



BRIEFING

Budget 2024: Media and Communications portfolio information

Date:	2 February 2024	Priority:	High
Security classification:	Budget - Sensitive	Tracking number:	2324-1739

Action sought		
	Action sought	Deadline
Hon David Seymour Associate Minister of Finance	Agree to progress work on the identified departmental baseline savings/revenue initiatives for the Media and Communications portfolio as part of Budget 2024.	5 February 2024
Hon Melissa Lee Minister for Media and Communications	Agree to progress work on the identified departmental baseline savings/revenue initiatives for the Media and Communications portfolio as part of Budget 2024.	5 February 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
James Hartley	General Manager – Digital, Communications and Transformation Branch	Privacy of natural persons	✓
Privacy of natural persons	Senior Policy Advisor	Privacy of natural persons	

The following departments/agencies have been consulted
N/A.

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



BRIEFING

Budget 2024: Media and Communications portfolio information

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Purpose

To provide you with an update on Budget 2024 savings options for the Media and Communications portfolio and support bilateral engagements between you.

Recommended actions

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

- a **Note** the information provided in this briefing for the Media and Communications portfolio on new initiatives between Budget 2017 and Budget 2023 and full-time equivalent growth.

Noted

Hon David Seymour
Associate Minister of Finance

Noted

Hon Melissa Lee
Minister for Media and Communications

- b **Agree** to progress work on the following estimated ^{Confidential advice to Government} million departmental baseline savings/revenue initiatives for the Media and Communications portfolio, as part of meeting the Budget 2024 savings/revenue target for MBIE:

\$ million	Total Savings (\$ millions)
Emergency Caller Location Information	8.000

Confidential advice to Government

Total Departmental Savings/Revenue	Confidential advice to Government
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Agree / Disagree

Hon David Seymour
Associate Minister of Finance

Agree / Disagree

Hon Melissa Lee
Minister for Media and Communications

c



Noted

Hon David Seymour

Associate Minister of Finance

Noted

Hon Melissa Lee

Minister for Media and Communications

d **Note** that the savings/revenue initiatives in recommendations (b) and (c) above will not impact on service levels.

Noted

Hon David Seymour

Associate Minister of Finance

Noted

Hon Melissa Lee

Minister for Media and Communications

James Hartley

General Manager,
Digital, Communications and Transformation
Branch, MBIE

Hon David Seymour

Associate Minister of Finance

02 / 02 / 2024

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Hon Melissa Lee
Minister for Media and Communications

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Background

1. In late December, the Minister for Media and Communications received a letter from the Minister of Finance regarding the Government's Budget 2024 priorities. The Minister of Finance has directed Ministers to seek savings of 7.5 percent of the average four-year total of the 'eligible base' of appropriations for the 2024/25 to 2027/28 financial years for the Ministry of Business, Innovation and Employment (MBIE).
2. The Minister of Finance has also agreed that the Associate Minister of Finance (Hon David Seymour) will be the lead minister for an initial baseline exercise to meet the Government's savings targets for MBIE. This briefing is intended to support bilateral engagements between the Associate Minister of Finance and the Minister for Media and Communications.
3. For the Media and Communications portfolio, MBIE's estimated savings target is calculated as follows:

Table 1: MBIE's Media and Communications Portfolio Savings/Revenue Target

\$ million	2024/25	2025/26	2026/27	2027/28	4-Year Total
Departmental Crown Funding	22.475	22.327	22.327	22.327	89.456
Departmental Third Party Funding (excluded from savings target)	6.855	6.855	6.855	6.855	27.420
Non-Departmental Crown Funding	0.346	6.868	10.708	-5.596 ¹	12.326
Non-Departmental Third Party Funding	69.924	38.999	26.111	26.415	161.449
Eligible baseline for Budget 2024 savings target	92.745	68.194	59.146	43.146	263.231
Savings/Revenue Target @ 7.5%	6.956	5.115	4.436	3.236	19.742

