

# 1. Portfolio overview: Media and Communications

## KEY ISSUES

The Media and Communications portfolio is currently transitioning from a period of significant infrastructure investment to one where regulatory stewardship comes to the fore to address technological and market changes in the telecommunications and postal sectors. Timely access to radio spectrum continues to be a strong area of focus. Key **workstreams** in the portfolio include:

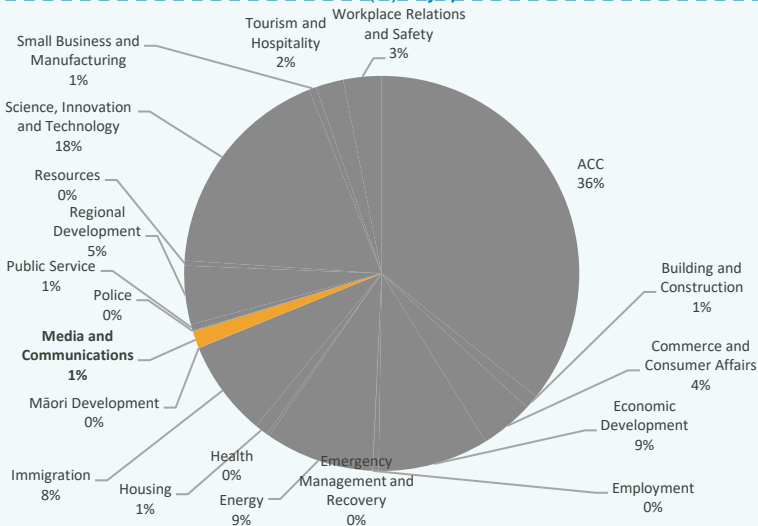
- Reviewing aspects of the Telecommunications Act that have become outdated as a result of technological change and the completion of connectivity programmes such as Ultra-Fast Broadband
- Updating the National Environmental Standard for Telecommunications facilities
- Reviewing the NZ Post Deed of Understanding to allow NZ Post to remain financial sustainable in the face of significant falls in postal volumes
- Allocating spectrum in the:
  - 24-30GHz band for satellite and mobile communications
  - 600MHz, 2300MHz and 2600MHz bands for mobile operators
  - AM/FM bands for radio station operators

Key **risks** in the portfolio include:

- A projected deficit in the memorandum account for radio license fees
- Inequities in the quality of telecommunications connectivity available to urban vs rural New Zealanders
- The resilience of telecommunications networks does not reflect community expectations

## SPEND BY PORTFOLIO

% of Vote(s) by portfolio



## TARGETS AND PRIORITIES

### Government targets

None of the nine Government Targets approved by Cabinet fall within the responsibility of the Minister for Media and Communications. However, improving telecommunications connectivity has moderately positive contribution towards Target 9 (reduced net greenhouse gas emissions) by facilitating the transition to digitally enabled trade and economic activity.

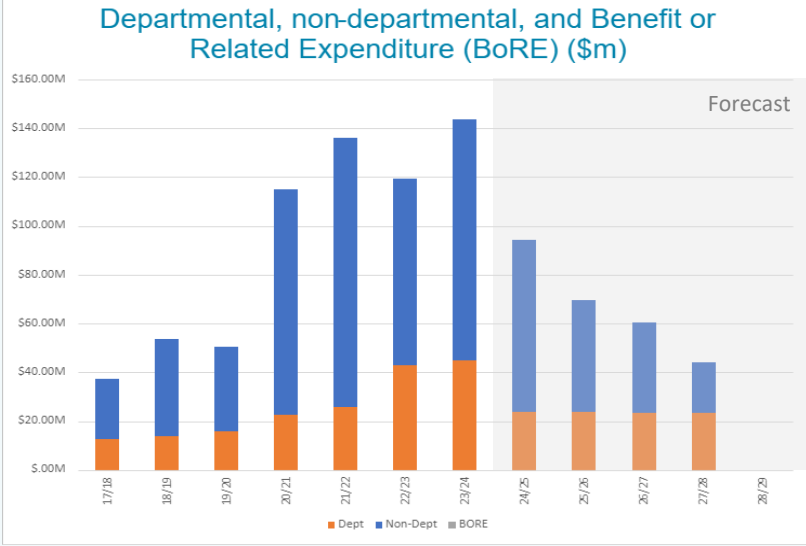
### Strategic/portfolio priorities

The priorities letter to the Prime Minister set out three strategic priorities:

