

Radio Spectrum Management Policy and Planning  
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**Feedback on behalf of NZME Radio Limited regarding proposal in relation to radio spectrum management licence fees 2025**

NZME Radio Limited (**NZME**) welcomes the opportunity to provide feedback on the proposals to increase annual administration fees for radio and spectrum licences.

NZME has a diverse range of radio stations with local shows spanning New Zealand. NZME's award-winning radio brands include Newstalk ZB, ZM, The Hits, Coast and more. NZME currently holds 601 radio and spectrum licences and pays annual licence fees of \$78,370.40 (excluding GST). The annual fee for a standard licence is currently \$130.40.

NZME understands the proposals will increase annual fees to a level at which they will fully recover costs incurred by Radio Spectrum Management (**RSM**) to manage the radio spectrum. NZME further recognises there has been a period of planned under-recovery since 2017, when fees were set to recover less than actual administrative costs to gradually reduce a surplus in the memorandum account.

RSM seeks feedback on the following options:

1. Increasing the standard licence fee to \$178.30, being a 36.7% increase on the current fee.
2. Increasing the standard licence fee for new licences or licence modifications to \$406 (a 211% increase on the current fee) and licence renewals to \$156.50 (a 20% increase on the current fee).

In principle, NZME does not support either proposal.

**Proposals must be viewed in the context of rising costs and lack of government intervention**

To implement either proposal in the current environment would place undue pressure on licence holders who continue to face rising operating costs and ongoing economic impacts.

It is relevant that the government is contributing significantly to these rising operational costs, including by way of increasing transmission costs charged by government entities RNZ and Kordia. While RSM's proposals to increase radio and spectrum licence fees may well have a comparatively smaller financial impact on licence holders than increasing transmission costs (other than perhaps for the four largest licence holders by licence volume), the financial impact of these government-driven measures on industry participants is cumulative. NZME considers there is a notable absence of any meaningful government initiative to alleviate these government-driven economic pressures.

This inequity is further exacerbated by the significant upfront costs industry participants pay to the government to secure spectrum licences. There is currently no obligation on the government to allocate a percentage of that amount towards RSM's increasing administrative costs.

NZME considers it is not fair and reasonable for licence holders to cover the deficit that will arise once the historic surplus is exhausted if the standard licence fee is not increased on a full cost recovery basis. At least, standard licence holders should not be solely responsible for covering that deficit.

In the current economic environment, NZME considers it would be appropriate for the Ministry of Business, Innovation and Employment (**MBIE**) to keep the standard licence fee at the current rate and to address the deficit by way of capital injection or through its cash reserves or, at least, to bear part of the burden of meeting the deficit i.e. by implementing a smaller percentage increase to licence fees than currently proposed.

**NZME does not support the premise that RSM's administrative costs should be fully recovered via licence fees**

Both proposals are premised on RSM's administrative costs and the costs incurred by RSM to improve efficiencies in administering the Radiocommunications Act 1989 (e.g. by implementing the new Register of Radio Frequencies (**RRF**)) being fully recovered from licence holders. NZME does not support that premise.

Further to the points raised above, it is reasonable for licensees to expect a proportion of RSM's costs to be funded by the taxpayer. All citizens benefit from general user radio licences that allow low power devices (e.g. cordless phones, Wi-Fi networks, Bluetooth devices, LPFM, RF remote control devices and CB radio etc.) to be used. Other costs are incurred by RSM in connection with services which benefit all citizens and not just license holders, including e.g. work undertaken by RSM to prevent non-compliant products from reaching New Zealand. It is entirely reasonable for taxpayers to partly fund RSM services which benefit wider society.

**Implementation of new Register of Radio Frequencies was unnecessary and was not supported by all licence holders**

The proposed fee options incorporate an increase to the RSM budget of \$2.328 million annually. The consultation document confirms the increased costs of delivering RSM services are primarily related to the implementation of the new RRF, which has created an overall annual \$1.072 million cost pressure.

The new RRF was not requested or supported by broadcasters, land mobile operators or amateur radio operators. Despite that, all licence holders are now expected to pay significantly higher licence fees to meet the cost pressure created by a system they did not ask for.

In NZME's view, the SMART system was adequate, reliable and accurate and implementation of the RRF was unnecessary. The new RRF initially provided less functionality compared to SMART, has taken years to debug and is cumbersome. As an example, only recently has the licence extract to file feature been implemented. That feature was available in SMART and the inability to use the feature when RRF was implemented significantly impacted licence holders.

If the government considers the new RRF system to benefit society more broadly, again, it is reasonable for licence holders to expect at least part of the ongoing costs associated with implementing the RRF to be met by tax revenue.

RSM proposes to treat previous licences, which it says are "re-issued" when a management right is renewed, as "new" licences which attract the higher \$406 fee for the first year. NZME strongly opposes this element of proposal 2. NZME submits that frequencies held under a spectrum management right effectively continue under the replacement management right (i.e. the technical parameters of the licence remain the same) and therefore the "replacement" spectrum licences should not be treated as new licences when determining the annual licence fee. RSM's rationale for charging a higher annual fee for "new" license, being that matters related to new licence applications require more time and resource relative to licence

renewals, lacks the necessary weight to justify a 211% increase on the current renewal fee, particularly in the context of licences which continue under a renewed management right.

### **NZME alternative proposal 1**

As an alternative to proposal 1, NZME proposes that the standard licence fee is increased by 18% to \$153.87 i.e. half that currently proposed by RSM. The balance of RSM's costs, and particularly the costs associated with the new RRF, should be funded by:

1. general tax revenue in recognition of the broad benefits RSM's services create for all taxpayers; and/or
2. a government commitment to allocate a percentage of the revenue generated from successful bids for spectrum licences towards the memorandum account.

The first options would ensure society contributes to a system which it broadly benefits from. These options also create downward pressure on RSM's costs to better promote operational efficiency rather than maintaining a cost-plus mentality to the detriment of licence holders.

### **NZME alternative proposal 2**

RSM's expenditure remained relatively stable after the period of planned under recovery was implemented. Expenditure increased from 2022/23 in part to meet the costs of the development, migration of data and implementation of the new RRF. As those costs were met from the memorandum account surplus, the depletion of the memorandum account was significantly accelerated by the money from that account being funnelled into the new RRF project.

Approximately 81% of all licences in the RRF are spectrum licences for management right holders of type "Spectrum Private/Other (Spectrum) (SZ)". Much of the time, effort and costs expended by RSM to implement the new RRF and API services benefit this relatively small group of users who have greater needs than all other licence holders.

Given the above, NZME considers it would be reasonable to expect the standard licence fee charged to private management right holders (telcos) to be greater than that charged to licence holders in other categories i.e. so that the annual licence fees for those licence holders do not increase by more than, say, 20%.

### **NZME's preferred proposal**

Whilst it doesn't support either proposal, of the two proposals put forward by RSM, NZME marginally prefers option 2.

However, NZME notes option 2 risks encouraging licence holders to make minor changes to the RRF for things like equipment updates, equivalent antenna changes, moves on the same hilltop etc. without formally modifying the licence, to avoid the higher annual fee for modified licences. If this issue was not satisfactorily addressed, this would have the potential to compromise the integrity of the RRF and make licence engineering less certain for all licence holders.