Breakdown of expenditure and full-time equivalent growth since 2017

4. The Associate Minister of Finance has requested a summary description of functions within the portfolio, a breakdown of new initiatives between Budget 2017 and Budget 2023, and changes in full-time equivalent personnel numbers. A summary description of functions within the portfolio is provided in **Annex 1** and an overview of significant expenditure growth since 2017 for the portfolio is provided in **Annex 2**.
5. The most substantive expense increases for the Media and Communications portfolio since 2017 relate to:

¹ Negative number reflects a surplus in the Telecommunications Development Levy to balance previous deficits.

- a. **A total of \$60 million for rural connectivity appropriated in Budget 2022.** This non-departmental funding is already contracted by Crown Infrastructure Partners to build telecommunications infrastructure through a combination of the Rural Broadband Initiative, the Mobile Black Spots Fund, the Rural Capacity Upgrade programme and the Remote Users Scheme. As at 30 September 2023, this funding has improved broadband for 84,000 rural premises, extended terrestrial mobile coverage to 128 tourism sites and 1,377 km of State Highways, and improved capacity for approximately 38,000 rural homes and businesses.
 - b. **Development and maintenance of the Emergency Caller Location Information Service.** This service was launched in 2017 and has become a critical component of New Zealand’s emergency response system. It enables 111 call takers at emergency service providers to locate a person requiring emergency assistance using their mobile location information. The service has helped to save lives and limit harm. The operating expenses for MBIE’s administration of the service in 2024/25 are approximately \$16 million.
 - c. **Implementation of the Māori-Crown Memorandum of Understanding (MoU) on radio spectrum.** Engagement between the Crown and Māori on the issue of spectrum has historically been characterised by disagreement on the nature and extent of Māori interests. In the past, this disagreement led to delays in spectrum allocation work programmes and particularly affected the pace at which spectrum for new mobile technologies was made available. This changed in February 2022 when the Crown and Māori entered a MoU on radio spectrum. Funding related to the MoU includes:
 - i. time limited funding of \$5.8 million that was provided in Budget 2021 to enable the Māori Spectrum Working Group to negotiate an agreement on radio spectrum with the Crown
 - ii. time limited funding of \$32 million from 2023/24 through to 2026/27 to support the initial operation of the new Māori Spectrum Entity, and
 - iii. one-off funding of \$14 million provided to allow the Māori Spectrum Entity to purchase a complementary business in telecommunications and technology sector.
6. Full-time equivalent personnel numbers have increased from 54.8 in 2017 to 61.1 in 2023. This reflects the increase in work required to develop and maintain the Emergency Caller Location Information service.

Alignment of current expenditure with Government priorities

7. Key portfolio priorities outlined in the Minister for Media and Communications’ letter to the Prime Minister were:
 - a. Modernising regulation to ensure it remains fit for purpose given technological and market developments
 - b. Delivering better connectivity to New Zealanders that live in rural and peri-urban areas, and

- c. Expediting the allocation of radio spectrum given the increasing importance of wireless communications.
8. Our assessment is that MBIE’s departmental expenditure relating to both communications policy and radio-spectrum policy and planning is well aligned with these priorities.
 9. The majority of MBIE’s non-departmental expenditure in the Media and Communications Portfolio is time-limited and has already contracted by Crown Infrastructure Partners to pay for telecommunications infrastructure. This infrastructure investment is largely in rural areas where it would otherwise not be commercially viable for network operators to invest. Access to reliable and high-speed connectivity networks is vital to allow rural New Zealanders to participate in an increasingly digital economy and society. In addition to meeting the Minister’s priorities outlined to the Prime Minister, this investment aligns with the Government’s Budget 2024 priorities to:
 - a. **Address the rising cost of living** – as investment in rural connectivity networks helps to reduce the cost of accessing services, and
 - b. **Building for growth and enabling private enterprise** – these investments support rural communities and businesses to realise the benefits of high-speed connectivity, including training and employment opportunities, and innovation to improve productivity.
 10. Most of the remaining non-departmental expenditure is for the Commerce Commission’s regulatory activities under the Telecommunications Act 2001, and the operation of the telecommunications relay service for deaf, hearing impaired, and speech impaired New Zealanders. This expenditure is levy funded and therefore does not count towards MBIE meeting its savings/revenue target.

