



Submission on the Statement of Preliminary Issues

Proposed RANCo radio access network joint venture: 2degrees and One NZ

KLR Capital | 16 October 2026

About KLR Capital

KLR Capital has substantial experience in investing in, financing, building and operating telecommunications networks, including the deployment of spectrum in 14 African countries and work in Papua New Guinea, Australia and New Zealand.

Most notably, KLR helped finance, structure and deploy the 2degrees mobile network in New Zealand. KLR worked with the Hautaki Spectrum Trust (a pan-Māori group), Econet Wireless, CVP (Communications Venture Partners of Switzerland), GEMS (Global Enterprise Management) and Trilogy (a Seattle-based specialist mobile investor). KLR Capital committed an eight-figure sum of its own capital to anchor the financing and was a foundation investor in 2degrees from 2000 to 2019. KLR Capital continues to invest in African telecommunications and data networks and in AI infrastructure. Tex was also a main board member of the Hawaiki submarine cable project, from its commencement until its sale to BW Group.

Disclaimer

KLR Capital is the family office of David, Jack and Tex Edwards. Tex Edwards is a volunteer research analyst at Monopoly Watch NZ (MWNZ), a New Zealand public policy group. MWNZ promotes public discussion of large, capital-intensive, consumer-facing businesses in which market structure is critical to delivering value to consumers in price, quality, innovation and environmental impact. MWNZ currently has open research files on supermarkets, banking, electricity, aviation, telecommunications, AI, insurance, lobbying and competition law.

MWNZ was partly financed by the proceeds from selling a block of 2degrees equity to Trilogy International Partners. The advice at the time was: “Don’t buy a boat – go and look at other industries.” Tex Edwards is a financial analyst and holds a postgraduate qualification in finance and treasury management.

Our perspective: capital, competition and history

KLR's defining experience has been financing competition and providing capital to challengers. That is the lens through which we answer the Commission's questions.

Mobile networks and telecommunications infrastructure require far more capital expenditure than most other industries. We urge the Commission to publish New Zealand's capex turn ratio against the OECD benchmark in its monitoring report.

Central to this submission is how capital is applied, and how competition and market structure affect capex and new investment.

Several forces drive capital spending: (1) competition; (2) supplier upgrade cycles and built-in obsolescence ("sorry, we don't support that software any more – you have to upgrade!"); (3) disruption from new technologies, such as satellite services underwritten by the world's largest investors; (4) disruption from new players; and (5) the demands of government, regulators and customers, particularly businesses.

New Zealand has long been an outlier in telecommunications regulation. Competition arrived very late because New Zealand chose not to establish an industry-specific regulator or issue operating licences with conditions, relying instead on general competition law. There was no Telecommunications Commissioner until the Telecommunications Act 2001, and key access regulation such as local loop unbundling did not follow until 2006.^[12] This contrasted sharply with the rest of the OECD: 2degrees should have launched in 1995, not 2009. We urge the Commission's researchers to read Walden and Angel's text on telecommunications law and regulation, which describes New Zealand's approach as "widely regarded as a disaster".^[10]

The consequence in 2026 is that 2degrees' late start explains why the RANCo deal is being presented now, and why it is good for consumers: it allows 2degrees to move into every market segment. The unusual dividend history of New Zealand's mobile operators proves this late-start dynamic. The incumbents have paid dividends since the 1990s; 2degrees has still not sent its shareholders a dividend cheque (see Critical numbers).

RAN sharing was not available earlier in 2degrees' history because the incumbents hoped to confine the challenger to entry-level prepaid customers. Because 2degrees has reinvested continuously and could not be driven out of the market, the incumbents are now prepared to consider a RAN-sharing arrangement.

The 2008 approach to Telecom

RAN sharing was first proposed in 2008, when Telecom (now Spark) was building its new XT network.

The Vietnam War (1955–1975) is not usually part of a telecommunications submission, but it featured in 2008. When NZ Communications, the predecessor of 2degrees, approached Telecom's chief technology officer about sharing the new network, no terms or conditions were ever put on the table. Every meeting was about the Vietnam War: battles, injuries, war infrastructure, and American military mistakes and victories.

