



Review of radio spectrum licence fees 2025 Consultation Document



Ministry of Business, Innovation and Employment (MBIE)

Hīkina Whakatutuki – Lifting to make successful

MBIE develops and delivers policy, services, advice and regulation to support economic growth and the prosperity and wellbeing of New Zealanders. MBIE combines the former Ministries of Economic Development, Science and Innovation, and the Departments of Labour, and Building and Housing.

Disclaimer

This document is a guide only. It should not be used as a substitute for legislation or legal advice. MBIE is not responsible for the results of any actions taken on the basis of information in this document, or for any errors or omissions.

Online: 978-1-991143-92-1

February 2025

©Crown Copyright

The material contained in this report is subject to Crown copyright protection unless otherwise indicated. The Crown copyright protected material may be reproduced free of charge in any format or media without requiring specific permission. This is subject to the material being reproduced accurately and not being used in a derogatory manner or in a misleading context. Where the material is being published or issued to others, the source and copyright status should be acknowledged. The permission to reproduce Crown copyright protected material does not extend to any material in this report that is identified as being the copyright of a third party. Authorisation to reproduce such material should be obtained from the copyright holders.

How to have your say

The Ministry of Business, Innovation and Employment (MBIE) is seeking written submissions on proposed changes to annual radio and spectrum licence fees. This consultation document also includes specific questions relating to the proposals that you may like to respond to in your submission.

All fees proposed in this document are **GST exclusive**, unless stated otherwise.

This consultation document and a template for submissions are available on the Radio Spectrum Management [website](#).

Please send your written submission by **5pm** on **11 April 2025**. Please include your name or the name of your organisation, and contact details. You can make your submission by email or post as follows:

By email (preferred option) – attaching your submission as a Microsoft Word or PDF attachment and sending to Radio.Spectrum@mbie.govt.nz, subject line: 'Review of radio spectrum licence fees'; or

By post – sending your submission to:

Radio Spectrum Management Policy and Planning
Building, Resources and Markets
Ministry of Business, Innovation and Employment
PO Box 1473
Wellington 6140

Please direct any questions you may have on the submissions process to:
Radio.Spectrum@mbie.govt.nz

Next steps and implementation

Once we have considered the submissions, we will:

- Publish submissions on the Radio Spectrum Management website.
- Provide advice to the Minister for Media and Communications on final proposals for changes to fees, including advice on the views expressed in the submissions.
- The Minister will seek approval from Cabinet to finalise any proposed changes.
- If the proposals are approved by Cabinet, they will form the basis of revised regulations under the Radiocommunications Act 1989 and will apply by **July 2026**.
- The Government's decisions on any changes to the fees framework will be published on the Radio Spectrum Management website.

Proposed fee levels in this document are approximate and may change slightly due to rounding and/or minor budget revisions before finalisation of any changes to the Regulations.

Publication and public release of submissions

The information provided in the submissions will be used to inform MBIE's advice on fee changes to the Minister of Commerce and Consumer Affairs. We may contact submitters directly if we require clarification of any matters in submissions.

Except for material that may be defamatory, MBIE will post all written submissions on the Radio Spectrum Management website at www.rsm.govt.nz. MBIE will consider you to have consented to posting by making a submission, unless you clearly specify otherwise in your submission.

Submissions are also subject to the Official Information Act 1982. If you have any objection to the release of any information in your submission, please set this out clearly with your submission. In particular, identify which part(s) you consider should be withheld, and explain the reason(s) for withholding the information. MBIE will take such objections into account when responding to requests under the Official Information Act 1982.

Personal information

The *Privacy Act 2020* establishes certain principles with respect to the collection, use and disclosure of personal information about individuals by various agencies, including MBIE. Any personal information you supply to MBIE as part of your submission will only be used to help inform the development of policy advice in relation to this review. Please clearly indicate in your submission if you do not wish your name to be included in any summary of submissions that we may publish. We advise caution on what you include in the free text response. Please do not provide more personal information than is necessary for the purposes of this consultation. Providing this information is optional.

Your personal information will be securely held by MBIE. You have a right to ask for a copy of any personal information we hold about you because of this consultation, and to ask for it to be corrected if you think it is wrong. If you would like to ask for a copy of your information, or to have it corrected, please contact us at Radio.Spectrum@mbie.govt.nz.

Contents

Executive summary	4
Overview.....	5
Section one: Basis for setting licence fees	8
Section two: RSM functions and services.....	9
Section three: RSM funding.....	11
Section four: Proposed fee options.....	14
Annex one: Distribution of licences and licence fees holders 2024.....	19
Annex two: Licence volumes 2017/18 to 2029/30.....	20
Annex three: Revenue and expenditure	22
Submission template: Review of radio spectrum licence fees.....	23

List of Tables and Figures

Table 1: Distribution of licences 2023/24	7
Table 2: Current annual licence fees	8
Table 3: Key RSM activities 2016/17 – 2023/24.....	10
Table 4: RSM actual and forecast expenditure and revenue FY 2017/18 - 2024/2025 (\$m).....	11
Table 5: Impact of additional expenditure	13
Table 6: Proposed fee levels - option one.....	15
Table 7: Proposed fee levels - option two.....	16
Table 8: Scenario comparison of proposed options.....	17
Table 9: Actual and forecast licence volumes by category 2017/18 – 2029/30	21
Table 10: Comparison of revenue and expenditure 2017/18 to 2023/24	22
Figure 1: Actual and forecast revenue recovered from fees 2014/15 to 2029/30	12
Figure 2: Actual and forecast Memorandum account balance 2014/15 to 2029/30, no fee change. 14	
Figure 3: Fee proposal impact on memorandum account	18
Figure 4: Distribution of licence volumes 2024.....	19
Figure 5: Distribution of licence fees 2024.....	19
Figure 6: Total licence volumes, actual and forecast, 2017/18 to 2029/30.....	20

Executive summary

Radio spectrum is a resource used for wireless communication, enabling the use of technologies that connect communities, increase productivity and improve resilience. Radio spectrum is regulated under the Radiocommunications Act 1989 (the Act). The Act sets out the rights and obligations of spectrum users, and the basic structure of New Zealand’s radio spectrum management.

Radio Spectrum Management (RSM) is a business unit in the Ministry of Business, Innovation and Employment (MBIE) responsible for efficiently and effectively managing the radio spectrum. Active spectrum management ensures users can access and utilise radio spectrum.

The Act and the Radiocommunications Regulations 2001 (the Regulations) provide for annual licence fees to be paid by spectrum users. These fees recover RSM's costs of managing the radio spectrum. In the financial year ending June 2018 (2017/18)¹, fees were set to recover less than the cost required for RSM to operate. Fees have not been adjusted since. Fees are now due for review, and this discussion document proposes two options to reset fees back to cost recovery. Returning to cost recovery will ensure RSM can continue to deliver services to licence holders, enabling access to and use of the radio spectrum.

Overview

Fee regimes should be reviewed every three to five years to ensure they are operating effectively. RSM fees were last reviewed in 2020, and last adjusted and set below cost in 2017.

