Submission to the New Zealand Commerce Commission

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Review of Fixed PSTN Interconnection – Draft Decision to Omit PSTN Services from the Act

Submitted by:
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Aussie Broadband Limited is a major Australian telecommunications provider delivering broadband, voice and enterprise services to residential, business and wholesale customers nationwide. While not a vertically integrated Tier 1 carrier, Aussie Broadband is a significant national retail service provider and active wholesale participant with direct experience in regulated interconnection markets.

Symbio Holdings Limited is part of the Aussie Broadband Group and serves as the Group's specialist wholesale communications and interconnection platform across Australia and New Zealand. Together, the Group operates across the full voice value chain, this perspective informs our submission and our assessment of the competitive and consumer implications of the Commission's proposed approach.

Executive Summary

Aussie Broadband and Symbio oppose the proposal to omit fixed Public Switched Telephone Network (PSTN) interconnection services from regulation under the Telecommunications Act.

While traffic volumes over legacy TDM networks are declining, the continued regulation of PSTN interconnection remains critical to:

- Preserving effective wholesale and transit competition
- Preventing concentrated pricing power in termination and interconnection markets
- Maintaining resilient and interoperable national infrastructure
- Protecting end users from pricing volatility and reduced service reliability
- Mitigating increasing exposure to scam and fraud risks arising from unregulated OTT voice pathways

Removing PSTN interconnection from the Act would materially weaken competitive discipline in wholesale voice markets. The impact would be borne not by large vertically integrated

operators, but by smaller retail service providers, transit carriers, enterprise customers and ultimately end users.

Australian regulatory experience demonstrates that deregulation of core interconnection settings alters bargaining dynamics in favour of scale incumbents, leading to increased commercial uncertainty, higher interconnect costs and market consolidation pressure.

The Commission should retain PSTN interconnection within the Act until:

1. Functional IP interconnection markets are demonstrably competitive and substitutable
2. Equivalent safeguards exist for wholesale transit and smaller providers
3. Clear consumer protection and anti-scam interoperability frameworks are in place

1. Continued Relevance of PSTN Interconnection

The draft decision appears to assume that declining PSTN volumes equate to declining competitive relevance. We respectfully disagree.

PSTN interconnection is not merely a legacy access product. It underpins:

- Wholesale voice termination
- National transit arrangements
- Enterprise-grade voice resilience pathways
- Emergency service routing reliability
- Multi-network interoperability

Even in an IP transition environment, PSTN termination pricing continues to anchor wholesale voice economics.

Removing regulation at this stage risks:

- Bilateral pricing negotiations skewed toward dominant networks
- Increased transit pricing for smaller carriers
- Reduced transparency in termination charges
- Strategic refusal or delay in interconnection negotiations

The competitive constraint today remains regulatory discipline, not countervailing market power.

2. Impact on Wholesale and Transit Markets

Wholesale voice markets remain structurally asymmetric.

Vertically integrated operators with fixed and mobile scale can internalise traffic. Smaller providers, wholesale carriers and enterprise service providers cannot.

If PSTN interconnection is omitted:

- Transit providers may face increased underlying termination costs
- Smaller RSPs lose regulatory leverage in dispute resolution
- Wholesale margins compress, limiting reinvestment
- Market consolidation incentives increase

This has downstream implications for enterprise pricing and regional service availability.

New Zealand market evidence already demonstrates the pricing risk that arises when termination-style services are left unregulated. As Symbio noted in its December 2025 MTAS cross-submission, mobile-to-toll-free origination, which relies on the same underlying network elements as mobile termination but is not regulated, is currently priced at approximately two to three times the regulated MTAS rate despite comparable costs. Over time, this has contributed to around 95 per cent of active toll-free numbers being supplied by MNOs, reflecting their ability to internalise on-net traffic while charging elevated wholesale rates to competitors. This outcome provides a clear real-world illustration of the bottleneck pricing risk that can emerge where interconnection inputs are deregulated and reinforces the importance of maintaining appropriate regulatory discipline over PSTN interconnection services.

Regulated interconnection costs provide predictable, transparent pricing signals that support investment planning and infrastructure maintenance. Removing that framework introduces commercial volatility without demonstrable consumer benefit.

3. Australian Regulatory Experience

The experience of the Australian Competition and Consumer Commission in reviewing voice interconnection settings provides a relevant comparator.

In the ACCC's draft determination on voice interconnection, the regulatory debate highlighted that:

- Interconnection pricing materially affects wholesale competition
- Even declining traffic volumes retain strategic value
- Transit and smaller carriers are disproportionately exposed to pricing shifts

The Venture Insights analysis prepared for the ACCC Voice Interconnection Services Inquiry further demonstrated that deregulation alters bargaining power dynamics rather than eliminating the need for interconnection.

‘Many large companies and government agencies rely on fixed voice to receive incoming calls from customers and provide teleservice in both urban and regional areas. Call centres, for example, rely on fixed connectivity, and large commercial and government organisations still use fixed telephony for internal communications. This includes emergency service organisations. Fixed voice also operates as a redundant backup when mobile communications are unavailable**.’**

The broader consequences for the market are substantial:

- **Erosion of Competition:** The determination will erode retail and wholesale competition by financially weakening fixed-only voice providers. This may force some operators to withdraw from the market, limiting choice for end-users and wholesale customers.
- **Disincentive for Investment:** A business facing sustained, regulator-induced losses and lack of return on capital cannot justify ongoing investment in its network. This jeopardises the maintenance and upgrade of critical fixed-voice infrastructure, which is essential for enterprise, government, and emergency services.
- **Adverse End-User Outcomes:** Providers may be forced to increase prices to recover operational costs not covered by the regulatory termination, which would negatively impact consumers and businesses.’