Many New Zealanders remember the photograph of Phan Thị Kim Phúc published in June 1972, and understand how pointless and harmful that war was for the region. We are respectful of, and sympathetic to, everyone whose life was affected by that awful war.

However, access seekers and wholesale customers needed progress on rational infrastructure sharing, not war history. Monopoly obstruction of competition takes many forms.

Also noteworthy was the later failure of the technology deployment. Telecom's engineers did not recognise that the networks had become geographically concentrated, with Telecom's customers weighted towards the South Island and Vodafone's towards the North. The network was built for evenly distributed traffic, so when it went live the North Island capacity sat under-used while the South Island network was continually congested and failing. This dysfunction persisted for a long time. It is one reason why page 253 of the Commission's latest Telecommunications Monitoring Report matters: a deeper look at enterprise mobile markets is required.^[3]

All this dysfunction made a challenger network harder to finance. It did not matter that Arun Sarin, Vodafone's global chief executive, was quoted as saying New Zealand was his most profitable market and that he could retire early (NBR, 2006). The challenger needed regulated access to infrastructure, and for most of the 2000s there was none. Basics such as number portability, national roaming, regulated termination rates and co-location were not available.

The scar tissue remains today. *Barriers were allowed to stand that should never have been erected*, and 2degrees is still paying the price, particularly in the cost of co-location and the "revalued co-location" charges. As an investor in Africa, KLR is used to tower costs of around USD 50,000 per site. In New Zealand the figure is around \$500,000, of course these have been revalued higher now .

The 2009 interference incident

More than 15 years on, KLR believes the record should show what happened when the XT network launched. In KLR's view, Telecom (now Spark) failed to observe basic interference hygiene, such as guard bands and filtering to keep adjacent spectrum signals apart, and its signals interfered with the 2degrees network. KLR regards this as deliberate conduct aimed at damaging the new entrant's network and reputation. Tex Edwards described this as infrastructure terrorism at the time .

The interference was so severe that it also affected Vodafone, which went to the High Court seeking damages and an injunction to switch off the XT network.^[14, 15] Vodafone's complaint got the problem fixed. Had 2degrees, then a new brand with few customers, had to lead that complaint itself, it would have become a marketing disaster at the very moment it was trying to win customers.

It is important that Commission officials in 2026 understand how far incumbents will go to protect their position. As more concentrated markets in New Zealand come under scrutiny, we believe these incumbent strategies deserve to be on the public record.

What the Feasey report says about late entry

Richard Feasey's report for the Commission records the same history from an independent standpoint. Chapter 3, on the economic regulation of mobile telecommunications, makes four points that bear directly on RANCo.^[11]

2degrees entered late, with limited access to capital (paragraph 245, page 92)

Feasey notes that the mobile market expanded dramatically in the 1990s, enabling third and later entrants across Europe. By contrast, "2degree's entry as the third operator in the New Zealand market in 2009 was relatively late in comparison to developments in Europe", particularly as it launched with a 2G network and activated 3G a year later. He attributes this to several factors, including regulatory issues, and observes that, compared with Vodafone and Telecom New Zealand, 2degrees' predecessor Econet Wireless "had limited access to capital" (footnote 232).

KLR comment. The shortage of capital was a direct result of the regulatory gap. Without regulated access, every input had to be negotiated one at a time, in sequence, over eight years. With no number portability, roaming, co-location or regulated termination rates, and no effective regime against abuse of market power, investors could not see how a third operator would ever earn a return. Capital was therefore extremely difficult to attract.

The supermarket incident

The point was made memorably in the early 2000s, when Econet’s funding for the third network fell over. A senior British financier at a large technology-finance house in Johannesburg threw an Eastlight file full of papers at Tex and asked, in language FFS we will not reproduce here, how anyone could possibly finance a third mobile operator in a country whose regulator had just approved a three-to-two supermarket merger.

