



BRIEFING

Fiscal sustainability options for the Media and Communications portfolio

Date:	27 November 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2324-0896

Action sought		
	Action sought	Deadline
Hon Melissa Lee Minister for Media and Communications	Agree to discuss your preferences on reprioritisation options and cost pressures with officials.	1 December 2023

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Paul Stocks	Deputy Secretary – Building, Resources and Markets	Privacy of natural persons	
James Hartley	General Manager – Digital, Communications and Transformation Branch		✓

The following departments/agencies have been consulted
NA.

- Minister's office to complete:
- | | | |
|--|---|------------------------------------|
| <input type="checkbox"/> Noted | <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Overtaken by Events | <input type="checkbox"/> Needs change | <input type="checkbox"/> Seen |
| | <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



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Purpose

To provide you with reprioritisation options in the Media and Communications portfolio to support the Government’s fiscal objectives.

Executive summary

The Ministry of Business, Innovation and Employment (MBIE) has undertaken a line-by-line analysis of the appropriations we administer to identify options to reprioritise funding to support the Government’s fiscal objectives. The results of this work can be summarised as follows:

Table 1: Media and Communications portfolio reprioritisation options

Options for reprioritisation that MBIE recommends be progressed	2023/24 \$m	2024/25 \$m	2025/26 \$m	2026/27 \$m	Total \$m	MBIE FTE
Emergency caller location information (ECLI)	5.000	2.000	2.000	2.000	11.000	-
Options for reprioritisation that involve strategic choices	2023/24 \$m	2024/25 \$m	2025/26 \$m	2026/27 \$m	Total \$m	MBIE FTE
Confidential advice to Government						
Total Potential Reprioritisation	Confidential advice to Government					

The nature of the strategic choices or significant trade-offs is detailed in the body of the briefing, but all apart from the Emergency Caller Location Information option involve stopping or significantly reducing existing work programmes that will have some level of impact on the communications sector in New Zealand.

In addition to these reprioritisation options, we have also identified one cost pressure in the Media and Communications portfolio that we recommend be addressed via a review of third-party fees:

Table 2: Media and Communications portfolio cost pressures

Cost pressures	2023/24 \$m	2024/25 \$m	2025/26 \$m	2026/27 \$m	Total \$m	MBIE FTE
Confidential advice to Government	Confidential advice to Government					
Total Cost Pressures						

Bringing the reprioritisation and cost pressures together yields this overall picture for the portfolio:

Table 3: Media and Communications portfolio fiscal summary

	2023/24 \$m	2024/25 \$m	2025/26 \$m	2026/27 \$m	Total \$m	MBIE FTE
Baseline (Crown)	79.425	22.840	29.364	33.204	164.833	37
Baseline (Third Party)	70.637	77.803	46.878	33.990	229.308	24
Reprioritisation Options (Crown)	Confidential advice to Government					
Reprioritisation Options (Third Party)	-	-	-	-	-	-
Cost Pressures (Crown)	-	-	-	-	-	-
Cost Pressures (Third Party)	Confidential advice to Government					

MBIE operates a number of functions across portfolios. We therefore recommend MBIE Ministers meet to consider their portfolios jointly to ensure we can align and consolidate related/shared functions between portfolios.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** that MBIE has taken a whole-of-agency approach to reprioritisation, and so there are three briefings with fiscal options that are relevant for this portfolio:
- This Media and Communications portfolio-specific briefing, which includes reprioritisation options of up to Confidential advice to Government of funding in 2023/24 Confidential advice to Government of baseline funding), for your consideration
 - A briefing to you in your role as Minister for Economic Development (and MBIE ownership Minister) with options for reprioritising the stewardship and enablement functions. Any savings in stewardship and enablement will have a proportional saving for each portfolio, and
 - The omnibus briefing, which sets out MBIE's fiscal context, and some reprioritisation options that are cross-cutting, such as reductions in, and reallocation of MBIE's policy capability.

Noted

- b **Agree** to discuss your preferred approach to Media and Communications portfolio reprioritisation options and cost pressures with officials.

Agree / Disagree

- c **Agree** to meet with other MBIE Ministers to discuss reprioritisation options for whole-of-agency functions that operate across portfolios.

Agree / Disagree

- d **Note** that we will provide further advice on options you would like to progress, including phasing, costs of change, and risk management.

Noted

- e **Note** that there are additional options identified in the MBIE ownership fiscal briefing [2324-0917 refers] and these savings will be apportioned to your portfolio(s).