Guidance from The Treasury and the Office of the Auditor General (OAG) recommends that when the government sets fees, it should do so at a rate that is no more than the amount necessary to recover costs incurred in providing the services to which they relate. Because costs can change, it is important that fees are regularly reviewed to check that they are covering costs and not resulting in over or under-recovery, with adjustments made as necessary. Treasury guidance recommends fees are reviewed every three to five years. The Government Policy Statement on Radiocommunications includes an objective that fees are reviewed at least every five years.

In October 2017, RSM fees were set to recover less than the cost required to operate to reduce the level of surplus accumulated from fees in previous years. Fluctuations in cost recovery are monitored through the RSM memorandum account (the memorandum account), discussed in section three of this document. RSM has remained intentionally under-recovering costs since 2017/18.

The need to review and adjust RSM fees back to cost recovery at the end of the under-recovery period was signalled during the fee review consultation in 2016, RSM's Five Year Spectrum Outlook 2017-2021 and Radio Spectrum Outlook 2023-2027.²

We are reviewing the annual administration fees for radio and spectrum licences, for all four licence categories set out in schedule 6 of the Regulations.

RSM uses other pricing mechanisms in its regime for managing radio spectrum, including resource charges (used in Crown Management Rights to encourage efficient use of the spectrum, e.g., in regional broadband and Managed Spectrum Parks), and prices for spectrum rights (e.g., the cost of acquiring a Management Right). These pricing mechanisms are not within the scope of review. General User Licences (which typically apply to short-range wireless communications) are exempt from individual licensing and fees.

Costs associated with RSM policy advice and the Crown Spectrum Asset Manager functions are funded by the Crown and since the costs are not recovered through licence fees, these functions are out of scope of the review.

To determine proposed fee levels, we assess and model the costs of delivering RSM services.

¹ Financial years ending June 20YY are referred as 20XX/YY in this document.

² These can be accessed on the RSM website: [Consultations | Radio Spectrum Management New Zealand \(rsm.govt.nz\)](https://www.rsm.govt.nz/consultations)

Section three of this document discusses the type and amount of RSM costs, actual and forecast between 2017/18 and 2023/24. We completed a review and assessment of RSM's service delivery and expenditure of this period.

RSM has exercised fiscal prudence to keep costs as low as possible whilst delivering more for licence holders.

RSM's expenditure remained relatively stable between financial years 2017/18 (\$6.869 million) and 2021/22 (\$7.138 million), then increasing to \$10.798 million in 2023/24. The volume of total licences has increased, and spectrum management has become progressively complex. The volume of licences increased by around 30 per cent, from 40,749 in 2017/18 to 52,450 in 2021/22, then to 57,311 in 2023/24. The development of new uses and technologies, and the ability to import unlicensed transmitters and equipment from overseas markets has increased the complexity of spectrum issues. RSM works to ensure it can efficiently respond to the needs of licence holders in this environment, particularly threats to the rights of licence holders to non-interference. Section one of this document discusses RSM services and licence activities between 2017/18 and 2023/24.

Implementation of the new Register of Radio Frequencies is designed to improve functionality and efficiencies for licence holders and RSM.

In 2022/23, the online register SMART system was replaced by the new Register of Radio Frequencies (the RRF). The technology used by the SMART system had become outdated, replacement was required to reduce security vulnerabilities and to provide a more fit for purpose platform and modern interface for RSM and spectrum users.

The new RRF has been designed to make the process of obtaining and granting a radio spectrum licence faster and more efficient for both applicants and RSM staff. It is mobile friendly, and all users have the addition of mapping functions which display licences and location data on an interactive map, including lines showing the relationship between 'transmit and receive' licence locations. It allows for the consolidation of multiple client roles under one account (profile) and provides users with an individualised home page dashboard displaying outstanding tasks based on the selected role. Users are also now able to interact with the RRF database via the updated Application Programming Interfaces.

The improved functionality of the RRF brings time-saving efficiencies to everyone interacting in the licensing lifecycle. The RRF enables the industry to respond to the needs of customers in the most cost-effective and efficient way possible. For RSM, it provides the tools and technology needed to deliver spectrum management services and administration of licences in accordance with the Act. It supports RSM to manage the increasing volume of licencing, and ensures RSM's technology keeps pace as spectrum uses, technologies and services continue to develop and evolve.

Implementation of the new RRF has cost approximately \$12 million. MBIE funded the capital cost of the RRF from depreciation of the SMART system and other sources. The key ongoing costs are capital charge, depreciation and ICT support. With the associated system maintenance and education expectations, implementation of the new RRF has created an overall annual \$1.072 million cost pressure. Expenditure increases on personnel, operating costs and MBIE support costs have created a \$1.256 million cost pressure. Section three discusses the RRF specific costs, as well as other RSM costs.

This document proposes two options to increase existing fees to back to full cost recovery levels.

Option one: maintains the existing fee structure and proposes increases across the four licence categories to reflect full cost recovery.

Option two: differentiates fees under each of the four licence categories by activity type, introducing one fee for new and modified licences, and a lower fee for licence renewals within each category.

We seek feedback on these two options and associated questions, set out in section four of this document.

RSM is forecasting licence demand for most spectrum uses to increase. This will mean that revenue from licence fees will steadily increase over time as licence volumes increase, discussed in section three. However, growing licence volumes alone are not enough to meet the increased costs of delivering RSM services, primarily relating to the implementation of the new RRF. Additionally, the Consumer Price Index (CPI inflation) has increased 27.2 per cent between 2017/18 and 2023/24.³ The review finds that the general inflationary pressures can no longer be absorbed through incremental increases in volumes.

How will the proposals affect licence holders and consumers?

RSM recognises that licence holders are facing rising operating costs and ongoing economic impacts. We have taken these cost pressures into consideration in developing proposals and have aimed to ensure that fees are fair and reasonable for licence holders within the current economic environment.

Most licence holders have between one and ten licences (93 per cent). Table 1 illustrates the distribution of licences by quantity held in 2023/24.

Table 1: Distribution of licences 2023/24

	Licence holders	Percentage of total licences
1 licence	2,394	68%
2 to 10 licences	867	25%
11 to 100 licences	226	6%
101 to 1000 licences	41	1%
More than 1000 licences	8	0.2%

Approximately 55 per cent of licence fees are recovered from four licence holders with the largest number of licences: Spark New Zealand Trading Limited (Spark), One New Zealand Group Limited (One NZ), Two Degrees Networks Limited (2degrees) and Chorus New Zealand Limited (Chorus). A further 12 per cent are recovered from Government organisations, including New Zealand Police, the New Zealand Defence Force, and other central and local government entities. Annex One sets out the distribution of licence volumes and fees recovered across licence holders.

³ Total index percentage change between 2017 Q2 and 2024 Q2 as published by Statistics New Zealand.

If a proportion of increased fee costs are passed onto consumers by operators, we anticipate that the per-customer increase is likely to be small given the large customer base of the entities that hold the most licences.