The incident has lasting strategic implications for anyone investing in New Zealand. International capital reads a competition regulator’s decisions across the whole economy, not one sector at a time. A merger clearance in groceries priced the risk of backing a telecommunications challenger. Every decision the Commission makes, including this one, sends a signal to investors well beyond the market in question.

Later entrants faced barriers to entry (paragraph 246, page 92)

Feasey explains that mobile regulation has been concerned with promoting entry and preventing exclusionary conduct, not because of a privatised monopolist, “but because later entrants confronted barriers to entry or exclusionary conduct by mobile operators already in the market.”

Rural coverage can be uneconomic for a new player (paragraph 247, page 93)

Economies of density and scale mean that “mobile infrastructure in rural areas can be uneconomic for an entrant without a customer base, as well as taking time to deploy.” Feasey adds that this was particularly so for an entrant allocated higher-frequency 1800 MHz spectrum, which needs more cells to match the coverage of 900 MHz, and that rural coverage using 3G and 2.1 GHz spectrum was “even more challenging”. This was exactly 2degrees’ position.

Coverage mattered, and customers had to be won from incumbents (paragraphs 248–249, page 93)

In the 1990s coverage was “an important point of competitive differentiation”, and an entrant that launched without it, Mercury One2One in the United Kingdom, failed and had to double its coverage (paragraph 248). Entrants including 2degrees argued that they could not compete without extensive coverage, and that “the costs of deploying sites in rural areas were prohibitive” (paragraph 249).

Timing mattered because a fast-growing market allowed new entrants “to acquire first time users rather than having to switch them away from an existing provider” (paragraph 249). *By the time 2degrees launched, that window had largely closed.* It had to pay to acquire customers from established operators that already had national networks and extensive rural coverage, which compounded the cost of building rural sites from a small customer base.

Why this matters for RANCo. Feasey’s analysis confirms the challenger’s structural disadvantage: late entry, limited capital, sub-economic rural deployment and the cost of winning customers from incumbents. RANCo addresses that disadvantage directly by spreading the cost of the radio network across a larger customer base.

Critical numbers

The figures below cover the last 15 financial years for which the Commission has published industry data (2010/11 to 2024/25). Every number is referenced to a public source so that it can be checked independently.

Fifteen-year totals

Measure	15-year total	Source and notes
Telecommunications retail revenue	\$79.6bn	Commission monitoring reports. ^[1, 2, 3] All retail services, fixed and mobile.
Mobile retail revenue	\$41.6bn	Commission monitoring reports. ^[1, 2, 3]
Telecommunications investment (capex)	\$23.4bn	Commission monitoring reports. ^[1, 2, 3] Whole industry, including fixed and fibre networks; excludes spectrum.
Investment as a share of revenue	29.4%	Calculated: \$23.4bn ÷ \$79.6bn.
Spark dividends (FY2012–FY2026)	c. \$6.2bn	Cash dividends paid FY2022–FY2026 of \$2,118m, ^[5] plus an estimate of \$4.1bn for FY2012–FY2021 (223 cents per share declared ^[4] × about 1.84bn shares).
Spark and One NZ dividends combined	\$9.2bn	MWNZ estimate. Spark ≈ \$6.2bn on the basis above; the balance implies about \$3.0bn from Vodafone NZ / One NZ, consistent with reported payments of \$130m–\$180m a year. ^[6, 7]
2degrees dividends	Nil	No dividend disclosed in 2degrees' annual reporting;^[9] all cash reinvested.

