



10 December 2015

Radio Spectrum Management Fees Review
Radio Spectrum Management Policy and Planning
Ministry of Business, Innovation and Employment
PO Box 2847
Wellington 6140

Review of Licence Fees Framework

Dear Sir/Madam

Thank you for the opportunity for making a submission to the review of the radio licence fees framework. This submission is made up of two parts, feedback on the philosophy behind the proposals and specific commentary on the impact of the proposal on New Zealand Police.

Proposal 1: Reducing the balance of the memorandum account

Policy: Police agree with the proposal to use the balance of the memorandum account to reduce fees over a period of time and are supportive of the proposed 6 year timeframe as being a reasonable balance between a larger immediate discount and the desire to avoid another fees review in the near future.

Police note the comments regarding the replacement of the SMART system and would like clarification as to whether the replacement costs have been factored into the future costing assumptions. If the replacement is likely to add substantially to licence fees in the future, Police would support using the memorandum account to fund this replacement at the expense of a portion of the proposed fee reduction as this would provide more certainty on future fees.

Impact: Police are concerned about the fee rises that will occur at the end of the rebate period. Police operate within a tight operational budget and any significant increase will need to be advised with at least 2 years notice.

Proposal 2: Introducing a flat licence fee

Policy: Police acknowledge the Treasury and Audit Office position on using licence fees to only cover costs incurred in providing services but believe this is inconsistent with the role of RSM in promoting efficient use of the radio spectrum. The current regime imposes some penalties for less efficient use which, as the radio spectrum is finite resource, is appropriate even if the effectiveness is debatable. Police do however find the simplicity of this approach attractive from an administrative point of view.

Impact: Section 4.4 suggests the flat fee will be set at \$148 (ex GST) if all proposals are accepted however the interdependence of the proposals makes the specific impact

on Police difficult to determine. Police hold a large number of radio licences (circa 1600) and therefore even a small change in the amount has a significant impact. The review states that overall costs, revenue and licence numbers are not expected to change and therefore the annual fee could be expected to rise to near the current \$200 average. For Police, the difference between \$148 and \$201 is approximately

Proposal 3: Land Mobile multiple repeater licences

Policy: Police do not support the removal of single licences for multiple land mobile repeaters operating on the same frequency. Police primarily operate services on channels that are solely used by Police and, contrary to your argument that this promotes inefficient use of the spectrum, Police and other government agencies try to achieve the best re-use of these frequencies across the country by managing co-channel interference. A single fee is a clear incentive to use allocated spectrum in as many places as possible therefore maximizing value for the fee. This proposal may be valid for shared channels in commercial bands where these licences are used to deny use to other parties through phantom sites however this does not apply to channels exclusively used by government agencies.

Police would also like to highlight the inconsistency in your argument that this licence class promotes inefficient use of the spectrum with the comment in section 3.2 about the removal of the 'resource charging' component of fees since 2002 and the guidance from Treasury and the Audit Office covering costs.

Impact: This proposal has a large impact on Police under all options. If this proposal is adopted in isolation, the net impact would be an increase in fees of approximately which Police would not be able to fund. Under other options, overall fees would reduce however Police would not realise benefits of between and These scenarios cannot be supported by Police.

Proposal 4: Removal of online payment discount

Policy: Police support this proposal on the basis that it is now normal practice for fees to be paid electronically but with the proviso that the base fee be reduced by a commensurate amount to compensate for this (as currently expressed in the proposal).

Impact: Police currently receive a discount of approximately for paying directly and support of this proposal is contingent on this discount being reflected in base fees.

Proposal 5: Manual processing fee

Policy: Police support this proposal in conjunction with proposal 4, on the basis that the fee charged covers the actual cost of processing manual fees and that this cost is removed from base fees. It is noted that with the move to class licensing for categories such as amateur and maritime licences, this proposal will have reduced impact compared to earlier reviews.

Impact: Police are not directly impacted by this change as fees are currently paid electronically.

Proposal 6: Remove the Licence Interference Investigation rebate

Policy: Police support this proposal on the basis that Police and other major licence holders currently carry out their own investigation into interference before contacting RSM as part of their normal business and that this can be expected from licence holders who have internal capability. The impact for smaller licensees could be more significant in that they do not have internal capability to perform this function but the low uptake of the rebate would imply that it is not a major concern.

Impact: Police are not directly impacted by this change as we already carry out preliminary investigation and do not claim this rebate.

Confidentiality

Police are happy for this submission to be published on the RSM website provided information on costs is suppressed.

Conclusion

Police are supportive of all proposals except Proposal 3, although the interactions between the different options make the actual financial impact on Police difficult to assess. As you will be aware, all government agencies are under increasing budget pressure and therefore Police are concerned at the impact on fees these proposals may have and therefore will not be able to support any final decisions that increase overall fees for Police.

For Proposal 3, Police believe that the multiple repeaters on a single frequency is an appropriate licensing model for government agencies bearing in mind that the channels are allocated to specific agencies through the PRSFMG and therefore any interference management costs are largely borne by the agency concerned. Most agencies are also able to achieve good re-use of these channels across the country, promoting good spectrum efficiency. Police are aware that our re-use of the ESB band channels allocated to us for our digital networks is less than optimal however this reflects that the network has not been rolled out beyond Auckland, Wellington and Canterbury as originally intended.

Yours faithfully



Anne Speden
Acting Chief Information Officer
New Zealand Police