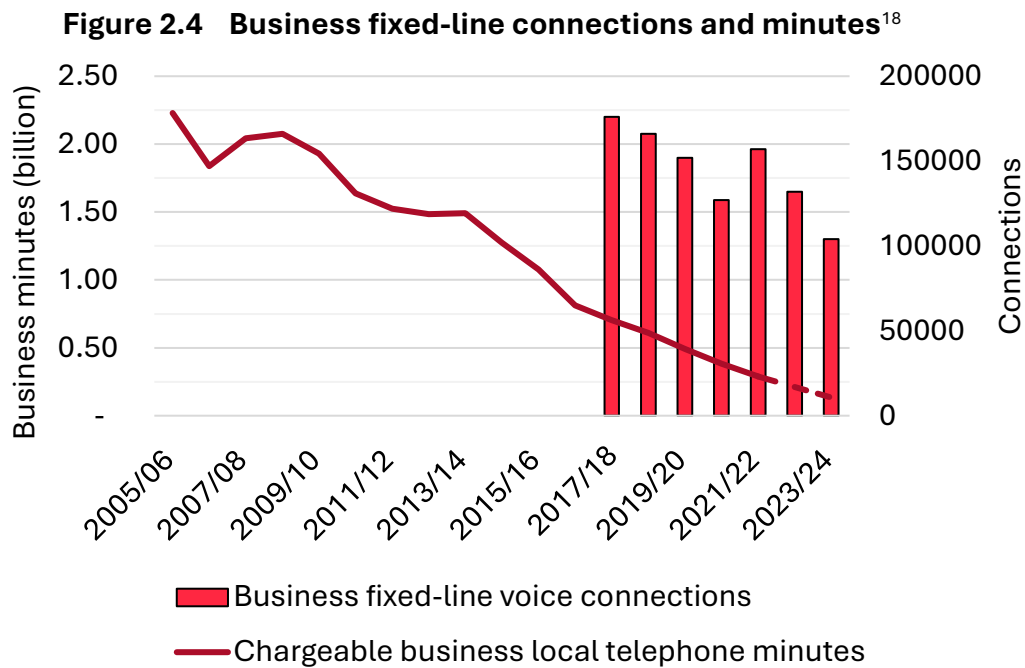


Source: Commission data

- 2.18 Fixed-line call volumes have declined, while mobile usage has increased.
- 2.19 This demonstrates a clear shift in consumer behaviour away from fixed-line voice services and reduces the economic significance of PSTN Interconnection as an input into downstream competition.

¹⁷ It should be noted that Figure 2.3 contains both residential and business minutes. Businesses also regularly use landlines. However, like residential connections, both the number of business landlines and business landline minutes have continued to fall.

Business usage trends



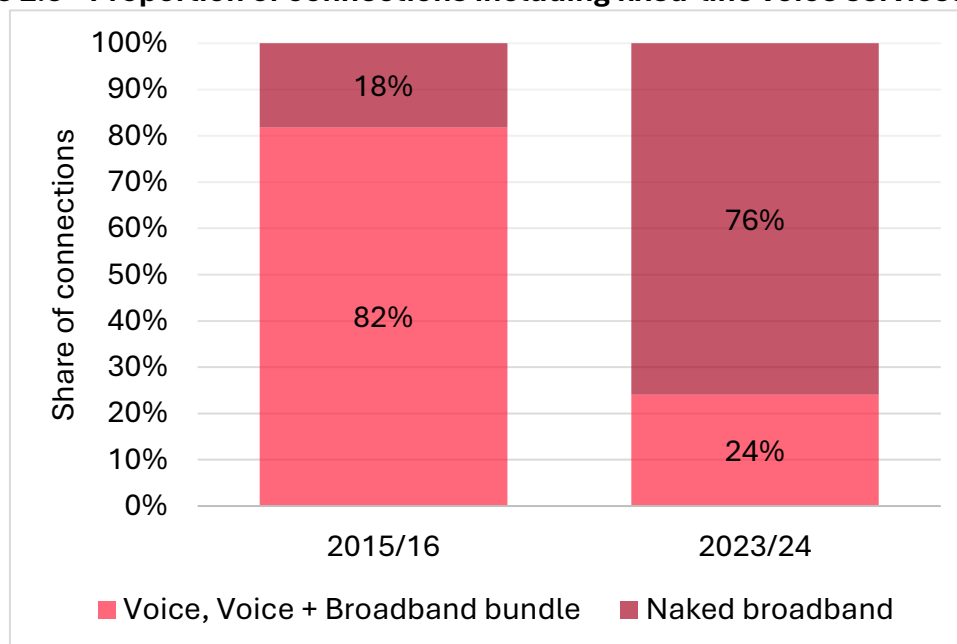
Source: Commission data

- 2.20 Business users show similar trends, indicating declining reliance on fixed-line voice services across both residential and business segments.
- 2.21 While business users may, in some circumstances, be more sensitive to per minute pricing, the overall direction is consistent with the residential sector.