Meeting demand for faster spectrum roll out

RSM regularly receives requests from licence holders to speed up the allocation of radio spectrum. A key input into the speed at which we can make spectrum available is the capacity of our technical planning resources. Our limited planning capacity has resulted in a number of spectrum allocations being deprioritised until resources become available. To meet demand for faster roll out and continue to improve services to licence holders, we are increasing our planning resources by hiring an additional Planning Analyst Full Time Equivalent (FTE). This brings RSM’s planning resource from three to four FTEs. The cost of this resource is met through the RSM budget, recovered from fees.

Section one: Basis for setting licence fees

[Section 135](#) of the Act sets out that fee-related matters may be authorised by the Regulations, as well as who is required to pay fees, and the method of payment, waiver or refund of fees.

[Schedule 6](#) of the Regulations sets out the annual administration fees payable for radio and spectrum licence fees, under four categories based on use type.

Table 2: Current annual licence fees

Fee category	Current fee (GST excl.)
A. Amateur radio and spectrum licences	\$43.48
B. Land mobile licence (up to 5 pagers/repeaters)	\$521.74
C. Land mobile licence (over 5 pagers/repeaters)	\$1,304.35
D. Standard licence fee	\$130.43

The Treasury and the Office of the Auditor-General set guidelines and principles for how government agencies recover costs related to services provided, which inform how RSM sets and administers licence fees. The principles recommend that fees should be set and administered in a way that are:

- **Equitable:** fees should be applied and managed so that they are fair for all service users.
- **Efficient:** fees should closely reflect the actual costs needed to provide services, so that users experience value-for-money.
- **Justifiable:** costs recovered through fees should reasonably relate to the services they are charged for, with any portion of indirect costs appropriately included (for example, MBIE’s technical support costs).
- **Transparent:** revenue from fees should be correctly accounted for and used appropriately, and the process for developing fees should be clear and easily understood.

The development of the fee proposals set out in section four take into account these principles.

Alongside this guidance, RSM’s objectives in administering and reviewing fees are to:

- Incentivise improved efficiency in administering the Act.
- Fully recover the costs associated with administering the Act.
- Fairly allocate the costs in relation to work undertaken.

These objectives will be used to assess the effectiveness and impact of the proposed options. You may wish to comment on them and their relative importance in your submission.

Section two: RSM functions and services

RSM's Licensing, Investigations and Planning functions enable the lawful use of radio spectrum in New Zealand. They ensure that licence holders can transmit and receive free from unwanted interference, including through investigating instances of interference where it occurs. The key functions and services provided are as follows:

Licensing

- Review and process radio licence applications ensuring compliance with legislation and Public Information Brochures while allowing innovation and development of technologies for the benefit of New Zealand.
- Administer the RRF to ensure efficiency for users.
- Process applications for radio engineers, radio certifiers, and operator certificate examiners, and promote continued adherence to RSM rules.
- Ensure that license administration is user-focused, efficient and effective, and maximises the use of online services where possible.

Investigations

- Ensure that licensed transmissions are protected from unwanted interference by carrying out investigations and promote compliance with the Act and Regulations.
- Undertake audits to make sure license holders are meeting conditions of their licenses.
- This function works to balance compliance requirements and costs to enable a regulatory environment that encourages innovation and does not unnecessarily impose burdens on businesses. It aims to undertake the least amount of auditing and enforcement intervention necessary to achieve these objectives, while ensuring that investigations and decisions are proportionate, consistent, transparent and accountable.

Planning

- Carry out technical and engineering work for licences, including setting band plans and technical conditions licences are subject to and which prevent or manage unwanted interference.
- Provide technical and engineering advice to support effective allocation of radio spectrum.
- Provide assistance to Licensing and Investigations on technical matters and complex issues.
- Participate in international negotiations which set the technical conditions that manage interference between users, which are adopted into New Zealand standards and licenses (spectrum is a globally managed resource).

Key RSM activities

Table 3 provides an overview of the key activities undertaken by RSM since 2016/17.

Table 3: Key RSM activities 2016/17 – 2023/24

Financial year	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Total licences registered in RRF	40,749	42,289	44,996	47,496	49,304	52,450	53,257	57,311
Licences granted or modified	4,186	3,878	4,413	8,721	12,217	4,783	9,400	7,353
Instrument Registered	4,344	6,235	2,923	7,130	11,678	3,345	6,262	4,261
Interference Cases	288	249	205	204	183	176	102	133
Audits	1,177	1,148	1,177	839	750	786	1,169	1,169

The total number of licences administered by RSM continues to grow. In 2023/24 there were 57,311 licences registered in the RRF, an increase of 16,562 licences from 2016/17 when fees were last reviewed. The number of licences RSM grants or modifies each year varies, dependant on factors such as new spectrum or uses becoming available. The number of licences has been growing with 9,400 licences granted or modified in 2022/23 and 7,353 in 2023/24. Alongside the increasing volume of licences issued, RSM has observed an increase in the amount of licence dispensation work carried out.

RSM's Investigations team responds to the needs of licence holders, particularly to the licence holders who report undue interference. The development of new technologies impacts the number of investigations and interference activities we carry out. In the last three years RSM has worked to prevent non-compliant products from reaching New Zealand shores. We are seeing the positive effect of this work in the reduction of interference risk and number of interference cases. In 2016/17 the team carried out 288 interference cases, in 2023/24 this has dropped to 133. Staying ahead of technology change is critical to ensuring we can serve licence holders. The new RRF provides a new case management platform which enables us to track and monitor trends within the industry. This means we can build better risk-based auditing work streams and provide more targeted compliance work to protect the rights of licence holders.

Audit work helps to ensure that licensees can transmit effectively and without interference from other (non-compliant) users. The number of audits we carry out is influenced by factors including new spectrum availability, market drivers (e.g. new entrants to the industry), technology changes or introduction of new technology, and equipment issues (e.g. where products are not synchronised for New Zealand standards). We are also impacted by resourcing capacity. Auditing activities dropped over COVID-19 period, and we have now built back up to pre-COVID-19 levels, carrying out 1,169 audits in 2023/24.

Section three: RSM funding

Current revenue and expenditure

The RSM budget recovered from licence fees is currently \$8.999 million per year.⁴ Table 4 below shows RSM expenditure, and revenue from licence fees recovered since the last fee changes in 2017/18.

