



Voice FFLAS deregulation: cross submission

Cross submission | Commerce Commission

27 December 2025

Introduction

1. Thank you for the opportunity to provide feedback on submissions on the Commission's Draft voice FFLAS deregulation recommendation.
2. We support the Commission's draft recommendation that FFLAS voice variant continue to be regulated, and do not believe submissions support taking an alternative approach.

Comment

3. As set out in our submission on whether reasonable grounds exist, we agree with One NZ that there is a material cohort of fibre landline end-users who – even where there are technical alternatives available – simply prefer a fixed landline service. The Commission would likely find the Chorus is able to exercise market power if it considered Chorus' ability to increase the price of FFLAS voice to these customers.
4. Further, we agree with One NZs view that it is relevant to consider and apply a broader perspective to the nature of competitive constraints to FFLAS voice. In the context of regulating a multi-product environment, the Commission would find it challenging to promote the long-term benefits of end users if it took a narrow view of FFLAS voice without accounting for the broader network effects of operating the FFLAS network / services. We think that a broader perspective suggests continued regulation is warranted.

Cost allocation

5. We further agree with Chorus that the cost allocation exercise to develop a robust causal or proxy allocator for deregulated voice FFLAS would be complex and require significant time and resources.
6. We don't support Chorus and LFCs' proposed short form alternatives, including that the Commission could:
 - a. Allocate only the costs and revenues associated with a standalone voice service to the unregulated service (Chorus acknowledges the cost to apply this less robust approach is unlikely to outweigh the benefits of deregulation). On the face of it, Tuatahi recommends a similar approach based on allocating the total capex and opex of providing Baseband ATA to the unregulated voice FFLAS variant.
 - b. Use voice services revenue percentage of total revenue as a proxy cost allocator of costs (Enable).
7. The proposed short form approaches seek to reduce complexity by avoiding the allocation of shared and common costs by using effectively random allocators.
8. However, these short form approaches are unlikely to promote the s162 and likely work to undermine competition in regulated and adjacent markets. For example:
 - a. The approaches have the effect of either:
 - i. allocating only incremental costs to the voice service – leaving shared and common costs with FFLAS end-users, or

- ii. using the RAB to indemnify competitive activities.

A regulated provider is not competing when losses from competitive failure are allocated to the RAB. In the end, no firm can compete with a monopoly regulated provider backed by guaranteed RAB returns, and

- b. The approaches are blind to the s162 purposes such as promoting outcomes consistent with workably competitive markets and the sharing of efficiencies with end-users, including through lower prices).
- 9. We agree with Chorus that short form allocators are not robust. In our view, unpicking the RAB for the voice variant in a way that supports s162 and promotes competition would be a complex exercise that cannot be rushed.

Relationship between deregulation review and anchor services review

- 10. Chorus further sets out its view that Chorus is required to provide an anchor service – if one is declared – only in areas where it is subject to PQ regulation. The Commission has said there can be an anchor service with deregulation.
- 11. We consider that it's an open question as to whether an anchor service is required, and could exist, if FFLAS voice is deregulated. Further, if the service is not deregulated, then the issue is irrelevant. On balance we think that an anchor service remains relevant to a material group of customers with particular demand features and - accordingly - the Commission should ensure that it can continue to provide for FFLAS voice as an anchor service

[End]