¹⁸ We do not have a figure for 2022/23 for business minutes so have assumed a straight line fall to 2023/24 and indicated this estimate as a dotted line on the graph.

Decline in bundled voice services

Figure 2.5 Proportion of connections including fixed-line voice services¹⁹



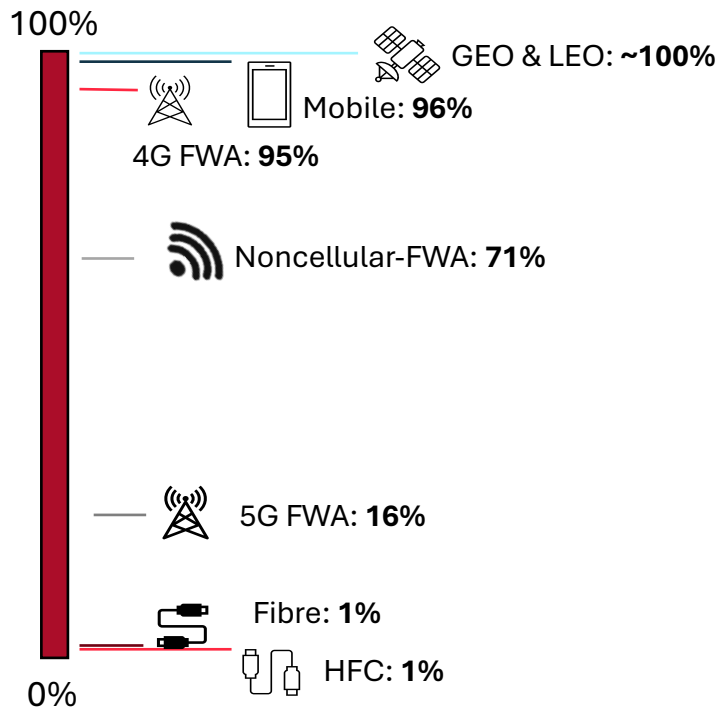
Source: Commission data

- 2.22 Fixed-line voice services are increasingly excluded from service bundles, indicating they are no longer a standard component of telecommunications offerings.
- 2.23 This further supports the conclusion that PSTN-based services are becoming peripheral rather than central to the market.

¹⁹ Commerce Commission, "[Mobile Termination Access Service \(MTAS\) investigation under Schedule 3 of the Telecommunications Act](#)" (5 November 2025), page 53.