Noted



Paul Stocks
**Deputy Secretary – Building, Resources and
Markets Group**

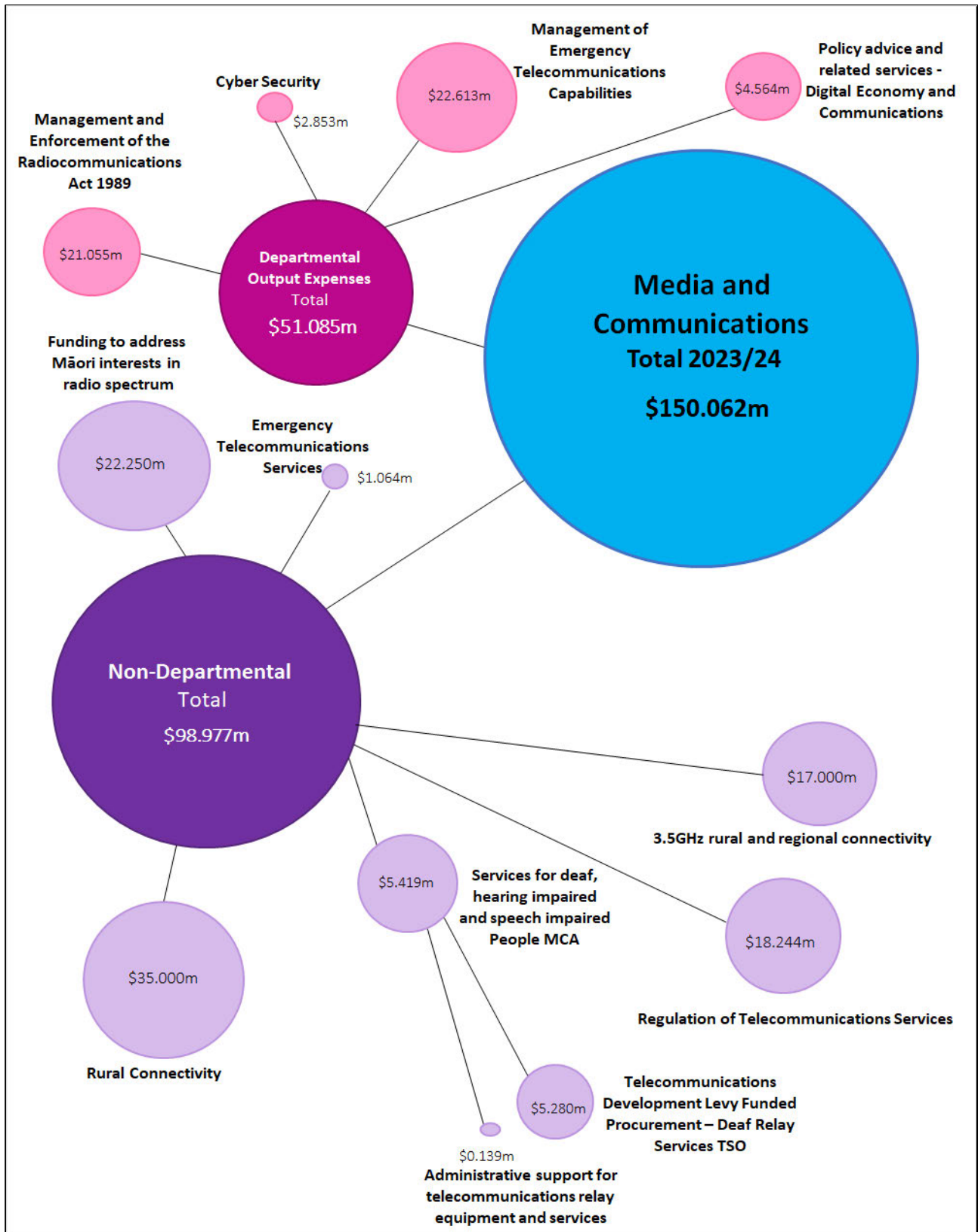
Hon Melissa Lee
Minister for Media and Communications

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Strategic choices for reprioritisation in the Media and Communications portfolio

1. This briefing sets out the key choices for where to invest/reprioritise in the areas of the Media and Communications portfolio administered by MBIE.
2. Current MBIE Media and Communications portfolio operating funding is summarised in the following diagram:



Media and Communications portfolio funding by source

3. MBIE's Media and Communications portfolio funding can be further broken down by source as follows:

Table 2: Communications portfolio funding by source¹

	2023/24 \$m	2024/25 \$m	2025/26 \$m	2026/27 \$m	Total \$m	MBIE FTE
Departmental Crown Revenue	46.681	25.992	25.749	25.819	124.241	47
Departmental Third Party Revenue	7.879	7.879	7.879	7.879	31.516	24
Non-Departmental Crown Revenue	96.093	50.850	51.757	41.031	239.731	-
Non-Departmental Third Party Revenue	63.851	71.017	40.092	39.030	213.990	-
Total	213.026	154.260	123.999	112.281	603.566	71
Fiscal impact ²	142.774	76.842	77.506	66.850	361.356	47
No Fiscal Impact ³	70.252	77.418	46.493	45.431	239.594	24

4. In addition to funding from the Crown, third party revenue in the Media and Communications portfolio is received for:
- The registration of spectrum licences
 - The telecommunications regulatory levy that covers the costs of the Commerce Commission's activities under the Telecommunications Act 2001. This levy is paid by telecommunications operators that are regulated under the Act, and
 - The telecommunications development levy (TDL) that provides the telecommunications relay service for hearing and speech impaired New Zealanders and non-economic telecommunications infrastructure (e.g. satellite backhaul for the Chatham Islands). This levy is paid by telecommunications operators with qualifying revenue of \$10 million or more in a given financial year.

