



COVERSHEET

Minister	Hon Paul Goldsmith	Portfolio	Media and Communications
Title of Cabinet paper	Review of Radio Spectrum Licence Fees	Date to be published	31 March 2025

List of documents that have been proactively released		
Date	Title	Author
January 2025	Review of Radio Spectrum Licence Fees	Office of the Minister for Media and Communications
29 January 2025	Review of Radio Spectrum Licence Fees ECO-25-MIN-0001 Minute	Cabinet Office

Information redacted

YES / ~~NO~~ (please select)

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of Confidential advice to Government.

In Confidence

Office of the Minister for Media and Communications

Cabinet Economic Development Committee

Review of radio spectrum licence fees

Proposal

- 1 I seek Cabinet agreement to release a discussion document on changes to radio spectrum licences fees. The changes would return fees to full cost recovery, after a seven-year period of planned under recovery.

Relation to government priorities

- 2 The radio frequency spectrum is used by wireless communication technologies (eg, 4G and 5G mobile, wi-fi, satellites) to operate. These technologies connect communities, enable innovation and improve resilience. Access to radio spectrum supports our focus on productivity and economic growth to increase opportunities for all New Zealanders, as set out in coalition agreements and the speech from the throne.

Executive summary

- 3 Radio spectrum is regulated under the Radiocommunications Act 1989 (the Act) and the Radiocommunications Regulations 2001 (the Regulations). Radio Spectrum Management (RSM), a business unit within the Ministry of Business, Innovation and Employment (MBIE), is responsible for efficiently and effectively managing the radio spectrum. The Act and Regulations provide for annual licence fees to be paid by spectrum users. Licence fees recover the majority of RSM’s costs of managing the radio spectrum in accordance with the Act. Costs associated with policy functions and spectrum sales are Crown funded.

- 4 In 2017, fees were set to recover less than the cost required for RSM to operate, due to an accumulation of fee revenue over time. Fees have not been adjusted since. I am proposing that fees are reset to cost recovery to ensure RSM can continue to deliver services to licence holders, enabling access to, and unimpeded use of, radio spectrum.

- 5 I am seeking Cabinet agreement to release the annexed discussion document for public consultation.

Confidential advice to Government
Confidential advice to Government

Background

- 6 The Treasury and Office of the Auditor General guidance recommends that fee regimes are reviewed every three to five years. The Radiocommunications Government Policy Statement sets the objective to review licence fees at least every five years.

- 7 Fees were last reviewed four years ago in 2020. Fees were last adjusted in 2017 when they were set below cost to reduce an accumulated memorandum account surplus. The surplus position has now been reduced. The memorandum account is forecasted to reach a nil balance in FY 2025/2026.

Analysis

Returning fees to full cost recovery ensures services to licence holders are maintained.

- 8 If fees are not adjusted the memorandum account will enter, and remain in, a deficit. MBIE would need to seek a capital injection or fund the deficit from its cash reserves. These options are inconsistent with the ‘user pays’ principle of cost recovery and are unsustainable over the long-term.

MBIE has increased efficiency by absorbing increasing licence volumes over the last seven years and improving services to users through the implementation of a new online licence management system.

- 9 The volume of licences RSM administers has increased by over 35 per cent since 2017 (up from 42,300 in 2017 to 57,300 in 2024). The licensing environment is becoming increasingly complex with the development of new spectrum uses and the increased ease of importing unlicensed equipment from overseas markets. In 2021, RSM implemented a new online licence and registration management system (Register of Radio Frequencies) to replace the previous system. The new Register reduces security vulnerabilities, supports RSM to manage the increasing volume and complexity of licencing and provides a more fit for purpose platform for users.
- 10 The improved Register is designed to make the process of obtaining and granting a licence faster and more efficient for both licence applicants and MBIE. The new RRF features aim to improve functionality, which drives cost savings through a reduction in user effort and the minimisation of task replication.
- 11 The implementation costs of the new Register (depreciation, capital charge and ICT support charges) have increased expenditure by \$1.072m above appropriation annually. Expenditure on personnel, operating costs and MBIE support costs have increased by \$1.256m above appropriation. This is owing to inflationary impact of staff salaries, IT updates to remove security and continuity risks, and other inflationary impacts which can no longer be absorbed through the base appropriation which was set in the early 2000s.
- 12 The fee levels proposed in the discussion document account for this additional expenditure.