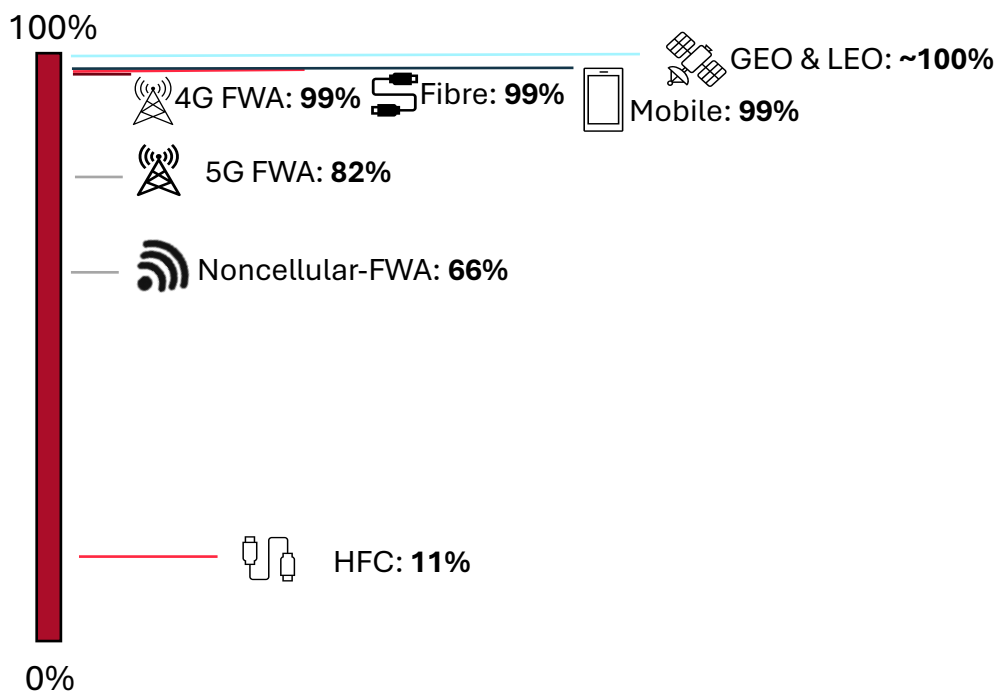
Coverage of alternatives

Figure 2.6 Coverage of rural New Zealand addresses



Source: Commission data

Figure 2.7 Coverage of urban New Zealand addresses



Source: Commission data

- 2.24 Mobile coverage is present for around 99% of New Zealand’s population (noting this will vary in quality) and broadband coverage is widespread, meaning most users have access to alternative communication services.²⁰
- 2.25 Most people are covered by more than one broadband network. Fibre is almost universal in urban areas, FWA covers 99% of urban and 95% of rural areas, nearly 70% of rural premises are covered by WISPs, and satellite services (low earth orbit (LEO) and geostationary (GEO)) are available nationwide where there is clear line of sight.²¹

Implications

- 2.26 Taken together, these trends indicate that PSTN Interconnection is associated with a small and declining segment of the market, and that its importance has materially reduced since the last review.

Identification of alternatives

- 2.27 There are no direct substitutes for PSTN Interconnection at the wholesale level, as interconnection is required to complete calls between networks.
- 2.28 However, retail alternatives provide indirect competitive constraint.
- 2.29 Consumers and businesses can substitute PSTN-based services with:
- 2.29.1 mobile services, including Wi-Fi calling;
 - 2.29.2 OTT voice applications; and
 - 2.29.3 cloud-based telephony services.
- 2.30 Because we interpret VoIP-based fixed voice services as falling within the regulated service, they are not treated as an alternative.
- 2.31 The question is therefore whether the remaining alternatives are sufficient to constrain the market.
- 2.32 The evidence indicates that they are.
- 2.33 The evidence set out in Figures 2.2 to 2.5 demonstrates that substitution is occurring in practice. In particular:

²⁰ Mobile coverage reaches about 99% of New Zealanders, although quality varies. For the remaining 1%, mobile may not be a practical option, though some may never have had a PSTN connection. Many of these users are in remote areas but can still access broadband through wireless internet service providers (WISPs) or satellite services, allowing voice calls via OTT apps or Wi-Fi calling. Direct to cell satellite services will mean improved coverage for a large number of these consumers where they have line of sight to the sky.

²¹ Commerce Commission, “[2024 Telecommunications Monitoring Report](#)” (30 June 2025), pages 25, 111 and 115.

- 2.33.1 declining landline penetration shows that consumers are disconnecting fixed-line voice services;
 - 2.33.2 declining fixed call volumes show that users are shifting usage away from PSTN-based calling;
 - 2.33.3 business trends show that substitution is occurring across all segments; and
 - 2.33.4 declining inclusion of voice services in bundles indicates that such services are no longer considered essential.
- 2.34 These patterns indicate that consumers and businesses are actively switching to alternative means of communication, rather than remaining dependent on PSTN-based services.
- 2.35 The widespread coverage of mobile and broadband services means that alternatives are accessible to the vast majority of users.
- 2.36 Accordingly, retail alternatives provide effective indirect competitive constraint on PSTN services, even when VoIP is treated as part of the regulated service.

Competition assessment

Overview

- 2.37 Demand for PSTN Interconnection is derived from downstream fixed-line voice services.
- 2.38 Assessing competitive conditions therefore requires consideration not only of the existence of alternatives, but whether those alternatives are close substitutes and whether users are switching to them in practice.

Wholesale market conditions

- 2.39 PSTN Interconnection retains bottleneck characteristics because, given the physical nature of arrangements, calls must terminate on the receiving network.
- 2.40 However, market conditions reduce the ability to exercise market power, because:
- 2.40.1 multiple interconnection providers are available;
 - 2.40.2 transit services allow indirect interconnection; and
 - 2.40.3 traffic can be routed through alternative pathways.

Evidence on market conduct

- 2.41 We have not identified evidence of refusal to interconnect, discriminatory conduct, or excessive pricing.
- 2.42 This is significant given that no regulated price has been set and the market has operated commercially over time.
- 2.43 If firms were exercising significant market power, we would expect to observe evidence of these outcomes.
- 2.44 The absence of such evidence, alongside the other factors considered in this analysis, indicates that market conditions are constraining behaviour in practice.

Independent evidence (Network Strategies)

- 2.45 The independent Network Strategies report provides further support for this assessment.²²
- 2.46 The report:
 - 2.46.1 finds no evidence of discriminatory conduct or refusal to supply;
 - 2.46.2 identifies multiple pathways to interconnection, including indirect supply through transit providers; and
 - 2.46.3 concludes that deregulation is unlikely to significantly harm competition.
- 2.47 This evidence supports the conclusion that the practical scope for the exercise of market power has diminished.