Table 4: RSM actual and forecast expenditure and revenue FY 2017/18 - 2024/2025 (\$m)

Financial year	Actual 2017/18	Actual 2018/19	Actual 2019/20	Actual 2020/21	Actual 2021/22	Actual 2022/23	Actual 2023/24	Forecast 2024/25
Total revenue	7,447	5,871	6,266	6,539	6,938	7,857	7,926	7,900
Spectrum licence fees	3,002	1,966	2,278	2,392	2,656	3,182	3,649	3,160
Radio licence fees	4,445	3,905	3,988	4,147	4,282	4,675	4,277	4,740
Total expenditure	6,869	7,230	7,803	7,171	7,138	10,013	10,798	10,599
Personnel	2,356	2,593	2,918	2,626	2,837	2,964	2,690	3,240
Other operating costs	859	998	1,223	817	593	1,359	1,535	1,293
Depreciation	574	416	412	426	395	853	1,712	1,711
Capital charge	77	115	115	153	110	1,084	932	694
MBIE support costs	3,003	3,107	3,135	3,149	3,203	3,754	3,929	3,661
<i>Surplus/ (deficit)</i>	<i>578</i>	<i>(1,359)</i>	<i>(1,537)</i>	<i>(632)</i>	<i>(200)</i>	<i>(2,156)</i>	<i>(2,872)</i>	<i>(2,699)</i>
Memorandum 30 June account balance	12,130	10,771	9,234	8,602	8,402	6,246	3,374	675

Notes

- 1: "Personnel" refers to RSM staff costs, including superannuation contribution, ACC and training.
- 2: "Other operating costs" refer to expenditure required for day-to-day operations, including e.g. ICT equipment and repairs, the service centre, mobile phones, travel, facilities management.
- 3: "Depreciation" is the normal charge for our assets based on MBIE depreciation policy.
- 4: "Capital charge" is a direct cost levied by the Treasury on a department's net equity.
- 5: "MBIE support costs" are for the corporate support services that RSM uses as part of MBIE. For example, it is more efficient for RSM to use MBIE's corporate HR, Finance, and IT support functions, rather than employing this assistance directly within RSM or paying external parties at contractor rates to supply it.
- 6: For comparative purposes the total expenditure in the 2016/17 financial year was \$7.237 million.

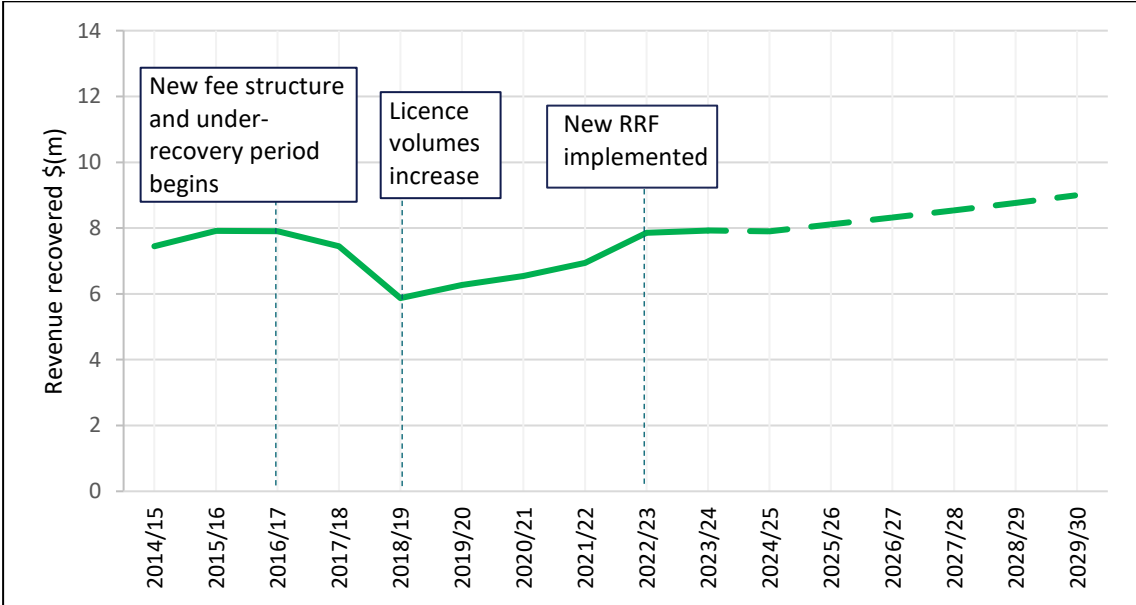
The period of planned under-recovery from 2017/18 has meant that RSM has operated at an annual deficit, steadily reducing the memorandum account surplus. RSM's expenditure remained relatively stable between financial years 2017/18 (\$6.869 million) and 2021/2022 (\$7.138 million). From 2022/23 expenditure increased to meet the costs of the development, migration of data and

⁴ This budget is RSM's ongoing annual appropriation. An appropriation is the basis on which RSM is authorised by Parliament to spend and incur expenses. The appropriation is for RSM Licencing, Investigations, and Planning.

implementation of the new RRF and inflationary impacts on personnel and other operating costs. These costs have been met from the memorandum account surplus.

The below table shows the total fee recovered revenue from 2014/15 forecast to 2029/30, based on current fee levels. An increase of licence volumes from 2019/20 meant that the fee recovered revenue increased after an initial period of decline after the change to fees in 2017/18.

Figure 1: Actual and forecast revenue recovered from fees 2014/15 to 2029/30



Monitoring the memorandum account

The Government uses memorandum accounts for services that are fully cost recovered. Approved by the Minister of Finance, the memorandum account is a cumulative balance over time which helps MBIE to determine if fee-setting is over or under-recovering costs. In line with Treasury and Office of the Auditor-General cost recovery guidance, MBIE uses the memorandum account as a tool to track the annual revenue and expenditure associated with providing services to licence holders and to inform whether a change in fees is required. The three-to-five-year frequency of cost recovery reviews aims to provide licence holders with a level of certainty that fee amounts will not fluctuate annually and plan accordingly for any changes.

Fluctuations between surplus and deficit are expected over time. RSM services are demand driven. Factors such as the release of new spectrum and economic shocks such as the COVID-19 pandemic can impact the demand for spectrum use. Any surpluses are not returned to the Crown. From 2017/18 surpluses have provided services to licence holders at a lesser fee than full cost recovery rates.

In 2016/17, the memorandum account showed an accumulated surplus of \$11.552 million. RSM reviewed fees at this time, and in 2017/18 implemented a simplified fee structure with all licence categories set below cost in order to reduce the surplus over time. Figure 2 below shows that the memorandum account is forecast to reach a nil balance within the 2025/26 financial year, and if fees are left unchanged, will continue to fall to a deficit of around \$3.186 million by 2029/30.

Why the current level of fees cannot be maintained

The current fee levels are not recovering the full cost of services. If fee levels are not adjusted back to cost recovery, RSM would need to reduce its services.

We are forecasting that, absent any fee changes, fee revenue will steadily increase in future as set out in Figure 1 above. We expect licence demand for most uses to increase. We expect the number of satellite and mobile licences to increase at a higher rate than other uses. However increased revenue from growing licence numbers alone is not enough to meet the costs of delivering RSM services. Future RSM fee reviews will continue to factor in forecast licence activities in assessing appropriate fee levels. Licence volumes to date and estimates to 2029/30 are set out in Annex two.

Proposed additional expenditure

The proposed fee options in this document incorporate an increase to the RSM budget of \$2.328 million annually. The increase is to meet the costs associated with the RRF, improve the types of operational services provided and maintain the integrity of the radio spectrum management system over the next three to five years. Table 5 below outlines how the budget would apply across three cost areas:

Table 5: Impact of additional expenditure

Cost type	Current budget (\$m)	Cost above budget (\$m)	Proposed new budget
RRF IT system	2,667	1,072	3,739
Personnel	2,866	361	3,227
Other operating costs and MBIE support costs	3,466	895	4361
Total	8,999	2,328	11,327

The RRF IT system

This cost pressure is made up of depreciation, capital charge and ICT support costs associated with the new register. The previous Register was fully depreciated before its replacement. The new RRF will depreciate over a nine-year period. ICT support costs include maintenance and minor upgrades to ensure continued functionality and security of RSM’s IT infrastructure. The new RRF provides a secure and future proofed tool that enables better engineering.