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Most licence holders have between one and 10 licences. I expect fee increases to be felt most sharply by the four largest licence holders: Spark, OneNZ, 2degrees and Chorus.

- 13 Approximately 55 per cent of licence fee revenue is recovered from these 4 entities (combined, paying \$4.4m in fees). They hold between 3,800 and 11,042 licences each. Only one per cent of licence holders have more than 100 licences.

IN CONFIDENCE

- 14 Approximately 92 per cent of licence holders have between one and 10 licences. This implies that for the vast majority of licence holders the impact will be relatively minor (eg for 1 to 10 licences the impact would be \$47.90 to \$479 under option one below).

Number of licences	Licence holders	Percentage of total licences
1 licence	2394	68%
2 to 10 licences	867	25%
11 to 100 licences	226	6%
101 to 1000 licences	41	1%

The discussion document proposes two full cost recovery options for public feedback.

- 15 The proposed options reflect the costs of providing spectrum management services, to ensure licence holders experience value-for-money. Proposed fee levels are set out below. The option tables compare the proposed fees with current fees and an indication of a ‘normalised fee’ ie the theoretical price licence holders would have had to pay if fees had been set at cost recovery, rather than under recovery, in 2017.¹ All values are excluding GST.

Option one

- 16 This option maintains the current fee structure. The standard licence fee (98 per cent of all licences) would increase by \$48 per annum from the current fee.

Fee category	Current Fee (set in 2017)	Normalised fee (2017-2024)	Proposed new fee	Increase of proposed fee on normalised fee	Increase of proposed fee on current fee	Average annual licence volumes
A. Amateur licences	\$43.50	\$52.00	\$59.50	14%	36%	315
B. Land mobile up to 5 pagers /repeaters	\$521.70	\$678.40	\$713.04	5%	36%	371
C. Land mobile over 5 pagers/ repeaters	\$1,304.40	\$1,695.90	\$1,800.00	6%	37%	117
D. Standard licence fee	\$130.40	\$169.60	\$178.30	5%	36%	62,768

¹ The normalised fee is estimated based on the average of RSM expenditure, divided by the number of licences from the 2017 financial year to the 2024 financial year. Note that if a cost recovery fee had been set in 2017 and reviewed in 2020, it would have incorporated assumptions around licence forecasts and RSM costs that may have produced a different fee level.

Option two

- 17 This option differentiates fees under each category by activity type: a fee for new licenses and modifications, and a lower fee for licence renewals. This option weights costs to reflect that on average, activities relating to new licence applications and modifications require more RSM time and resource, compared to licence renewals. Current fee and normalised fee levels are as set out under *Option one*.

Fee category	Current Fee (set in 2017)	Proposed renewal fee	Change of proposed renewal fee on normalised fee	Increase of proposed renewal fee on current fee	Proposed new & modification fee	Increase on normalised fee	Increase on current fee	Average volume of licence renewals over 5 years	Average volume of new and modified licences over 5 years
A. Amateur licences	\$43.50	\$59.50	Increase of 14% on a normalised fee of \$52	37%	\$59.50	Increase of 12% on a normalised fee of \$52	36%	315	1
B. Land mobile up to 5 pagers/ repeaters	\$521.70	\$626.00	Decrease of -8% on a normalised fee of \$678.40	20%	\$1,626.00	Increase of 139% on a normalised fee of \$678.40	212%	371	1
C. Land mobile over 5 pagers/ repeaters	\$1,304.40	\$1,565.00	Decrease of -8% on a normalised fee of \$1,695.60	20%	\$4,000.00	Increase of 139% on a normalised fee of \$1695.60	207%	114	3
D. Standard licence fee	\$130.40	\$156.50	Decrease of -8% on a normalised fee of \$169.60	20%	\$406.00	Increase of 139% on a normalised fee of \$169.60	211%	57,135	5,634

Next steps

- 18 Following public consultation, I intend to seek Cabinet approvals on final fee levels. Changes to fee levels will be progressed by amendment to the Regulations.

