

RSM COST ALLOCATION STUDY

Submission of Television New Zealand Ltd

Via e-mail: info@rsm.govt.nz

1: Which one of the three options do you prefer?

Option A: Direct adjustment of fees based on unit costs (pure cost recovery)

2: Why do you prefer this option?

TVNZ has a relatively-large number of spectrum licences in a small number of categories. In the opinion of TVNZ, the cost recovery option is transparent comprising as it does, known and to an extent, controllable costs. From a TVNZ viewpoint, this option appears to be the simplest to administer.

3: Do you have any other comments on fees or on the proposed initiatives?

- a) **Digital Licences:** Whilst preferring Option A, TVNZ notes that its opinion relates solely to existing analogue broadcast licences. With the creation of digital terrestrial licences being imminent, TVNZ would be comfortable with a continuation of the cost-recovery model - all things being equal.

Nevertheless, TVNZ would wish to engage with MED at an appropriate time for a review of licence cost structures and fees, for digital services in particular.

- b) **Memorandum Account:** TVNZ suggests that as the Memorandum Account continues to be depleted, it would be useful if the MED were to provide regular statements of its balance together with an indication of the rate of its depletion. Provision of that information would enable licence holders to include current costs and projected fee increases in their financial models and budget forecasts.

Notwithstanding, TVNZ suggests that licence holders are entitled to advance notice of fee adjustments in the Financial Year prior to that in which the Memorandum Account is anticipated to be depleted fully.

- c) **Engineering New Licences:** TVNZ has relied almost exclusively on RSM to provide the necessary services and states for the record that there is a high level of satisfaction with that service. That also means that TVNZ has not canvassed for alternative services for the purpose and therefore, cannot at present comment on relative costs and quality of services. Notwithstanding, TVNZ supports the initiative to provide clients with a choice.

- d) Interference Investigations:** TVNZ advises its very high level of satisfaction with RSM services in this area and at present, sees no incentive to explore provision of external services. TVNZ views RSM as possessing experienced and skilled staff together with assets such as vehicles and suitable measuring equipment. RSM relationships with clients and the public are considered to be excellent.

Given those attributes and the surety that the RSM national operation must be providing significant economies of scale then it would be difficult for TVNZ to conceive of how more-efficient and more-economic services might be provided by external parties.

TVNZ notes that legislation provides RSM with certain powers and notes further that if those powers are not assigned equally to other parties, then the concept of external interference investigations will be seriously flawed.

In summary, TVNZ supports the retention of the interference investigation activity within RSM and questions whether any outside option would lead to lower overall costs to licence holders and doubts that service levels would be maintained.

4: TVNZ remains available for discussion of any aspect of this submission.

5: Television New Zealand Ltd
PO Box 3819
AUCKLAND

Attention: Neville Lane

T: 09 916 7745
F: 09 916 7765
E: neville.lane@tvnz.co.nz

8 March 2007