Revenue and expenditure options

11. MBIE officials have identified the following savings/revenue options to support MBIE meeting its 7.5 percent savings target.

Table 2: Summary of Savings / Revenue Options

\$ million	2024/25	2025/26	2026/27	2027/28	4-Year Total
<i>Departmental Savings/Revenue Options that Count Towards MBIE’s Target</i>					
Emergency Caller Location Information	2.000	2.000	2.000	2.000	8.000
Confidential advice to Government					
Total Savings/Revenue Options	Confidential advice to Government				

Confidential advice to Government

\$ million	2024/25	2025/26	2026/27	2027/28	4-Year Total
Total Savings/Revenue Target	6.956	5.115	4.436	3.236	19.742
Total Surplus / Deficit	Confidential advice to Government				
Other Savings/Revenue Options That Do Not Count Towards MBIE's Target					
Confidential advice to Government					

Savings options

Reducing the costs of administering the Emergency Caller Location Information Service

12. This consists of two savings initiatives that reduce costs to administer the Emergency Caller Location Information Service by decreasing contractor spending. This will:
 - a. Reduce the Departmental expenditure for the appropriation *Maintaining the Emergency Caller Location Information Service* by \$2 million per annum from 2024/25. This will result in savings of \$8 million over four years, contributing towards 3 percent of the 7.5 percent savings target when applied to the eligible baseline in the Media and Communications portfolio.
 - b. Confidential advice to Government

13. MBIE officials are confident that these savings will not impact on the quality of this critical service. These savings initiatives also align with the Government's Budget 2024 priorities to reduce contractor spending. These savings initiatives total Confidential advice to Government four years.

Revenue options

Confidential advice to Government

Capital Expenditure

16. We do not anticipate any capital expenditure being required as part of Budget 2024 or any future Budget processes.

Managing future cost pressures

17. MBIE is continuing to explore options to realise efficiencies by leveraging economies of scope and scale, as well as converting the small number of remaining contractors to employees. We anticipate that these initiatives will deliver the savings required to meet foreseeable cost pressures in the Media and Communications portfolio.
18. All policy and operational areas of MBIE are initially targeting the 7.5 percent savings from their baselines and are on track to achieve the \$45 million in approximate savings that this represents. All corporate and technology functions are included in this work (Human Resources, Information Technology, and other corporate functions). Once Ministers have made final decisions, these corporate and technology functions will seek further operational efficiency savings to support these decisions. In addition, a 15 percent target has been set for discretionary spending (for example, travel, conferences, training, and recruitment).
19. Note that MBIE's departmental base (which is a portion of MBIE's eligible base) for the savings target has been reduced to approximately \$570 million, as Immigration New Zealand and other functions were removed through the Treasury calculations.

Next steps

20. MBIE officials will record any decisions coming out of your bilateral meeting and submit the savings/revenue initiatives to Treasury by the 16 February 2024 deadline.
21. We will also support Ministers with any requests for further advice.