Personnel costs

The increased budget will be applied to inflationary impacts of staff salaries that can no longer be absorbed through licence volume increases alone. It will also be applied to the additional planner resource to meet demand for faster spectrum roll out and continue to improve services to licence holders.

Other operating costs (including MBIE support costs)

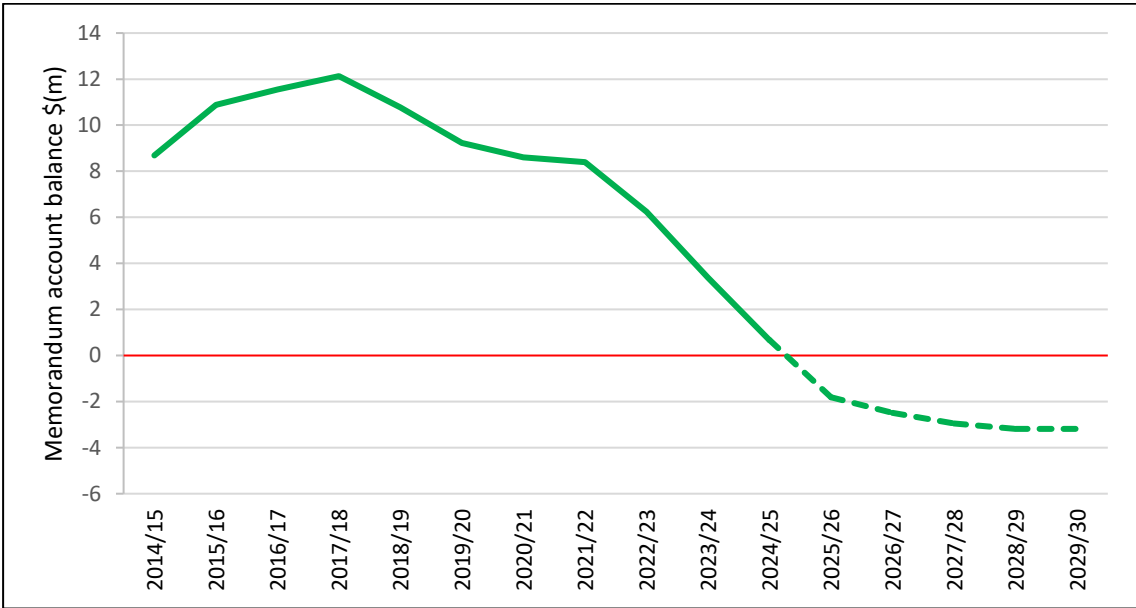
This additional budget is to meet operating costs and MBIE support costs. It will be applied to information and intelligence analysis for regulatory enforcement functions e.g. intelligence analysis on non-compliant services, expenditure on the RSM call centre and website, and general inflationary impacts that can no longer be absorbed within the existing base appropriation, which was set in the early 2000’s. It will also be applied to additional MBIE IT functional support costs for IT platforms

shared across MBIE. MBIE has recently integrated several IT platforms shared by RSM to the cloud (including migration of the RSM website). These integrations and migrations aim to eliminate security and continuity risks and improve technical resilience, but have also resulted in an additional operating expenditure to RSM.

Forecast position of the memorandum account

Figure 2 below shows the balance trend of the memorandum account, including forecast position to 2029/30 if no fee changes are made. Surpluses and deficits should trend towards zero overtime. If fees are changed as proposed in this document, the memorandum account is forecast to return to a zero balance within four to five years (upward trend) – set out in section four.

Figure 2: Actual and forecast Memorandum account balance 2014/15 to 2029/30, no fee change.



Section four: Proposed fee options

To ensure that RSM can continue to maintain and improve its service delivery to licence holders, fees need to be adjusted back to full cost recovery levels. Two fee options are proposed for feedback. Both options would seek to recover \$11.327 million annually and account for the additional expenditure to meet increased costs associated with the new RRF.

All proposed options have been developed to make the best use of fees collected from licence holders. The fee levels are based on the unit cost of providing services under each category. Unit cost is derived from the total expense of activities associated with that licence type over the next five years, i.e., the fee review period, divided by the total number of licences of that type over the next five years. Fee levels are set to ensure that, overall, the memorandum account balance trends towards a zero balance within five years.

Option one

This option maintains the current licence structure and proposes an increase to all four fee categories as set out in the below in Table 6. This increase is based on the cost of delivering RSM services, fully recovering RSM costs and ensuring that fees closely reflect the actual costs needed to provide services. It ensures that fees are applied and managed in a way that is fair for service users.

Table 6 includes a comparison of the proposed new fee with a ‘normalised’ fee: the theoretical price if fees had been set at cost recovery, rather than under recovery, in 2017/18.⁵ All fee levels exclude GST.

Table 6: proposed fee levels - option one

Fee category	Current Fee (set in 2017)	Normalised fee	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

Under this option, the percentage increase to fee categories B-D is approximately 5-6 per cent from the normalised fee. The amateur fee has a slightly higher increase, up 14 per cent (\$7.50) from the normalised fee. The proposed fee sets the amateur category at cost recovery as with the other three categories. The percentage increase is higher due to the comparatively smaller dollar amounts.

Option two

This option proposes an increase to all four fee categories, and introduces two fee types under each category:

- 1) a fee for new licences and licence modifications (‘New + Modification fee’); and
- 2) a fee for licence renewals (‘Renewal fee’).

The New + Modification fee would apply for the first year of a licence. For each subsequent year a licence holder applies for a renewal, the Renewal fee would apply. We are proposing that the Renewal fee is less than the New + Modification fee. When a Management Right is renewed, all previous licences issued in that Management Right must be re-issued, because a licence can only have a duration that is as long or shorter than its management right. Under this option, licences in a renewed Management Right would be treated as new licences in the first year of the management right. The proposed charges are set out below in Table 7. This includes a comparison with the normalised fee set out in Table 6. All fee levels exclude GST.

This option weights RSM’s unit cost for each licence category across the two proposed new fee types. The purpose is to reflect that on average, across all fee categories, matters relating to new licence applications and the modification of licences require more RSM Licensing time and resource, relative to licence renewals. To achieve the objective of fairly allocating costs, this option recognises that

⁵ 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.

RSM licensing primarily processes new and modified licences, facilitated by the RRF. For this reason, more of these costs are assigned to new and modified licences, rather than renewals.⁶

The amateur licence fee remains the same under option two. This reflects that comparatively less RSM resource is required to administer this licence category, regardless of whether applications are made for new or modified licences or renewals.

Table 7: Proposed fee levels - option two

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 \$1695.60	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

Questions for submitters

1. What do you see as the advantages and disadvantages of option one?
2. What do you see as the advantages and disadvantages of option two?
3. Which option do you prefer? Why?
4. Is there any other option that has not been considered in this document? If yes, please explain this option in detail, including why it is preferable to option one and two.