Close substitutes

- 2.48 It is important to consider whether retail alternatives represent close substitutes for fixed-line voice services using PSTN Interconnection.

²² Network Strategies, "[Fixed PSTN interconnection in New Zealand](#)" (12 June 2025).

Price comparison

Table 2.1 Price comparison of fixed-line and alternative voice services (December 2025)²³

Voice technology	Monthly price	NZ Landlines c/min	NZ Mobiles c/min	Notes
Mercury Fibre (voice only)	\$49	\$0.18	\$0.48	Mercury and Spark are the only major RSPs who sell a fibre voice only plan.
Spark Fibre (voice only)	\$68	\$0.24	\$0.39	
FWA (voice only)	-	-	-	There are no FWA voice only plans available. ²⁴
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.
LEO²⁵ (bundled)	From \$171.95	\$0.05	\$0.17	
Mobile²⁶ (bundled with SMS and data)	From \$8 – plans with unlimited minutes from \$13.33	Free – some plans have caps	Free – some plans have caps	Data caps may apply for cheaper plans.

²³ Operator websites accessed December 2025.

²⁴ Spark has a \$50 landline plan over FWA that comes with 50GB per month data if you want to connect to the internet.

²⁵ Starlink does 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.

²⁶ 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' since for the purposes of their analysis the difference would be minimal at most.

- 2.49 The evidence indicates that mobile services are often available at a similar or lower monthly cost than fixed-line voice services.
- 2.50 OTT and cloud-based services typically involve little or no incremental cost once a user has access to mobile data or broadband.²⁷
- 2.51 This means that consumers are not materially constrained from switching on price grounds, and that alternatives are capable of exerting meaningful competitive constraint.

Performance comparison

- 2.52 However, in a substitution analysis, price alone is not determinative. Alternatives must also be sufficiently comparable in performance to be realistic substitutes.
- 2.53 Umlaut’s 2025 research on New Zealand mobile voice services found an average Mean Opinion Score (MOS) of 4.01, indicating general user satisfaction, with high-definition voice widely available and reliability rated as “good” at 78%.²⁸
- 2.54 OTT and cloud-based services require internet connectivity and may involve application compatibility constraints but offer low cost, international reach, and increasing familiarity.²⁹
- 2.55 While these services differ from fixed-line voice services in some respects, these differences do not prevent substitution in practice. The evidence on usage and switching indicates that consumers regard these alternatives as sufficiently comparable for their communication needs.³⁰

²⁷ Commerce Commission, “[Customer Satisfaction Tracking – Messaging Apps Quarterly Report Jan – Mar 2025](#)” (30 October 2025), page 15.

²⁸ Umlaut, “[Best in Test](#)” (2025), pages 13 and 14.

²⁹ Opensignal’s 2023 study scored the three major operators an average of 79.3/100, considered “acceptable”, meaning calls are generally understandable but some quality impairments occur. Opensignal, “[New Zealand Mobile Network Experience Report – April 2023](#)” (April 2023), Voice App experience results.

³⁰ Both our Copper Services Investigation final report and our Fibre Voice draft recommendation report note that voice over any technology that provides a fixed PSTN is likely to be usable by most consumers, regardless of the technology. The CSI focuses on rural premises in NZ that can access the copper network (2/3rd of all rural premises) while the Fibre Voice report considered all urban premises across the country (anywhere there is a regulated fibre network). This means only around 137,000 premises are not directly covered by the analysis in these two reports. However, the analysis of VoIP over FWA, non-cellular FWA and satellite will be applicable for these premises, meaning all people in New Zealand who may use a PSTN are reflected. Commerce Commission, “[Copper Services Investigation under section 69AH of the Telecommunications Act Recommendation to the Minister for Media and Communications on the future of copper regulation – final report](#)” (21 August 2025) and “[Fibre Deregulation Review under section 210 of the Telecommunications Act Draft recommendation to the Minister for Media and Communications on fibre Voice services](#)” (30 October 2025).

