

Submission on discussion document: review of radio spectrum licence fees

Your name and organisation

Name	Principal Economist
Organisation	Chorus New Zealand Limited

General questions

Questions for organisations and businesses

1	Chorus is New Zealand's largest telecommunications infrastructure company. We maintain and build a network predominantly made up of local telephone exchanges, cabinets, and copper and fibre cables.
2	Approximately how many licences do you or your organisation hold? ~ 3,800
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. Chorus expects to significantly decrease the number of licences it holds over the next five years.
4	What proportion of your licences do you expect will need to be modified in the next five years? We believe approximately 5% of our licences will require modification over the next five years, depending on whether cancellations and/or the updating of historical inaccuracies in licence details are defined as modifications.

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? <i>Advantages:</i> Option One gives licence holders greater certainty about licence fee levels. Licence fees are more predictable, stable and better align with past practice.
2	What do you see as the advantages and disadvantages of option two?

Advantages: Option Two attributes licence fees to those licence holders (or applicants) that generate the associated costs.

Disadvantages: If the updating of historical inaccuracies in licence details are defined as modifications, Option Two creates a disincentive for licence holders to correct such historical inaccuracies.

Further, such corrections are currently free of charge, whereas treating them as modifications would subject the licence holder to a \$406 charge. An increase of such a magnitude is unjustifiable as the modifications do not generate such a substantial cost for RSM.

Cancellations are also currently free of charge, whereas treating them as modifications would subject the licence holder to a \$406 charge. An increase of such a magnitude is unjustifiable as the cancellations do not generate such a substantial cost for RSM.

We note both the correction of historical inaccuracies and cancellations are carried out by Chorus' ARE online using RRF, so do not generate any cost to RSM.

3 Which option do you prefer? Why?

Chorus prefers Option One, because it is more predictable, stable and better aligns with past practice.

If Option Two is selected, we strongly recommend that cancellations and the correction of historical inaccuracies are not deemed to be 'modifications' for the purpose of applying the proposed fee changes, to avoid creating inefficient incentives to avoid licence corrections and cancellations that would otherwise proceed.

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.

No.

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

The fee increase creates an increased incentive for Chorus to accelerate the decommissioning and removal of radio equipment from its network.

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

If Option Two were implemented and the correction of historical inaccuracies were deemed to be 'modifications' (and hence trigger the payment of a fee), this could create a strong disincentive on licence holders to identify and proactively correct such inaccuracies.

Closing comments

7

Are there any other comments you wish to make?

We note the significant proposed increase in expenditure from the current fee levels. While we support RSM recovering the full cost of its services, it is difficult to ascertain why MBIE support costs, in particular, are so high.

Chorus notes the 'unadjusted' MBIE support cost figure of \$3.7m (2024/25 forecast) represents 35% of total expenditure, and is more than total forecast personnel costs for the entire organisation. This high ratio of support costs to other costs suggests there are inefficiencies in the support costs being allocated to RSM.

We further note the 'adjusted' amount is apparently more than this again, but it is combined with 'other operating costs' (Table 5: Impact of Additional Expenditure) so it is not possible to determine the extent to which MBIE support costs are forecast to increase on a standalone basis.

We encourage RSM to look more closely at whether such basic support services could be provided at lower cost by either internalising them or seeking external (contractor/consultant) support, and whether other costs could be reduced.