Recent trends in Media and Communications portfolio funding

5. Key funding changes over the last five years include:
- Completion of the ultrafast broadband and other connectivity programmes (approximately \$2.6 billion since 2010). We have provided you with options to reprioritise a small amount of this funding later in this briefing.
 - Provision of funding to support the Māori Spectrum Entity to achieve the objectives in the Māori-Crown Memorandum of Understanding on radio spectrum, with a view to the entity becoming self-sustaining over time:
 - time limited funding of \$5.8 million to enable the Māori Spectrum Working Group to negotiate an agreement on radio spectrum with the Crown
 - time limited funding of \$32 million to support the initial operation of the Māori spectrum entity, and to allow it to be self-sustaining over time, and

¹ All figures are based on MBIE's October Baseline Update submission.

² Fiscal impact refers to departmental and non-departmental funding provided by the Crown.

³ No fiscal impact refers to departmental and non-departmental funding provided by parties other than the Crown.

- iii. one off funding of up to \$25 million to allow the Māori Spectrum Entity to invest in a complimentary business to accelerate Māori participation in the telecommunications and technology sector.

We see limited ability to reprioritise this funding without repudiating the current Māori-Crown agreement, which could significantly slow the allocation of radio spectrum due to potential legal action by various Māori groups. There is a long history of Māori interests in radio spectrum being taken to the Waitangi Tribunal.

Options for reprioritisation that MBIE recommends be progressed

- 6. We have identified one area of funding that does not involve strategic choices where we recommend funding be reprioritised to meet the Government’s fiscal objectives:
 - a. *Emergency Caller Location Information (ECLI)* – the ECLI Service enables 111 emergency call takers to receive automatically generated geographical information about the likely location of a caller when a 111 call is made from a mobile device on a cellular network. We have identified the following savings that can be realised without affecting this important service:

\$m	2023/24	2024/25	2025/26	2026/27 & Outyears	Total	FTE
Emergency caller location information	5.000	2.000	2.000	2.000	11.000	-

Other options for reprioritisation that involve strategic choices for Ministers

Reprioritisation options related to specific programmes of work

- 7. In addition to the recommended reprioritisation noted above, we have also identified additional options for reprioritisation that we would welcome the opportunity to discuss with you:

- a. Confidential advice to Government



\$m	2023/24	2024/25	2025/26	2026/27	Total	FTE
Confidential advice to Government						

- b. Confidential advice to Government



\$m	2023/24	2024/25	2025/26	2026/27	Total	FTE
Confidential advice to Government						

Reprioritisation options in stewardship, enablement, and shared services functions

8. MBIE has considered a wide range of options for reprioritisation. This includes stewardship (such as economic strategy and regulatory stewardship), enablement functions (such as human resources and finance) and shared services (such as call centre services and ministerial servicing).
9. The financial impact of these options on the Media and Communications portfolio is likely to be relatively small given that this portfolio makes up a small component of MBIE's overall funding and headcount (for example, property costs are allocated as a share based on headcount). Further savings in the Media and Communications portfolio will likely emerge based on the decisions that Ministers take across other MBIE administered portfolios. MBIE will provide final advice on re-sizing its enablement functions and financial implications by portfolio as part of the broader Budget 2024 process.

Cost pressures

10. We have identified one cost pressure in the Media and Communications portfolio:

- a. Confidential advice to Government

Confidential advice to Government						
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\$m	2023/24	2024/25	2025/26	2026/27	Total	FTE
Confidential advice to Government						

Next steps

An all-of-MBIE approach to reprioritisation

11. MBIE operates a number of functions across portfolios. We therefore recommend considering the portfolios as a suite as this enables:
 - a. consideration of enablement and stewardship functions as part of the whole (which will have proportional savings for each portfolio)
 - b. opportunities to align and consolidate related functions between portfolios, including Crown Entities, and
 - c. trade-offs across functions in order to calibrate/equalise impacts, such as directing policy resource.
12. Additional options relating to these shared functions have been identified in the MBIE ownership fiscal briefing [2324-0917 refers]. If you and your colleagues elect to implement these options, the resulting savings will be apportioned to your portfolio(s).

