Fixed PSTN Interconnection reasonable grounds assessment draft decision

Submission | Commerce Commission

10 March 2026

Executive Summary

Thank you for the opportunity to provide feedback on the Commission's draft decision that reasonable grounds exist to investigate omitting the fixed PSTN interconnection service from Schedule 1 of the Act (**the draft**).

We support the Commission's preliminary assessment that reasonable grounds exist to commence an investigation:

- The market has changed significantly since fixed PSTN interconnection was first designated. Whereas Telecom was the sole provider of national PSTN services at that time, there are now multiple parties providing PSTN services.
- There has been a significant shift in consumer behaviour and market dynamics with a sustained and material decline in fixed voice usage and fixed interconnection volumes and rapid migration of consumers and businesses to mobile and IP-based communications, including over-the-top (**OTT**) voice and messaging applications; and
- A mature and competitive environment has emerged which suggests the risks to competition associated with deregulation are low.

Commencing an investigation is consistent with the intent of the Schedule 3 framework: regulation should be retained only where it is still necessary to promote competition for the long-term benefit of end-users and removed where the benefits of intervention no longer outweigh the costs.

Introduction

1. Thank you for the opportunity to provide feedback on the Commission's draft decision that reasonable grounds exist to investigate omitting the fixed PSTN interconnection service from Schedule 1 of the Act (**the draft**)

2. Fixed PSTN interconnection is a designated service in Schedule 1 that covers origination and termination (and associated functions) of voice and data calls on a fixed public switched telephone network (**PSTN**). The Commission has not set fixed interconnection terms for many years, and the designation remains solely as a regulatory backstop.

3. The Commission's draft decision appropriately focuses on whether there has been a material change in market conditions since the last review such that it is now appropriate to commence an investigation to consider deregulation.

Comment

4. The Commission's draft view is that there is at least a realistic possibility that continued regulation is no longer necessary and that a deregulation review is warranted. We agree.

5. The communications market has transformed over the last two decades.

Market change since fixed PSTN interconnection was first designated

6. The regulation of PSTN interconnection was introduced as part of the Telecommunications Act 2001 in response to the market conditions at the time. Telecom New Zealand held a central position in the fixed telecommunications market and controlled most of the local access, switching, and call termination infrastructure.

7. Policy makers focused at the time on Telecom's ability to exercise market power over call origination and termination, ensuring any-to-any connectivity and enabling effective entry and competition by smaller providers through regulated access to what were then considered bottleneck services.

8. There are now several PSTN providers, each with interconnection agreements with various partners. As PSTN providers offer transit services, voice services providers are no longer required to interconnect with all other parties, and we see traffic from parties over third party routes.

Fixed interconnection volumes and subscriptions are in decline

9. The Network Strategies report prepared for the Commission further observes that the fixed PSTN now serves a relatively small segment of the population, as the majority of end-users are turning away from fixed services to other means of communication such as mobile and OTT services.

10. Network Strategies notes that total outgoing fixed call minutes have more than halved between 2016/17 and 2022/23. Over the same period, total mobile voice traffic increased and by 2022/23 mobile voice traffic was around five times higher than outgoing fixed call traffic.

11. Spark has seen a substantial decline in customers connected to traditional voice services, with the number of voice connections falling by around 25 percent over the past 6 months alone (down from 103,000 to 78,000 voice connections)[1]. A substantial decline from the 304,000 lines reported in H1 FY21 when the Commission last considered PSTN interconnection.

12. The decline in PSTN voice connections and increasing uptake of OTT services is consistent with the Commission's broader market monitoring and reviews, which recognise that traditional voice services are increasingly displaced by data-centric and application-based communications, and that competition is increasingly based on bundled and data-centric retail offerings.

End users and voice providers can access alternative services

13. As noted in the draft, consumers and businesses have ready access to alternative calling and messaging channels including mobile voice and OTT services (e.g. WhatsApp, Facebook Messenger, Microsoft Teams, Zoom and others).

14. The draft outlines the increasing acceptance and use of OTT services as an alternative to traditional voice calling. Updated February 2026 ACMA consumer research further outlines the growing reliance on OTT applications for voice and video communications[2]. ACMA reports that the use of communication apps (including services such as FaceTime and WhatsApp) for voice and video calling remains high and widespread (over 80% have used in the past 6 months), while household landline use continues its long-term decline, reinforcing the role of OTT services as effective substitutes for traditional voice calling.

Competitive risks from deregulation are low and manageable

15. The Network Strategies report also notes that the fixed interconnection market is currently functioning efficiently, with many interconnection agreements and resellers offering alternative options for supply. It found no evidence of current industry dissatisfaction with the service and no evidence of discriminatory supply issues.

16. In our view, the maturity of the PSTN market, retail competition and network of interconnection agreements mean that it is unlikely any party could discriminate against any provider. If a PSTN operator sought to discriminate against a provider, traffic would transit another fixed network carrier who have interconnection agreements with Spark.

Conclusion

17. For the reasons set out above, we support the Commission's draft finding that reasonable grounds exist to commence an investigation into whether fixed PSTN interconnection should be omitted from Schedule 1 of the Telecommunications Act 2001.

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[1] See H1 FY26 detailed financials https://investors.sparknz.co.nz/FormBuilder/_Resource/_module/gXbeer80tkeL4nEaF-kwFA/doc/H1-FY26-Detailed-Financials.pdf

[2] See ACMA, Communications and media in Australia: How we communicate (19 February 2026) https://www.acma.gov.au/publications/2026-02/report/communications-and-media-australia-how-we-communicate

18. The evidence indicates that fixed interconnection volumes and subscriptions are in structural decline, consumers have ready access to substitutes (including mobile and OTT communications), and the competitive risks associated with deregulation are likely to be low. Commencing an investigation is therefore appropriate and consistent with the Schedule 3 framework.

[end]