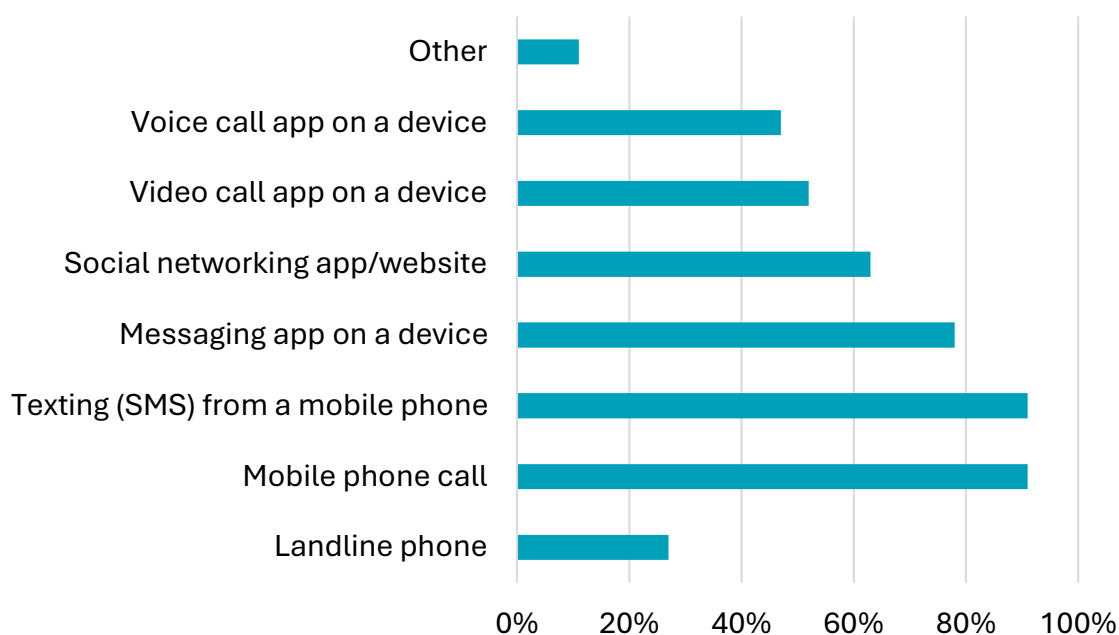
Conclusion on close substitutes

- 2.56 Mobile services, including Wi-Fi calling, are a close substitute for fixed-line voice services.
- 2.57 OTT and cloud-based services provide additional competitive constraint, reinforcing the conclusion that fixed-line services face meaningful competitive pressure.

Consumer switching

- 2.58 Evidence of actual switching behaviour is critical to assessing whether competitive constraint exists in practice.
- 2.59 Figures 2.2 to 2.5 show declining reliance on fixed-line services.
- 2.60 More direct evidence is provided by recent usage analysis.

Figure 2.8 Communication types used in the first quarter of 2025³¹

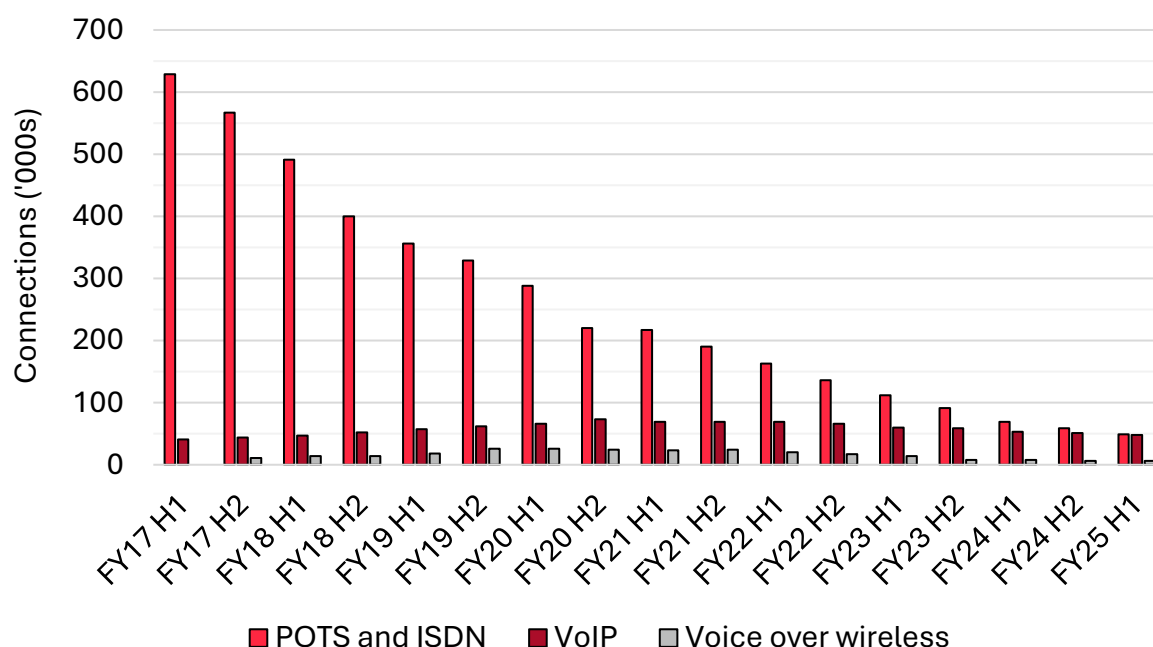


- 2.61 This shows that mobile calling is used by the large majority of users, while landline usage is significantly lower.
- 2.62 It also shows widespread use of voice and video calling applications.