13. Confidential advice to Government



Progressing options

14. We will provide you with further advice on areas you indicate you would like to reprioritise. This advice will include how fast savings can be realised, any costs associated, and further information on the likely impacts of those changes.
15. We also expect to receive advice from The Treasury shortly about the process for submissions for the Fiscal Sustainability Payment, and/or Budget processes. We will take direction from you on which of the potential reprioritisation options in this briefing should be included in those submissions.
16. To ensure we are able to meet the likely Budget 2024 timeframes, we recommend that you discuss your preferences on reprioritisation options and cost pressures with us at the first available opportunity.

Fiscal Summary for the Media and Communications portfolio



Current Baseline

The following table sets out the funding appropriated to MBIE for the Media and Communications portfolio, by funding source, based on MBIE's October Baseline Update submission. Departmental funding is received by MBIE to directly provide services. Non-departmental funding is generally provided via MBIE to other agencies, including Crown Entities and grant recipients.

Changes to Crown funded activities will have a direct impact on the Government's financial position. Changes to Third Party funded activity will generally have no impact on the Government's financial position, as most third-party charges are set on a cost-recovery basis.

Baseline \$million	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears	Current MBIE FTE
Dept.	43.206	22.494	22.496	22.496	22.496	38
Non-Dept*	36.219	0.346	6.868	10.708	-5.596	0
Total Crown	79.425	22.840	29.364	33.204	16.900	38
Dept.	7.879	7.879	7.879	7.879	7.879	23
Non-Dept	62.758	69.924	38.999	26.111	26.415	0
Total Third Party	70.637	70.803	46.878	33.990	34.294	23

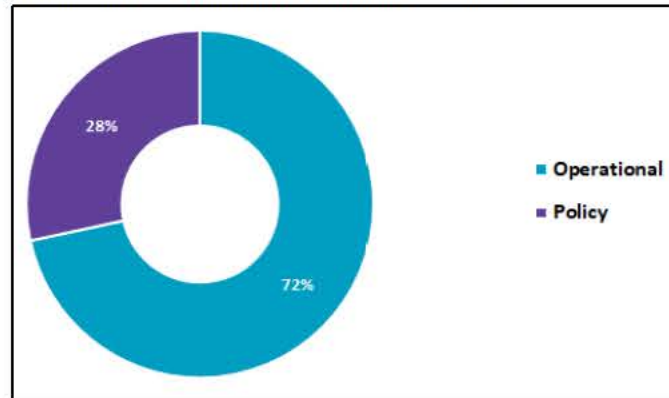
* Negative numbers reflect timing differences between when third party revenue is received and appropriated e.g. Telecommunications Development Levy revenue and expenses.

People Resources in MBIE

MBIE supports your portfolio through 61.1 full time equivalent (FTE) staff members. Of this total:

- 43.8 FTE work on operational issues e.g. radio spectrum interference, emergency caller location information service
- 17.3 FTE work on radio spectrum policy and communications policy issues

These FTE numbers can be broken down graphically as follows:



Fiscal Sustainability

The following table summarises options identified for reprioritisation within the MBIE components of the Media and Communications portfolio (either within the portfolio, or for return to the centre). This includes programmes that could be stopped, and others that can be scaled.

Option for reprioritisation	Fiscal implication \$million pa	FTE implication	Implementation	Comment
Emergency caller location information (ECLI)	\$5.0m in 2023/24	-	Can be implemented immediately.	\$2m p.a. in outyears. No service or staffing implications as it involves a return of underspends.
Confidential advice to Government				
[Redacted content]				
Total	Confidential advice to Government	-		Confidential advice to Government

The Fiscal Sustainability Options Briefing for the Media and Communications portfolio has further details on options and the implications of these choices.

Coalition Agreement Commitments

We are aware of the following National, NZ First, and Act Party coalition commitments that fall within the current scope of the Media and Communications portfolio:

Source	Manifesto Commitment/Coalition Agreement	High level cost estimate \$million pa	FTE implication	Implementation	Comment on estimates
National Party-NZ First Coalition Agreement	Establish a fast-track one-stop-shop consenting and permitting process for regional and national projects of significance.	NA	NA	We recommend you discuss with the Minister for RMA Reform how the new fast-track one-stop-shop consenting and permitting process might interact with the existing national environmental standard for telecommunications facilities (NESTF).	NA
National Party-NZ First Coalition Agreement	Establish a Regional Infrastructure Fund with \$1.2 billion in capital funding over the Parliamentary term.	NA	NA	We recommend you explore with the Minister for Regional Development whether regional connectivity (including resilience improvements) is a priority area for investment within the new \$1.2 billion Regional Infrastructure Fund established as part of the National-NZ First coalition agreement.	NA