- Modernising regulation across the media and communications sectors** . There is a range of legislation and regulation in the Media and Communications portfolio that requires review to ensure it remains fit for purpose given recent technological and market developments:
  - New technological developments such as satellite connectivity, and the completion of the ultra-fast broadband programme have raised a range of questions about whether some aspects of the telecommunications regulatory framework remain fit for purpose.
  - The Radiocommunications Act 1989 was a ground-breaking piece of legislation, but has not kept pace with modern technologies and market developments, including the emergence of dynamic spectrum sharing and increasing use of satellite communication.
- Expediting the allocation of radio spectrum** - timely allocation of radio spectrum is becoming increasingly critical to the everyday lives of New Zealanders given the rapidly increasing use of wireless communications technologies. The Ministry of Business, Innovation and Employment has been directed to:
  - expedite the allocation of spectrum in the 24-30GHz band for satellite and mobile communications
  - expedite the allocation of 2300MHz and 2600MHz spectrum for mobile operators
  - bring forward work on the allocation of AM/FM spectrum to increase certainty for radio businesses, and
  - work with existing rights holders to free up 600MHz for use by mobile operators.

- Better rural connectivity** – good digital connectivity is critical to the everyday lives of New Zealanders. However, there are disparities in the quality and affordability of connectivity between urban and rural areas. While satellites are providing great alternatives for rural communities, we expect that further investment in terrestrial networks is still likely to be required, largely to address network capacity issues in some rural areas. The exact timing of these improvements will be dependent on the availability of funding.

## EXPENDITURE BY TYPE



### Recent changes in expenditure

Departmental and grant funding has significantly reduced over the last four years as the Government's connectivity programmes have wound down, and the Computer Emergency Response Team (CERT) was transferred from MBIE to the GCSB. The increase in departmental baseline expenditure from 2019/20 levels is largely as a result of increased funding for the Emergency Caller Location Service and CERT.

### Expected changes in expenditure

Approval will be sought in OBU to transfer approximately \$1.2m of funding to the Science, Innovation and Transformation portfolio to reflect the transfer of digital policy from the former Digital Economy and Communications portfolio.

It is also proposed that the Emergency Caller Location Information function (approx. \$14m) will shift from MBIE to Police in 2025/26.

A review of radio licence fees is required to address a looming deficit in the corresponding memorandum account (fees were set at below cost in 2017 to address historical over recovery).

### Monitoring and funding of Crown companies or entities

No Crown companies or entities are monitored in this portfolio. Relatively moderate amounts of funding are provided to:

- The Commerce Commission for the regulation of telecommunications services, and
- Crown Infrastructure Partners/National Infrastructure Agency for the few remaining telecommunications connectivity projects that have yet to be completed.

## 2. Portfolio overview: Current specific fiscal risks, workforce, and third-party revenue

### SPECIFIC FISCAL RISKS

Title / Description	Amount and Probability	Mitigations
Not applicable – there are no risks in the portfolio that meet Treasury’s specific fiscal risks threshold.		

### WORKFORCE

#### 2.2

#### Drivers and implications of change(s) in FTE

Policy FTEs have reduced over the last 5 years as a result of:

- the government’s connectivity programmes winding down
- the Budget 2024 savings target, and
- the transfer of digital policy functions to the Science, innovation and Technology portfolio.

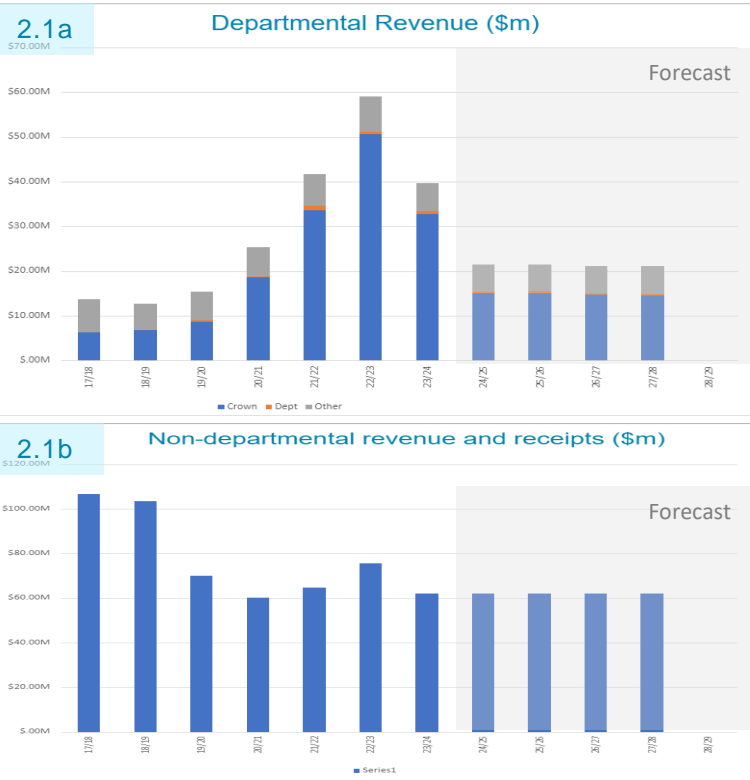
Operational FTEs associated with the monitoring and enforcement of the Radiocommunications Act, and the operation of the deaf relay and emergency caller location services have remained largely unchanged over the last 4 years