Risks

- 19 I expect most of the engagement on the discussion document will be from licence holders. I expect some stakeholders to be dissatisfied with any increase to fees. Officials have worked to mitigate this risk by advising stakeholders of the need to reset fees at the end of the under-recovery period, during the 2015 fee review consultation, in the RSM Five Year Spectrum Outlook 2017–2021, the Radio Spectrum Outlook 2023–2027, and at annual industry conference ‘CommsConnect’.

Cost-of-living Implications

- 20 No cost-of-living implications would arise from the release of the attached discussion document.

- 21 I note that the four largest fee-paying entities (Spark New Zealand, One.NZ, 2degrees and Chorus New Zealand) provide retail services to consumers. Confidential advice to Government

Financial Implications

- 22 No financial implications for the Crown would arise from releasing the attached discussion document. I note that around 12 per cent of licence fee revenue is recovered from government and local government agencies and entities (eg New Zealand Police, Kiwirail, and local councils). Of the 96 government and local government entities which pay licence fees, 85 pay fees of less than \$15,000 a year.

Legislative Implications

- 23 No legislative implications would arise from releasing the attached discussion document.
- 24 Following public consultation, if Cabinet agrees to increase fees to full cost recovery, changes will be implemented through amendments to Schedule 6 of the Radiocommunications Regulations 2001.

Impact Analysis

Regulatory Impact Statement

- 25 As requested by the Ministry for Regulation, MBIE's Regulatory Impact Analysis Review Panel has reviewed the discussion document and determined that it contains sufficient impact analysis to support Cabinet's decision to release it. Therefore, a separate regulatory impact statement (RIS) is not required at this stage. A full RIS will be completed at a later stage to inform Cabinet's final decisions on this proposal.
- 26 MBIE's Regulatory Impact Analysis Review Panel has reviewed the Discussion Document prepared by MBIE. The panel considers that the information and analysis summarised in the Discussion Document meets the Quality Assurance criteria.

Climate Implications of Policy Assessment

- 27 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that CIPA requirements do not apply to this proposal as it is not expected to result in any significant, direct emissions impacts.

Population Implications

- 28 The release will not have any impacts on specific population groups.

Human Rights

- 29 There are no human rights implications associated with the release of the discussion document.

Consultation

- 30 Officials from the Treasury have been consulted on the discussion document and support the release of the discussion document.

Communications

- 31 MBIE will release the discussion document for public consultation on its website for a period of eight weeks and will contact relevant stakeholders during this time to encourage feedback. MBIE will include a notice in its regular Radio Spectrum Business Update, a monthly email newsletter received by many licence holders.

Proactive Release

- 32 This Cabinet paper will be proactively released within 30 business days of Cabinet's agreement on the MBIE website, subject to appropriate redactions. In a situation where the discussion document has not been released in this timeframe, proactive release will occur following the release of the discussion document.

Recommendations

The Minister for Media and Communications recommends that the Committee:

- 1 **approve** the release of the discussion document *Radio Spectrum licence fee review*, attached at Appendix One, subject to any minor or technical changes that the Minister for Media and Communications may consider necessary;
- 2 **agree** that MBIE will proactively release this Cabinet paper on its website, subject to any redactions consistent with the Official Information Act 1982, within 30 business days, or as appropriate following the public release of the discussion document;
- 3 **note** that the Minister for Media and Communications will report back to Cabinet on the next steps and any proposed policy decisions on these matters Confidential advice to Government
- 4 Confidential advice to Government

Authorised for lodgement

Hon Paul Goldsmith

Minister for Media and Communications