Year by year: industry revenue and investment (\$bn)

Year (to 30 June)	Total retail revenue	Mobile retail revenue	Industry investment
2010/11	4.91	2.14	1.24
2011/12	5.25	2.38	1.27
2012/13	5.21	2.44	1.58
2013/14	5.17	2.49	1.69
2014/15	5.11	2.54	1.77
2015/16	5.28	2.68	1.59
2016/17	5.37	2.75	1.58
2017/18	5.42	2.83	1.66
2018/19	5.32	2.83	1.71
2019/20	5.22	2.83	1.61
2020/21	5.17	2.93	1.62
2021/22	5.26	2.99	1.49
2022/23	5.63	3.22	1.59
2023/24	5.67	3.30	1.61
2024/25	5.62	3.28	1.39

Year (to 30 June)	Total retail revenue	Mobile retail revenue	Industry investment
15-year total	79.6	41.6	23.4

Sources: 2010/11 from the 2011 report;^[1] 2011/12 to 2013/14 from the 2021 report;^[2] 2014/15 to 2024/25 from the 2025 report, which includes the Commission's latest revisions.^[3] The 2010/11 figures were compiled before later methodology changes and may not be fully comparable. Industry investment excludes spectrum and covers all telecommunications networks, not only mobile.

Latest year by operator

Operator	Reported capex	Dividend or distribution
Spark (year to 30 June 2026)	\$467m (excluding spectrum)	16 cents per share declared (FY2025: 25 cents). ^[8] Group figures, including non-mobile activities.
One NZ (year to 31 March 2026)	\$246m	About \$180m distributed to Infratil. ^[7]
2degrees (year to 30 June 2026)	\$165.8m (excluding spectrum)	No comparable dividend disclosed. ^[9]

What the numbers show. The industry reinvests about 29 cents of every retail dollar. Over the same 15 years, the two incumbents returned around \$9.2bn to their owners while 2degrees returned nothing and reinvested everything. RANCo allows the challenger's capital to be spread across a larger shared network rather than duplicated.

Responses to the Statement of Preliminary Issues

KLR Capital answers the following questions from the Commission's Statement of Preliminary Issues.^[13]

1. Market definition (Preliminary issues, paragraph 17)
2. Would the loss of competition between the parties enable RANCo to raise prices?
3. Will there be coordinated effects because RANCo changes part of the market structure?
4. Would RANCo be able to raise prices by itself?
5. The extent to which overseas-based suppliers are readily able to start supplying RAN assets in New Zealand. (A2.3)
6. The extent of existing competition between the parties for the purchase of RAN assets and/or related services. (A2.5)
7. Any differences in your commercial experiences in dealing with each of the vendors, and other factors that are important. (A2.5.4)
8. Whether RAN assets are homogeneous, or whether different types of equipment and infrastructure serve different purposes, from passive sites through to supplying different capacities, coverage or technologies. (A3.1)
9. How you view the competition between the parties for the procurement of RAN assets or related services, including the extent to which you have observed them reacting competitively to each other. Discuss each category of service. (A3.3)
10. The extent to which RAN assets are relevant to competition in wholesale or retail markets, in terms of price, quality or service characteristics. (A3.6)

Question 1 | Preliminary issues, paragraph 17

Market definition

KLR response: KLR considers that the market definition needs to be extended to specific business markets. Enterprise and government are where the productivity gains are.

It should also extend to satellite. It is entirely conceivable that there will be four players in that market, all with substantial capital and low operating costs.

Drawing on the Feasey report, the market for cell towers should also be included.^[11]

Question 2

Would the loss of competition between the parties enable RANCo to raise prices?

KLR response: No. Spark remains a full competitor, satellite services are arriving, spectrum is held by Tū Ātea, and spectrum is reissued periodically.

Question 3

Will there be coordinated effects because RANCo changes part of the market structure?

KLR response: No. Spark, the MVNOs, periodic spectrum reissuance and the Commission's monitoring reports all constrain coordination. So do new and mobile pools of capital, such as tower companies, satellite companies and large business customers.

Question 4

Would RANCo be able to raise prices by itself?

KLR response: No. RANCo would be squeezed by Spark, and 2degrees could potentially roam on Spark's network.

Question 5 | A2.3

The extent to which overseas-based suppliers are readily able to start supplying RAN assets in New Zealand.

KLR response: KLR considers the Commission should also examine vendor finance arrangements, and the extent to which alternative suppliers can not only provide equipment but also lend the strength of their balance sheets.