Looking forward:

- policy FTEs could reduce further in the face of remuneration pressures and increasing overheads. Given there are currently only 18 policy FTEs in the portfolio, Ministers may need to consider whether the Media and Communications portfolio is sustainable as a standalone portfolio if further reductions are required
- operational FTEs face similar remuneration and overhead cost pressures, but these costs can be recovered from third party revenue, and
- it is likely that the emergency caller location information service will shift to NZ Police from 1 July 2025.

### DEPARTMENTS WITH THIRD PARTY REVENUE (INCLUDING TAX, FEES, LEVIES, EXCISE, DUTIES AND CHARGES)

#### Revenue sources



#### Scenarios that could impact third-party revenue

Scenarios	Incidence in last 10 years	Likely in next 10 years?
There are no material risks to third-party revenue from radio licence fees or telecommunications sector levies that we are aware of beyond those noted on the next page.		

#### Activities funded by third-party revenue and when were they last reviewed

Activity name	% User funded	Date last reviewed	Date next reviewed	Material under or over recovery	Key performance measure and 2023/24 performance
Management and Enforcement of the Radiocommunications Act 1989	91%	2017	In progress, with aim of having new fees in place for FY26/27.	Under recovery, due to revenue being set below cost at last review to reduce surplus.	95% of internal audits on the timeliness of administration of submitted licensing applications, interference investigations, and license and supplier audits are compliant.
Commerce Commission Regulation of Telecommunications Services	100%	2021	2026	NA – annual washup process required by levy regulations.	Number of determinations (includes determinations, clarifications, reviews, codes and amendments).
Deaf Relay and other services funded from Telecommunications Development Levy	100%	Formula set in legislation in 2011.	Mechanism for setting levy currently under review.	Slight over-recovery until 2026/27 when the deaf relay contract expires.	Minimum percentage of NZ Relay service quality levels met or exceeded.

3. Portfolio Managing within baselines: Current and future drivers

DRIVERS OF COST PRESSURES AND INITIATIVES FOR MANAGING WITHIN BASELINES

4.1	Operating impact \$m increase, (decrease)					
	2017/18	2024/25	2025/26	2026/27	2027/28	2028/29
Total baseline*	37.39	143.73	94.18	69.82	60.37	-
Operating baseline	37.39	143.73	94.18	69.82	60.37	-
Total volume pressures	-	-	-	-	-	-
Total price pressures	-	-	-	-	-	-
Total wage pressures	-	0.27	0.50	0.72	0.96	1.19
Total other pressures	-	0.05	0.16	0.18	0.19	0.22
Total cost pressures	-	0.32	0.66	0.90	1.15	1.41
Total reprioritisation/ savings	-	(0.32)	(0.66)	(0.90)	(1.15)	(1.41)
Net impact on baseline	-	-	-	-	-	-

\*includes all operating (departmental, non-departmental, Benefits or Related Expenses and revenue dependent appropriations). Benefits or Related Expenses and revenue dependent appropriations are removed in the operating baseline.

Summary of cost pressures:

There are non-trivial pressures for:

- The radio licence fees memorandum account, which is forecast to be in deficit by the end of the 2024/25 financial year. This will be managed by reviewing radio licence fees by 1 July 2026.
- Other volume and cost pressures in the portfolio (e.g. regulatory stewardship, wage pressures) will need to be managed by a mix of decreasing the volume of policy advice/ministerial servicing, overhead reductions, and third-party revenue.
- Potential increased costs of the deaf relay service when the contract finally expires in May 2027 will need to be met from the Telecommunications Development Levy (TDL).