Annexes

Annex One: Summary description of functions within the Media and Communications portfolio

Annex Two: Significant expenditure growth since 2017 for the Media and Communications portfolio

Annex One: Summary description of functions within the Media and Communications portfolio

As at the October Baseline Update in 2023, the Media and Communications portfolio includes:

- Non-departmental operating expense appropriations for 2024/25 of \$70.3 million:
 - a. **\$10.0 million for rural connectivity** – this funding improves existing or builds new rural connectivity infrastructure. There is no funding appropriated beyond 2024/25.
 - b. **\$8.0 million funding to address Māori Interests in radio spectrum** – this funding is time-limited and will expire on 30 June 2027.
 - c. **\$15.8 million for the regulation of telecommunications services** – this funding is limited to the Commerce Commission’s activities to regulate telecommunications services under the Telecommunications Act 2001. It is cost-recovered from levies paid by the telecommunications industry.
 - d. **\$30.0 million for 3.5GHz rural and regional connectivity initiatives** – with a total of \$72 million appropriated up to 2025/26 financial year. This is a cost-neutral appropriation reflecting the funding paid to the Crown by Mobile Network Operators as part of the 3.5 GHz spectrum allocation process.
 - e. **\$5.3 million for the New Zealand Relay Service** – this service assists people who are speech or hearing impaired to communicate with others over the phone. This appropriation is funded from via the Telecommunications Development Levy.
 - f. **\$1.1 million for Emergency Telecommunications Services** – this supports the maintenance of the Emergency Caller Location Information Service. This service is mostly funded from departmental operating expenses, but this small portion is funded via the Telecommunications Development Levy.
- Departmental operating expenses for 2024/25 are \$30.3 million, consisting of:
 - g. **\$16.1 million for Maintaining the Emergency Caller Location Information Service** – MBIE administers this service so 111-call takers at emergency service providers can locate individuals that call 111 from mobile phones.
 - h. **\$9.7 million for Management and Enforcement of the Radiocommunications Act** – this funding is for the management of radio spectrum.
 - i. **\$4.6 million for Policy Advice and Related Services to the Minister for Media and Communications** – this funds the provision of advice and services to support decision making by Ministers on government policy matters.

Annex Two: Significant expenditure growth since 2017 for the Media and Communications portfolio

Portfolio: Media and Communications												
Expense type	Initiative Name	Rationale	\$m									
			16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
Budget 2018												
Dept Output Expense	Responding to Funding Pressures and Technological Disruption Communications	To deliver on the Government's communications policy, infrastructure, and digital economy priorities			0.800	1.800	1.800	1.800				
Budget 2020												
Dept Output Expense	Maintaining the Emergency Caller Location Information (ECLI) Service	To maintain a critical service that enables emergency services to locate people calling 111					12.390					
Non-Dept Output Expenses	Transitional Funding for the Continued Provision of Mail Services from New Zealand Post	To maintain NZ Post's current mail network while a transition away from letter reliance was developed				0.100	29.800	41.200	58.900			
Budget 2021												
Non-Dept Other Expense	Maintaining the Emergency Caller Location Information (ECLI)	To maintain a critical service that enables emergency services to locate people calling 111 (this provided approximately 7 additional FTEs)						15.980	15.980	15.980	15.980	
Non-Dept Output Expense	Rural Connectivity: Network Infrastructure and Spectrum	To progress 600 MHz and 3.5 GHz allocations						5.000	5.000			
Non-Dept Output Expense	Addressing Māori Interests in Radio Spectrum	To fund the implementation of the Māori-Crown Memorandum of MoU on radio spectrum						3.305	2.475	14.250		
Budget 2022												
Non-Dept Output Expense	Rural Connectivity	To improve existing or build new rural connectivity infrastructure							15.000	35.000	10.000	
Non-Dept Output Expense	Funding to address Māori Interests in Radio Spectrum – Tagged Operating Contingency	To fund the implementation of the Māori-Crown Memorandum of MoU on radio spectrum							8.000	8.000	8.000	8.000
Non-Dept Output Expense	3.5 GHz (5G) rural and regional connectivity initiatives	To deliver rural connectivity initiatives associated with the 3.5 GHz band								18.000	25.200	28.800

Note: Funding related to the Computer Emergency Response Team (CERT) has been excluded because the function was transferred to the Government Communications Security Bureau in 2023.