Question 6 | A2.5

The extent of existing competition between the parties for the purchase of RAN assets and/or related services.

KLR response: Yes. In KLR's experience Spark, 2degrees and One NZ compete for RAN assets and related services.

Question 7 | A2.5.4

Any differences in your commercial experiences in dealing with each of the vendors, and other factors that are important.

KLR response: Vendor relationships have been strategic and constructive. Huawei provided 2degrees' initial vendor finance, and so did Ericsson. In Econet's early days Ericsson also helped with radio planning, accommodation and business-case modelling. Ericsson knew the business and was consistently helpful to Tex, Strive Masiyiwa, Nic and Nick across Econet's operations in Zimbabwe, Nigeria, Papua New Guinea and Kenya.

The Ericsson connection runs deep at 2degrees. The 2 D company's legendary financial modeller (and Porsche driver), Andrew Davis, began his career at Ericsson. Andrew Mikkelsen, head of all things legal, slept in Ericsson's office in the early days when cash was tight. Vendor support of this

kind, including finance, is part of the alternative-supplier capability the Commission should weigh (see Question 5).

Question 8 | A3.1

Whether RAN assets are homogeneous, or whether different types of equipment and infrastructure serve different purposes, from passive sites through to supplying different capacities, coverage or technologies.

KLR response: There is an important lesson for RANCo in subscriber acquisition costs (SAC) and the handset ecosystem. When dual technologies were in use, networks with expensive or non-scalable handsets ran into cost and interoperability problems.

We urge the Commission to examine suppliers and do its own handset analysis, so that it is comfortable about how the market will evolve.

The Commission can also take comfort from periodic spectrum sales. Nothing in this proposal will cement the market structure beyond the industry's inevitable and critical hunger for spectrum to grow revenue.

Question 9 | A3.3

How you view the competition between the parties for the procurement of RAN assets or related services, including the extent to which you have observed them reacting competitively to each other. Discuss each category of service.

KLR response: We urge the Commission's investigators to think of themselves as car dealers, and to picture how much work goes into selling a single car or ute: colour, options, extras, floor mats, tray configuration, tyres and wheels, and hours of conversation and lanyard-wearing performance in the showroom lounge.

Now picture selling an entire network every five years. Look at the networks' annual capex and the ratio of sales revenue to effort. Excluding spectrum, capex across the networks has averaged roughly \$400 million a year in total. That is enough to bring the Asia-Pacific sales teams over from Sydney whenever they are needed. Suddenly your talking about car dealerships who actually need to build infrastructure .

Question 10 | A3.6

The extent to which RAN assets are relevant to competition in wholesale or retail markets, in terms of price, quality or service characteristics.

KLR response: RAN has become a given: customers assume it. The competitive difference now lies in:

- billing, tariff design, account management and administration
- handset and device provision, configuration and set-up, including eSIM provisioning
- private 5G and LTE networks
- network slicing to prioritise coverage for emergencies and vehicle safety
- imaging audits and protection against rogue employees
- IoT connectivity, vehicle apps and pallet tracking
- network APIs
- surveillance to counter crime, managed security and fraud firewalls.

General comment: why the industry is at a turning point – again

The Commerce Commission is investigating a proposal from a large, established mobile and data operator and a challenger that launched in 2009 but has not been able to get where it needs to go. It has been held out of the business and enterprise market by a moat called capital.

This is not the forestry, trucking, concrete or plasterboard business, where the capital cycle runs 25 to 50 years. It is the mobile phone business, one of the most dynamic, productivity-enhancing industries of the last 40 years. Its capital stock turns over every five years, its configuration is always controlled by governments issuing spectrum, and it has a long way to go as driverless cars, AI, machine delivery and drone supervision move humanity forward.

We do not want another Vietnam War. We want freedom, justice, security and massive productivity improvements, so that we can all enjoy more leisure time at the beach, on the track or on the sports field.

Tex Edwards

KLR Capital



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