³¹ Commerce Commission, "[Customer Satisfaction Tracking – Messaging Apps Quarterly Report Jan – Mar 2025](#)" (30 October 2025), page 7.

- 2.63 This indicates that mobile services are the dominant form of voice communication and that OTT services are widely used in practice.
- 2.64 The data also indicates that few users expect to reduce their use of OTT services, and some expect to increase it.³²
- 2.65 This behaviour indicates that users are willing to substitute away from fixed-line services in response to changes in relative price or performance, which is the relevant test for competitive constraint.
- 2.66 Figure 2.9, showing Spark voice connections from 2017 to 2025, highlights just how significant this fixed-line fall has been. Most consumers do not appear to be migrating to VoIP and are likely instead using mobile or OTT apps for their voice needs.³³

Figure 2.9 Number of Spark voice connections 2017-2025^{34, 35}



³² Commerce Commission, [“Customer Satisfaction Tracking – Messaging Apps Quarterly Report Jan – Mar 2025”](#) (30 October 2025), page 14.

³³ This is supported by the only 3% rise in mobile connections despite a 14% drop in landlines (voice reduction from 2025 Annual Monitoring Report, p. 135, mobile rise, *ibid*, p13). Many consumers who stop using a landline will likely already have a mobile and are using it as their primary voice service either via cellular or OTT apps.

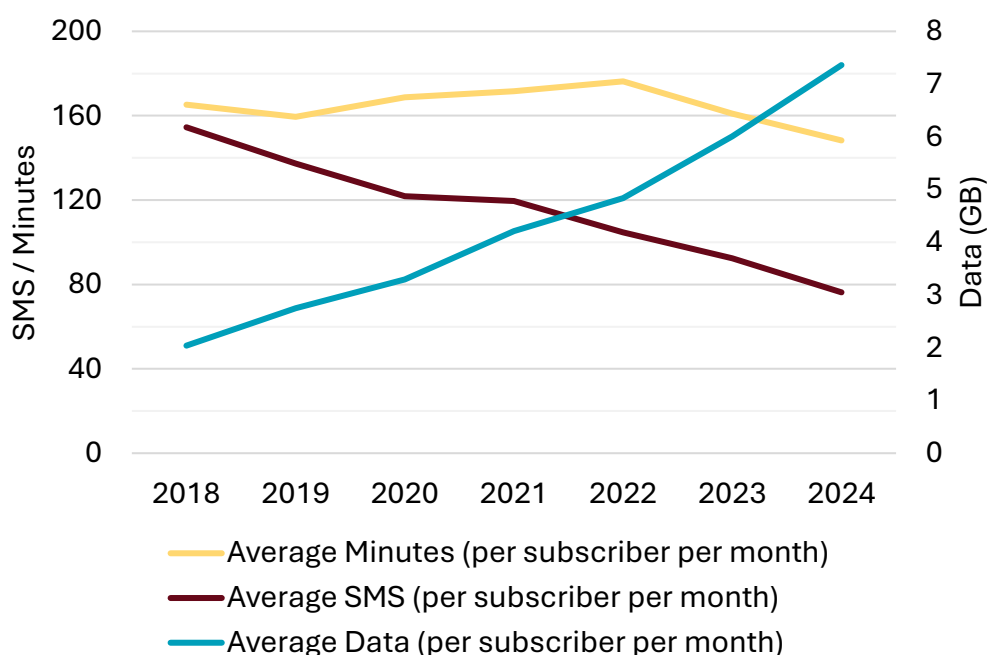
³⁴ [Spark Financial Results](#), [“H1 FY25 Detailed Financials”](#) (20 Feb 2025), [“FY22 Detailed Financials”](#) (2022), [“FY19 Spark New Zealand Detailed Financials”](#) (2019).

³⁵ The Plain Old Telephone Service (**POTS**) and Integrated Services Digital Network (**ISDN**) are legacy systems that have been used to provide residential and business voice services for many years.

Source: Spark³⁶

- 2.67 Between 2019 and 2023, the average monthly number of mobile minutes remained reasonably static, while average data use climbed (Figure 2.10). This evidence suggests that consumers are not just shifting to mobile for their voice calling, but also to OTT apps (which use an internet connection such as mobile data).

Figure 2.10 Average monthly SMS, mobile minutes and data usage per subscriber³⁷



Source: Commission data

- 2.68 This observed behaviour is directly relevant to the statutory assessment, as it demonstrates that alternatives are constraining demand for fixed-line voice services in practice and reducing the ability of providers to sustain the exercise of market power in relation to PSTN Interconnection.