The key lesson is not that regulation must be perpetual, but that removal must occur only once functional and competitive substitutes are demonstrably present. That threshold has not yet been met in New Zealand.

4. Consumer Risk and Scam Exposure in an OTT Environment

The migration from regulated PSTN pathways to over-the-top (OTT) voice products materially increases consumer exposure to scam and fraud activity.

Unlike regulated telecommunications interconnection:

- OTT providers often operate outside domestic telecommunications regulatory frameworks
- Domestic carriers have limited technical or legal ability to implement call authentication or enforcement controls
- Scam origin tracing and enforcement becomes fragmented across jurisdictions

Regulated PSTN interconnection supports:

- Carrier-level scam mitigation frameworks

- Traffic monitoring and anomaly detection
- Trace-back capability
- Inter-operator coordination

As scam activity increasingly migrates to unregulated OTT voice and messaging platforms, reducing regulatory oversight of traditional interconnection channels removes one of the few enforceable control layers available to domestic providers.

This increases systemic consumer exposure rather than reducing regulatory burden.

5. Infrastructure Resilience and National Interest

PSTN interconnection remains part of the broader national telecommunications resilience architecture.

Regulated interconnect arrangements:

- Support redundancy across networks
- Maintain fallback pathways in outage scenarios
- Ensure predictable emergency call routing
- Provide commercial certainty for maintaining legacy switching infrastructure during transition

Premature deregulation risks accelerating infrastructure withdrawal without coordinated transition safeguards.

6. Conclusion

Aussie Broadband and Symbio submit that:

- PSTN interconnection continues to serve a meaningful competitive and consumer protection function
- The wholesale and transit market remains structurally asymmetric
- Deregulation at this stage risks pricing volatility and reduced competition
- Consumer scam exposure is increasing in unregulated OTT environments
- The conditions for safe omission from the Act have not yet been satisfied

For the reasons set out above, Aussie Broadband and Symbio respectfully submit that omission of fixed PSTN interconnection from the Act would be premature and contrary to the long-term interests of end users. The structural bottleneck characteristics of termination remain, wholesale and transit markets continue to exhibit asymmetry, and regulated

interconnection provides an essential anchor for pricing transparency, infrastructure resilience and coordinated scam mitigation. Declining volumes do not equate to effective competition.

We therefore urge the New Zealand Commerce Commission to retain PSTN interconnection within the regulatory framework until clear evidence demonstrates that competitive, substitutable and consumer-protective alternatives are firmly established.

Aussie Broadband and Symbio welcome continued engagement with the New Zealand Commerce Commission and would be pleased to provide any further information or clarification that may assist the Commission in its consideration of the matters raised in this submission.

Responses to Attachment A Questions

A1.1 Question 1

Interpretation of "fixed PSTN" and "Interconnection with a fixed PSTN"

We broadly agree that the statutory definitions are technology-neutral and capable of encompassing IP-based fixed voice networks.

However, the breadth of the definition should not be interpreted as evidence that the service is competitively redundant. The fact that VoIP services fall within scope confirms that fixed interconnection remains the functional mechanism for off-net call termination. It does not demonstrate that wholesale termination markets are effectively competitive or that regulatory safeguards are no longer required.

A1.2 Question 2

Is VoIP an alternative to PSTN Interconnection?

We agree with the Commission that VoIP is not an alternative to PSTN interconnection.

VoIP alters transport architecture, not market structure. Where calls are off-net and terminate on geographic numbers, interconnection remains necessary and the terminating network retains control over access to its end users. The bottleneck characteristics of call termination persist regardless of protocol.

A1.3 Question 3

Deregulation of PSTN origination (including 0800 services)

We have concerns regarding deregulation of origination services.

Origination remains critical for toll-free (0800) services, enterprise inbound traffic and government contact numbers. Even where volumes are declining, these services remain economically and socially significant.

Deregulation risks:

- Upward pricing pressure in the absence of regulatory discipline
- Reduced pricing transparency for smaller RSPs and wholesale customers
- Flow-on cost impacts to businesses and end users

As noted above there is pricing risk already evidenced in the market for mobile to toll-free origination. The absence of visible disputes should not be treated as evidence of effective competition; it may instead reflect the presence of a regulatory backstop.

A1.4 Question 4

Reasonable grounds to investigate omission

We do not agree that sufficient grounds exist to progress toward deregulation.

While traffic volumes are declining, the structural characteristics of fixed termination remain unchanged:

- Termination remains a bottleneck service
- Smaller and wholesale providers lack countervailing bargaining power
- Interconnection pricing continues to anchor wholesale voice economics

Regulatory experience in Australia, including work undertaken for the Australian Competition and Consumer Commission, demonstrates that even in declining markets, termination pricing materially affects competitive dynamics and wholesale viability.

Declining usage alone does not establish effective competition.

A1.5 Question 5

Characteristics of remaining fixed customers

Yes. Customers remaining on fixed services often include:

- Elderly and vulnerable consumers
- Regional and rural users
- Small businesses reliant on geographic numbers
- Government and essential service contact centres

These users may have limited migration options and higher sensitivity to service reliability and pricing volatility.

Further, regulated interconnection provides stronger traceability and coordinated carrier-level scam mitigation compared to many OTT voice pathways. Premature deregulation risks accelerating infrastructure withdrawal while increasing consumer exposure to fraud and scam activity.

(End).