Plan for managing within baselines (Table 4.1)

Area	Impact					Description
	24/25	25/26	26/27	27/28	28/29	
Memo account deficit			1.700	1.700	1.700	Funded by lift in licence fees (subject to Cabinet approval)
Cost/volume pressures in policy advice outputs		\$0.320	\$0.660	\$0.900	\$1.150	Managed by a mix of overhead/staff reductions, reducing outputs, and lifting 3rd party revenue.
Deaf relay contract renewal			\$0.250	\$3.000	\$3.000	Funded from Telecommunications Development Levy

4.2 FUTURE DRIVERS

Likely drivers of future baselines include:

- **Increasing regulatory stewardship activity** – expectations on regulatory stewardship are increasing at the same time as portfolio policy resourcing has declined. For the telco sector, regulatory stewardship activity is particularly needed in order to respond to a fast moving market and ongoing technological change. However, there are limits to how much regulatory stewardship activity can be undertaken on the current FTE resourcing. This will necessitate careful trade-offs between the level of regulatory stewardship activity undertaken and the volume of general policy advice and ministerial servicing.
- **Connectivity inequality**– as the importance of connectivity to the everyday lives of New Zealanders increases, there is likely to be increasing focus on inequities between the quality and affordability of connectivity in urban vs rural areas. While developments in satellite connectivity are providing new and innovative services for some consumers, it is likely that the cost of these services will be out of the reach of a significant portion of rural and urban fringe consumers for the foreseeable future. With telecommunications increasingly being seen as a service that is as essential as water and electricity, MBIE expects there will be increasing pressure for targeted affordability assistance similar to the rates rebates and winter energy payments schemes that apply to water and electricity services. Chorus’ publicly stated ambitions to withdraw their copper network by 2030 (despite their Telecommunications Service Obligations) is likely to heighten these pressures.
- **Telecommunications resilience** – more extreme and frequent weather events together with New Zealand’s ongoing vulnerability to seismic events is likely to see increasing community demands for more resilient infrastructure. While some resilience investments are likely to be commercially viable, there are limits to how much resilience investment is able to be recovered from consumers, particularly in rural areas with sparse population densities.
- **Geopolitical tensions** – the increasingly complex geopolitical environment is seeing greater demand for work on economic and national security initiatives. **Free and frank opinions**

Choices to mitigate/manage long term pressures

Policy that causes demand or demand driver	Options to manage this?	Lead time required to make changes?
Volume/cost pressures (e.g. regulatory stewardship)	Reduce inputs/outputs	1-2 months
Connectivity inequity	Reform Telecommunications Development Levy (underway)	18-24 months
Telecommunications resilience	DPMC Critical Infrastructure reforms, Telecommunications Development Levy reform (underway)	36-48 months
Geopolitical tensions	DPMC/MFAT lean in, reduce other outputs	<3 months

## 4. Portfolio Managing within baselines: Workforce and capability

### Strategy for workforce costs, including remuneration

Bargaining is underway and we are unable to provide full details of MBIE's remuneration strategy while bargaining is ongoing. The focus of MBIE's approach is to ensure workforce costs balance affordability alongside ongoing sustainability, and enable delivery of MBIE's work programme.

MBIE is working through what measures need to be put in place to balance those cost pressures we have been directed to absorb. This is being done as part of our preparation for Budget 2025.

### Capability – non-workforce (e.g. organisational systems, processes, governance, technology and data)

MBIE has both a significant enterprise ICT infrastructure and technology platforms that underpin specific economic systems and engagement with businesses and the public – from key application processes (e.g. visas), registries (e.g. licenced builders), to contact centre help lines (e.g. tenancy).

MBIE is investing in modern, cloud-based, scalable, multi-use platforms to reduce system complexity. Two specific areas requiring ongoing investment and effort are the transition of visa processing off legacy systems (Immigration) and the upcoming need to replace legacy assets that support the corporate registries (e.g. the Companies Office). In the next 12-24 months moving off all on-premise data centres into the public cloud is also a key shift.

Simplification and the considered use of AI will contribute to greater efficiency and effectiveness across the business. Cyber threats are a growing issue. In response we have already delivered a number of modern security tools as part of a zero-trust architecture. We continue to implement these across MBIE.

MBIE collects and manages a wide range of data. We have invested in and are implementing a cloud data platform designed to make data more accessible, but also safe. This work is prioritised within our new Data Strategy which brings together new technology and data capabilities, and a new way of working to deliver the value of analysis and insights that shape policy and operational decisions at speed. MBIE has extensive governance and risk management systems in place, managing both strategic, policy and operational matters.

There are many unknowns about Budget 25 and other upcoming guidance from central agencies. Any further decisions requiring MBIE to deliver its work in a different way that impacts our budgets will have an impact on cost pressures. This will have to be worked on in due course, as clearer and definitive information is available.