Interaction with retail competition

- 2.69 The decline in fixed-line voice usage and the availability of alternatives reduce both the ability and incentive to exercise market power.

³⁶ Spark has decommissioned almost 65% of its legacy copper-based PSTN switches and notes that that on average around 3,200 customer lines migrate off that PSTN every month.

³⁷ Commerce Commission "[Mobile Termination Access Service \(MTAS\) investigation under Schedule 3 of the Telecommunications Act 2001 \(Act\) – Final report on whether MTAS should be omitted from Schedule 1 of the Act](#)", (16 March 2026) page 54.

- 2.70 As demand declines:
- 2.70.1 the commercial importance of PSTN Interconnection decreases; and
 - 2.70.2 the potential gains from exercising market power are reduced.
- 2.71 At the same time, competitive pressure from alternatives constrains behaviour.

Overall conclusion on competition

- 2.72 Retail alternatives provide meaningful and increasing competitive constraint, including close substitutes, and users are actively switching to those alternatives.
- 2.73 There is no evidence of competitive harm in the wholesale market.
- 2.74 Accordingly, current market conditions indicate a low risk of competitive harm and support a realistic possibility for investigating whether continued regulation remains necessary.
- 2.75 For completeness, we note that the same conclusion would also follow on an alternative interpretation, where VoIP is included as a competitive constraint.

Submissions

- 2.76 We received submissions from Spark and Symbio. No cross-submissions were received.³⁸

Spark

- 2.77 Spark supported the draft decision.³⁹
- 2.78 It submitted that:
- 2.78.1 PSTN services are in structural decline;
 - 2.78.2 deregulation is unlikely to result in competitive harm;
 - 2.78.3 multiple interconnection arrangements exist; and
 - 2.78.4 the practical scope for market power is limited.
- 2.79 These points are consistent with our assessment.

Symbio

- 2.80 Symbio opposed the draft decision.⁴⁰

³⁸ Submissions can be found on our [website](#).

³⁹ Spark, "[Review of fixed PSTN interconnection submission](#)" (March 2026).

⁴⁰ Symbio – Aussie Broadband, "[Review of fixed PSTN interconnection submission](#)" (March 2026).

- 2.81 It submitted that:
- 2.81.1 wholesale termination pricing remains important to market dynamics;
 - 2.81.2 deregulation may disadvantage smaller providers and wholesale carriers;
 - 2.81.3 Australian regulatory experience indicates risks associated with deregulation;
 - 2.81.4 PSTN pathways remain important for certain users; and
 - 2.81.5 PSTN Interconnection supports resilience and scam mitigation functions.
- 2.82 We have carefully considered these submissions.

Our response to submissions

Pricing and bargaining power

- 2.83 Symbio submitted that deregulation could lead to higher wholesale prices and reduced bargaining power.⁴¹
- 2.84 We have considered this in light of the evidence.
- 2.85 There is no evidence of excessive pricing or discriminatory conduct in the current market.
- 2.86 No regulated price has been set for PSTN Interconnection in its current form.
- 2.87 Demand for PSTN-based services is declining, reducing the commercial significance of the service.
- 2.88 Multiple interconnection pathways exist, reducing dependence on any single provider.
- 2.89 The Network Strategies report did not identify pricing concerns.⁴²
- 2.90 Even if such risks were to arise, they do not preclude the existence of reasonable grounds for investigation and can be examined if required in a clause 1(3) process.

⁴¹ Symbio – Aussie Broadband, “[Review of fixed PSTN interconnection submission](#)” (March 2026), page 2.

⁴² Network Strategies, “[Fixed PSTN interconnection in New Zealand](#)” (12 June 2025).

Impact on smaller providers

- 2.91 Symbio submitted that deregulation could disadvantage smaller providers.⁴³
- 2.92 We acknowledge structural differences between providers. However:
- 2.92.1 multiple interconnection pathways exist;
 - 2.92.2 transit services reduce reliance on direct interconnection; and
 - 2.92.3 there is no evidence of exclusionary conduct affecting smaller providers.
- 2.93 These factors indicate that the risk identified is not borne out in the current evidence.
- 2.94 A degree of residual risk does not, in any event, preclude the existence of reasonable grounds for investigation and can be considered if necessary in a substantive investigation.

Australian comparisons

- 2.95 Symbio relied on Australian regulatory experience.⁴⁴
- 2.96 While international experience can provide context, regulatory outcomes depend on local conditions.
- 2.97 The New Zealand context differs materially, including the absence of price regulation.
- 2.98 The Network Strategies report does not support the concerns raised.⁴⁵

Resilience and scam mitigation

- 2.99 Symbio raised concerns about resilience and scam mitigation.⁴⁶
- 2.100 These are important issues of wider concern but are not functions of Fixed PSTN Interconnection regulation under Schedule 1.
- 2.101 They are therefore not determinative for the purposes of a statutory test focused on competition.

