

Cross submission in response to the draft Fibre voice services deregulation review

17 December 2025

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Introduction

1. Thank you for the opportunity to provide feedback on submissions in response to the Commerce Commission's (Commission) draft recommendation to the Minister on Voice Fibre Fixed Line Access Service (Voice FFLAS) deregulation.
2. Voice services face multiple, effective substitutes across access technologies and applications, which both Spark and One NZ acknowledge (mobile voice, VoIP over fibre and wireless, Wi-Fi calling, and OTT apps). These alternatives constrain pricing and quality for fibre voice access end-to-end and across retail bundles. The market for voice services is highly competitive and regulation is no longer required, however – on balance – the likely cost and complexity of deregulation means the retention of regulation is in consumers' best interests.
3. While One NZ, Spark and Chorus all agree that the retention of regulation with regard to Voice FFLAS is desirable from a cost-benefit perspective, both One NZ and Spark appear to believe the retention of regulation is desirable from a regulatory perspective. We do not agree with this and note the One NZ and Spark submissions are based on incorrect competition analysis.

Deregulation and cost allocation

4. Both Tuatahi First Fibre (TFF) and Enable support the deregulation of FFLAS voice services. However, they support this and take the view that it is practicable to implement, because they plan to only allocate the costs of stand-alone voice services out of the regulated business. As we noted in our submission, this would reduce the costs of voice deregulation by avoiding the need to develop a new, bespoke methodology to allocate costs and revenues of bundled FFLAS voice and broadband services.
5. Chorus requires the Commission to approve our cost allocators that are applied for a PQ determination. If the Commission chooses to deregulate voice as TFF and Enable suggest, we request that the final deregulation decision specifies that an allocation methodology that covers voice-only FFLAS services only will be an acceptable approach for Chorus to apply.
6. Enable's and Tuatahi's suggested cost allocation methodology would be a lower cost way of implementing voice deregulation than also requiring the allocation of bundled services. However, even with this approach we assess that the subsequent benefits would not outweigh the costs (given the small and declining nature of voice FFLAS it is challenging to identify any benefits from deregulation).

Competition analysis

Multi-product platform analysis

7. Both Spark and One NZ claim a single service review risks missing portfolio effects. The presence of common and shared costs is a supply-side fact, not evidence of market power on the demand side. Competition analysis focuses on the extent to which buyers can switch to alternatives in response to price/quality changes for the service in question. The extensive list of demand-side substitutes that Spark and One

NZ themselves acknowledge for voice (mobile, VoIP over fibre/wireless, Wi-Fi calling, OTT) demonstrates effective constraints on a voice access service supplied over fibre.

Residual cohort of wired service users

8. One NZ claims some users still prefer a wired, fixed-line voice service, so Voice FFLAS remains essential.
9. The fact that a small subset of customers might have a preference for a fixed line voice service is not indicative of a lack of competition in the market for voice services and does not support the retention of regulation. Those users can and do obtain voice over fibre broadband using VoIP equipment supplied by retailers, or through mobile/wireless voice products, all of which One NZ lists as available substitutes. If a wired-service user is able to acquire voice via standard fibre bitstream + VoIP, then a regulated bitstream voice variant is not required to ensure supply.

Portfolio pricing and perception of constraint

10. Spark claims revenue-capped providers may price at portfolio level; apparent constraints on one variant may be strategic rather than competitive.
11. Portfolio pricing does not erase demand-side substitution; it reflects how suppliers respond to such substitution. If mobile/OTT/VoIP alternatives discipline retail pricing for voice services, a wholesale bitstream voice variant is indirectly constrained. Spark's own example – that firms 'price up to the next alternative' – acknowledges the role of the next best substitute in setting prices, which is exactly the competitive constraint the deregulation test seeks to identify.

Anchor services and consumer protection

12. Spark claims anchor services have different consumer protection purposes – such as ensuring the availability of an affordable fixed landline service over the fibre network – which should be subject to separate evaluation. As discussed in our submission, Chorus is required to provide an anchor service – if one is declared – only in those geographic areas in which it is subject to PQ regulation with respect to that service.