Impact of proposed fee options

RSM will assess options against the objectives set out in section one, considering submitters' feedback and the possible impact of each option, including on licence holders and RSM services. Because the fee levels under both options are based on the costs of providing services, both options

⁶ The unit cost difference between the options are the personnel costs of RSM licensing and half of the RRF capital and operational fees assigned to new and modified licences, divided by the forecast number of new and modified licences over the fee review period.

would fully recover RSM’s costs associated with administering the Act and enable RSM to improve efficiencies in administering the Act (e.g., through the new RRF implementation).

The key difference between the two options is how costs are allocated for the work that RSM does. While both options aim to fairly allocate costs, option two recognises that new licence applications and the modification of licences require more RSM time and resource, relative to licence renewals, and assigns a costs to reflect this. We are interested to hear from submitters about how the two options might impact their entity or business. Depending on upcoming licencing needs, the new fee structure under option two may impact entities or businesses differently to the single fee structure currently in place and reflected in option one.

To illustrate a case study of the two options, Table 8 below compares the options over a five-year period for an example mobile network operator licence holder. In this scenario the licence holder has 9000 standard licences in 2025/26. It assumes a five per cent licence growth over the new fee period, with licence activity comprised of new licences (five per cent), modified licences (four per cent) and renewed licences (91 per cent).

As both fee options are recovering the same total cost, the impact of these options on an example mobile network operator with proportionally the same number of new and modified licences is the same over a five-year period. Only a licensee with more new and modified licences than the average would have higher fees in an option two scenario. We also note that the higher new licence fees could place increased upfront licence costs on prospective licence holders, potentially impacting new entrants or smaller entities to a higher degree. A full analysis of the impact will occur after consultation, taking into account feedback on the advantages and disadvantages of both options.

Table 8: Scenario comparison of proposed options

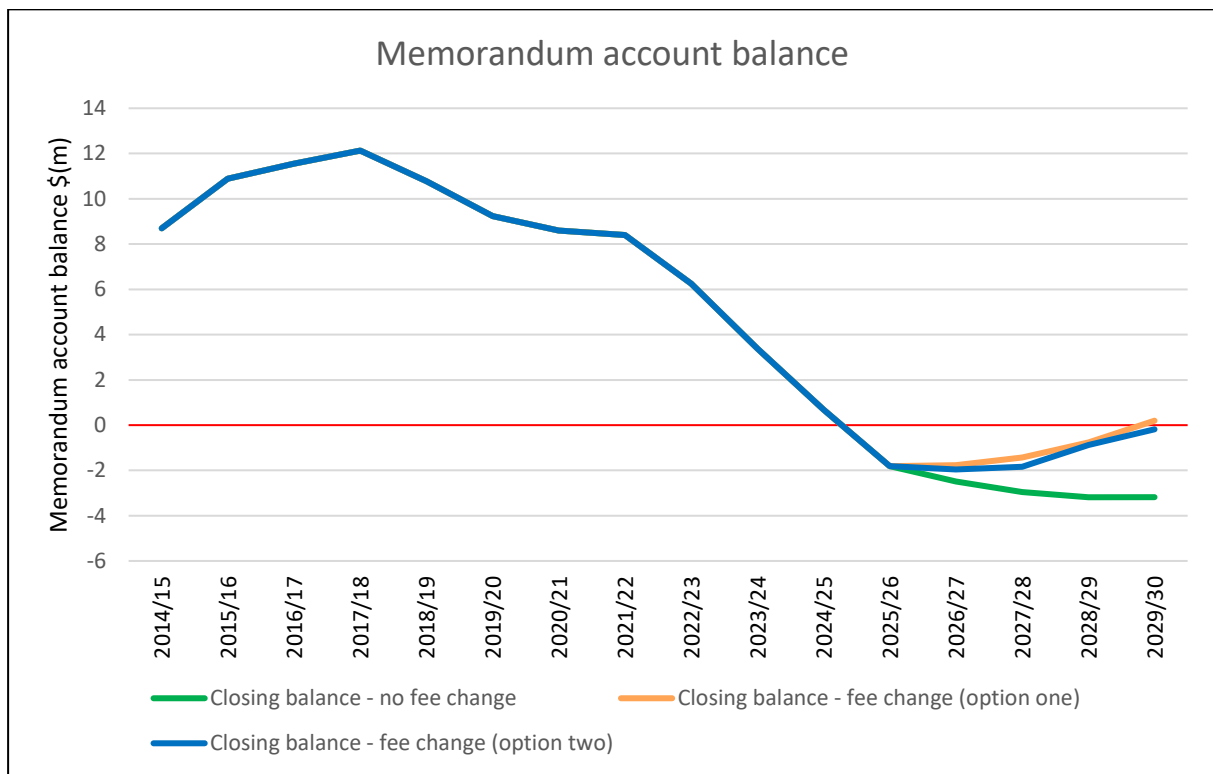
Licence type	2025/26	2026/27	2027/28	2028/29	2029/30	Option one total fees	Option two total fees
Modified licences	360	378	397	417	438	\$416,000	\$947,000
New licences	348	450	473	496	521	\$481,000	\$1,095,000
Renewed licences	8292	8,622	9,053	9,506	9,981	\$9,509,000	\$8,350,000
Total licences	9,000	9,450	9,923	10,419	11,042	\$10,407,000	\$10,392,000

Questions for submitters

5. What impact would the proposed fee increases have on your business or organisation?
6. How would fee option two impact the licensing decisions of your organisation or entity over the next five years?

The proposed options ensure that RSM can continue to maintain and improve its service delivery to licence holders and fully recover costs. The impact of the options on the memorandum account balance, forecasted to 2029/30, is shown in Figure 3 below. In line with guidance to review fee regimes every three to five years, RSM expects to review fees again around 2030 (being four years from 2025/26 when any new fee changes will be implemented).

Figure 3: Fee proposal impact on memorandum account



Summary of questions for submitters

1. What do you see as the advantages and disadvantages of option one?
2. What do you see as the advantages and disadvantages of option two?
3. Which option do you prefer? Why?
4. Is there any other option that has not been considered in this document? If yes, please explain this option in detail, including why it is preferable to option one and two.
5. What impact would fee increases have on your business or entity?
6. How would fee option two impact the licensing decisions of your organisation or entity over the next five years?
7. Are there any other comments you wish to make?

Annex one: Distribution of licences and licence fees holders 2024

The four largest licence holders by licence volume (One NZ, Spark New Zealand, 2degrees and Chorus New Zealand) hold over half of the total licences. Corresponding with licence volumes, over half of licence fees are recovered from these four licence holders. Approximately 12 per cent of fees are recovered from Government organisations (central and local government), including New Zealand Police and Kiwirail. The remaining 32 per cent of fees are recovered from all other licence holders.