Conclusion on submissions

- 2.102 We have carefully considered all submissions.

⁴³ Symbio, "[Review of Fixed PSTN Interconnection submission](#)" (10 March 2026), pages 2 and 3.

⁴⁴ Symbio, "[Review of Fixed PSTN Interconnection submission](#)" (10 March 2026), pages 3 and 4.

⁴⁵ Network Strategies "[Fixed PSTN interconnection in New Zealand](#)" (12 June 2025).

⁴⁶ Symbio, "[Review of Fixed PSTN Interconnection submission](#)" (10 March 2026), pages 4 and 5.

2.103 For the reasons set out above, the concerns raised do not undermine the existence of reasonable grounds for investigation.

Testing alignment with the section 18 purpose of the Act

2.104 Under section 18 of the Act, we consider whether regulation continues to best promote competition for the long-term benefit of end-users. Our task is to assess whether there is a realistic possibility that continued regulation of PSTN Interconnection is no longer necessary, rather than to reach definitive conclusions.

2.105 The evidence indicates that the benefits of continued regulation have diminished:

2.105.1 Fixed-line voice services have declined sharply;

2.105.2 alternative voice services are widely available; and

2.105.3 substitutability has reduced both the scope for, and incentives to exercise, market power.

2.106 While PSTN Interconnection has historically been an essential input supporting downstream competition, technological change and the widespread use of mobile and OTT services mean it is now of declining importance.

2.107 Although PSTN Interconnection remains a technical bottleneck, and some users may continue to rely on landlines, reduced demand, multiple commercial interconnection arrangements, and the availability of alternative routing materially constrain the ability to exercise market power. Any attempt to increase wholesale charges of PSTN Interconnection would risk traffic being diverted to alternative services, limiting the likelihood of sustained harm.

2.108 Market changes since 2021 have reduced significance of fixed-line voice services, diminished the position of previously dominant providers, and led to the increasing use of alternatives. The previous monopoly over termination no longer appears significant in practice and the absence of evidence of anti-competitive conduct further supports this view.⁴⁷

2.109 We have therefore concluded that there is at least a realistic possibility that continued regulation is no longer necessary to promote competition for the long-term benefit of end-users.

⁴⁷ Network Strategies, "[Fixed PSTN interconnection in New Zealand](#)" (12 June 2025), page 20-21.

Conclusion and next steps

- 2.110 Our final decision under clause 1(3) of Schedule 3 of the Act is that there are reasonable grounds to commence an investigation into whether PSTN Interconnection should be omitted from Schedule 1 of the Act under section 66(1)(b).
- 2.111 We will therefore commence a clause 1(3) investigation within 15 working days of the date of this decision,⁴⁸ and give public notice of the commencement of the investigation, as required by the Act.⁴⁹
- 2.112 We must prepare and deliver a final report to the Minister within 240 working days of giving the public notice of the commencement of the investigation.⁵⁰

⁴⁸ Clause 1(5) of Schedule 3 of the Act.

⁴⁹ Clause 1(6) of Schedule 3 of the Act.

⁵⁰ See clauses 2 and 4 of Schedule 3 of the Act respectively.

Attachment A:

Summary of the Network Strategies report

Network Strategies has provided a report to inform the Commission's assessment of PSTN Interconnection.

The report finds that the market for PSTN Interconnection in New Zealand is functioning efficiently, with no evidence of industry dissatisfaction or anti-competitive behaviour reported by large or small industry players. While the natural bottleneck of the PSTN Interconnection service is unchanged, the communications market has transformed since the Act was put in place.

Stakeholder consultations revealed that opinions are divided: some believe regulation should remain to protect residual fixed PSTN users and maintain a regulatory backstop, while others argue the service is now obsolete and incentives for anti-competitive conduct are minimal.

Network Strategies considers that deregulation would not be likely to have significant consequences for competition. PSTN usage has declined sharply as most consumers have migrated to mobile and OTT services, and Spark's legacy PSTN is nearing end-of-life with a continuing decommissioning program. However, Network Strategies notes that in the short term, segments of the market still using the PSTN service could face a risk of increased wholesale changes or discriminatory practices.

Internationally, Australia has extended regulation for five years due to rural reliance on PSTN, whereas most European countries have deregulated fixed origination and termination following the introduction of an EU-wide termination rate, with exceptions in Italy, Latvia, and the Netherlands where structural market concerns persist. In the United Kingdom, fixed termination remains regulated because of limited substitutes and potential for anti-competitive behaviour.

Overall, the report concludes that deregulation in New Zealand is unlikely to significantly harm competition, though some residual risk remains for small segments still dependent on PSTN services.