Figure 4: Distribution of licence volumes 2024

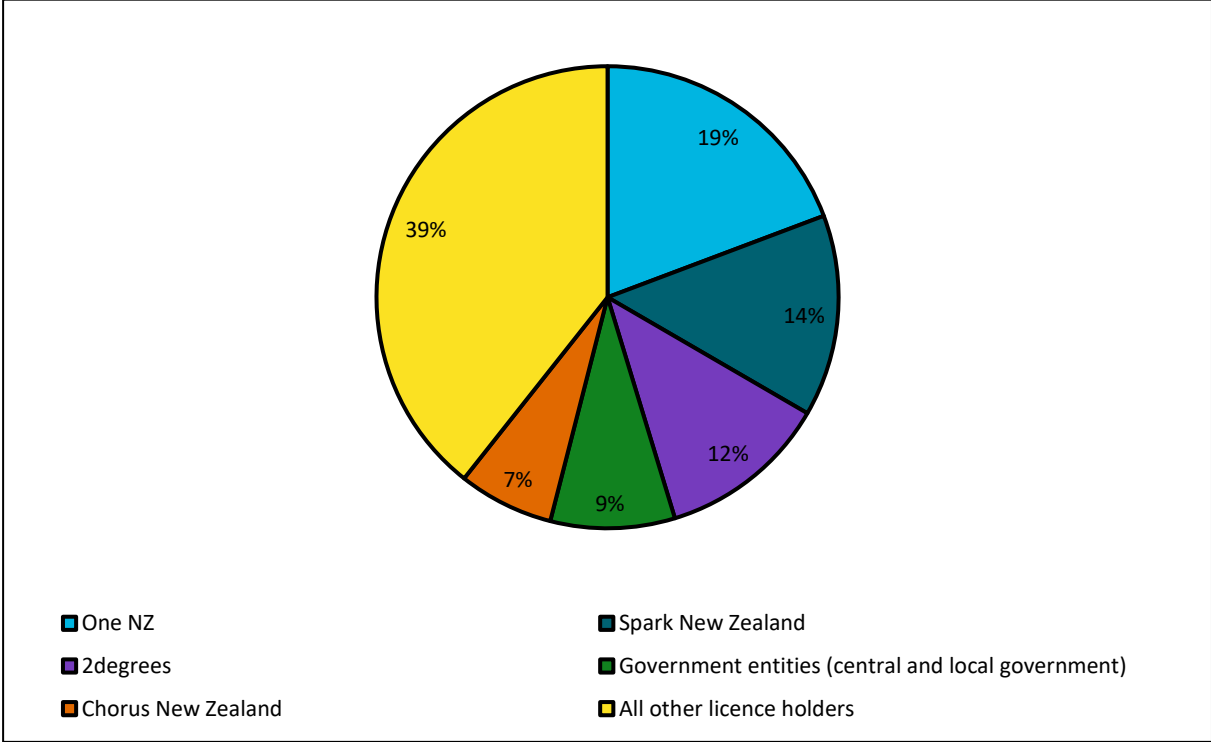
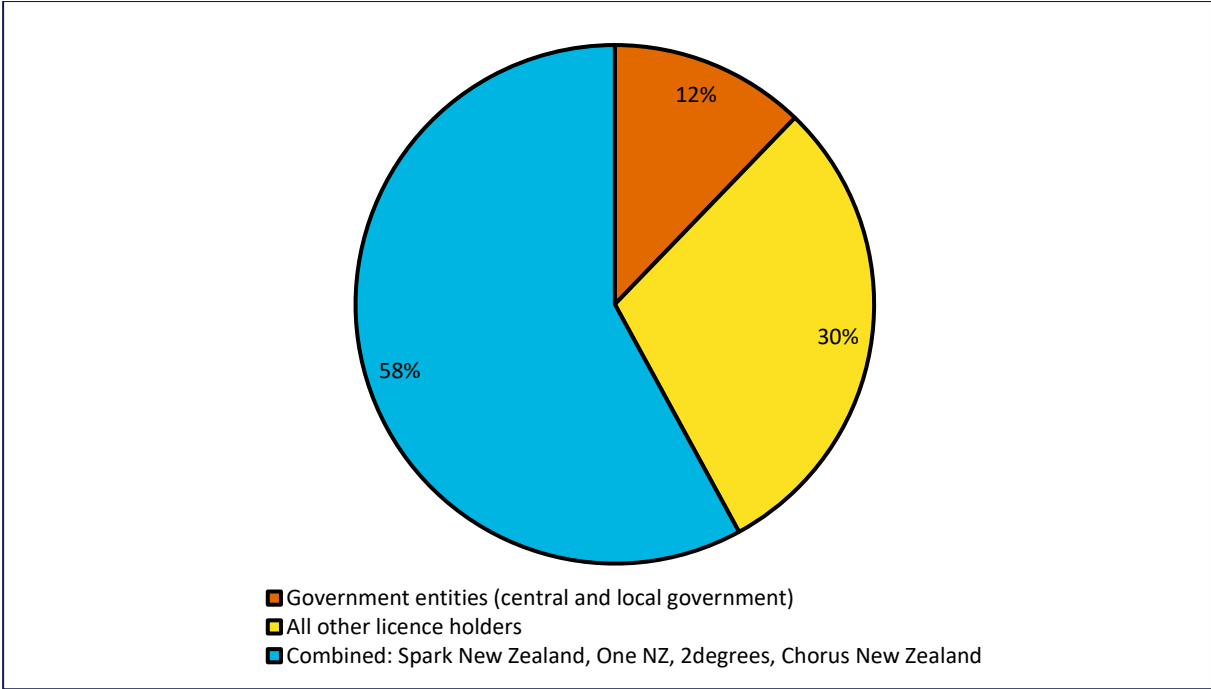


Figure 5: Distribution of licence fees 2024



Annex two: Licence volumes 2017/18 to 2029/30

RSM estimates that licence volumes will increase in the future, as new spectrum and use cases become available.

Figure 6: Total licence volumes, actual and forecast, 2017/18 to 2029/30

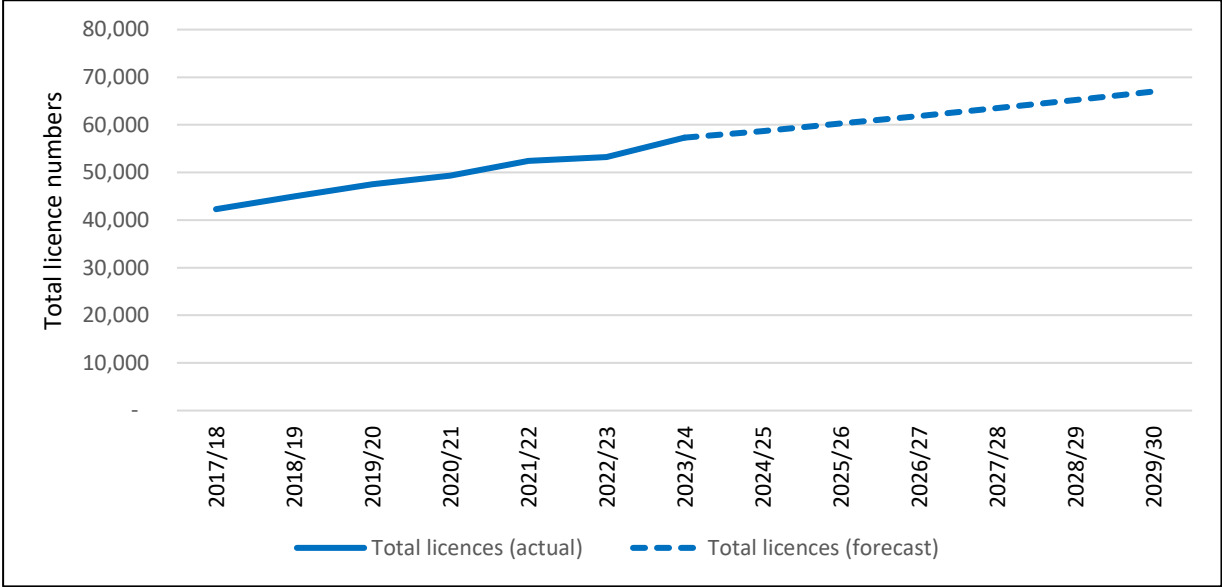


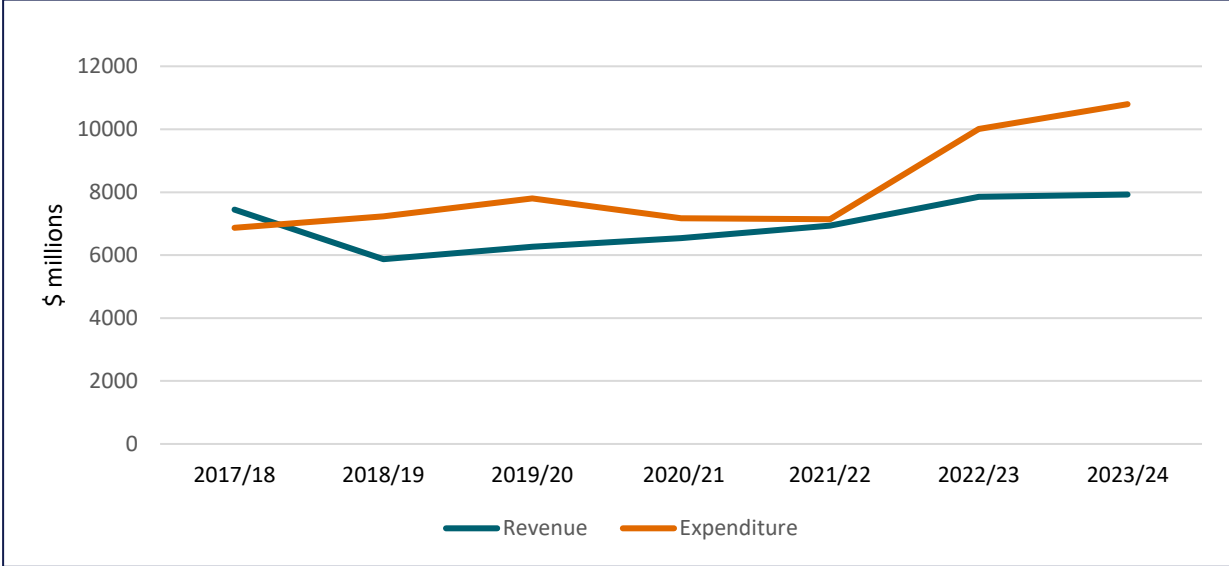
Table 9: Actual and forecast licence volumes by category 2017/18 – 2029/30

Licence category	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
A. Amateur licences	304	311	320	321	328	320	318	318	318	315	315	312	315
B. Land mobile up to 5 pagers/ repeaters	550	565	580	568	545	379	371	371	371	371	371	371	371
C. Land mobile over 5 pagers/ repeaters	119	93	108	110	115	115	105	108	111	114	117	120	123
D. Standard licence fee	41,316	44,027	46,488	48,305	51,462	52,443	56,517	57,897	59,500	61,066	62,698	64,401	66,177
Total licences (actual)	42,289	44,996	47,496	49,304	52,450	53,257	57,311						
Total licences (forecast)							57,311	58,694	60,300	61,866	63,501	65,204	66,986

Annex three: Revenue and expenditure

The below table sets out RSM’s fee recovered revenue and expenditure, actuals, for financial years 2017/18 to 2023/24.

Table 10: comparison of revenue and expenditure 2017/18 to 2023/24



Submission template - review of radio spectrum licence fees

Instructions

This is the submission template for the discussion document *Review of radio spectrum licence fees*.

The Ministry of Business, Innovation and Employment (**MBIE**) seeks written submissions on the issues raised in the discussion document by **5pm on 11 April 2025**. Please make your submission as follows:

1. Fill out your name and organisation (if applicable) in the table, “Your name and organisation”.
2. Fill out your responses to the questions in the template. Your submission may respond to any or all of the questions from the discussion document. Where possible, please include evidence to support your views, for example references to independent research, facts and figures, or relevant examples.
3. When sending your submission:
 - a. Delete the first page of instructions.
 - b. Include your email address and telephone number in the email or cover letter accompanying your submission – we may contact submitters directly if we require clarification of any matters in submissions.
 - c. If your submission contains any confidential information:
 - Please state this in the cover letter or email accompanying your submission and set out clearly which parts you consider should be withheld, together with the reasons for withholding the information. MBIE will take such objections into account and will consult with submitters when proactively releasing submissions or responding to requests under the Official Information Act 1982.
 - Indicate this on the front of your submission (e.g. the first page header may state “In Confidence”). Any confidential information should be clearly marked within the text of your submission (preferably as Microsoft Word comments).
 - Please provide a separate version of your submission excluding the relevant information for publication on our website (unless you wish your submission to remain unpublished). If you do not wish your submission to be published, please clearly indicate this in the cover letter or email accompanying your submission.
 - Note that submissions are subject to the Official Information Act 1982.
4. Send your submission:
 - as a Microsoft Word document or PDF to Radio.Spectrum@mbie.govt.nz subject line: ‘Review of radio spectrum licence fees’ (preferred),
 - by mailing your submission to:

Radio Spectrum Management Policy and Planning
Building, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140
New Zealand

Please direct any questions that you have in relation to the submission process to Radio.Spectrum@mbie.govt.nz.

Submission on discussion document: review of radio spectrum licence fees

Your name and organisation

Name	
Organisation	

General questions

Questions for organisations and businesses

1	What sector of the economy do you or your organisation operate in?
2	Approximately how many licences do you or your organisation hold?
3	Before considering changes to fees, are you planning to increase or decrease the number of licences you or your organisation hold over the next five years? If yes, please indicate the expected proportion of this change.
4	What proportion of your licences do you expect will need to be modified in the next five years?

Questions about the proposals in the discussion document

Options for annual licence fee changes

1	What do you see as the advantages and disadvantages of option one?
2	What do you see as the advantages and disadvantages of option two?
3	Which option do you prefer? Why?

4

Is there any other option that has not been considered in this document? If yes, please explain this option in detail, including why it is preferable to option one and two.

5

What impact will the fee increase have on your business or entity?

6

How would fee option two impact the licensing decisions of your organisation or entity over the next five years?

Closing comments

7

Are there any other comments you wish to make?