Stage 2 Cost Recovery Impact Statement: Increasing Radio Spectrum Management Licensing Fees

Agency Disclosure Statement

This Cost Recovery Impact Statement (CRIS) has been prepared by the Ministry of Business, Innovation and Employment (MBIE).

This CRIS provides an analysis of options to adjust the fees charged for radio spectrum licences awarded under the *Radiocommunications Act 1989* ('the Act').

In developing this CRIS, MBIE has undertaken a review of the radio spectrum licence fees. As part of this review, MBIE evaluated the cost to deliver services with respect to the radio spectrum management regime by the Radio Spectrum Management (RSM) business unit within MBIE, and the fees set for recovering administrative costs of the licencing regime. However, the following were excluded from the review:

- Other pricing mechanisms used in the regime for managing radio spectrum, including spectrum charges, and prices for acquiring spectrum rights.
- Costs associated with RSM policy advice and the Crown Spectrum Asset Manager functions which are funded by the Crown.

In developing the cost recovery options, MBIE has been guided by principles set out in the Treasury's *Guidelines for Setting Charges in the Public Sector* (The Treasury, 2017) and the Office of the Auditor-General's *Charging Fees for Public Sector Goods and Services* (Office of the Auditor General, 2021). Consideration has been given to who will benefit and to what extent (i.e. equity across those who benefit) from the licence.

Since its inception, the Act has operated under a user-pays model of full cost recovery. Given the policy rationale for full-cost recovery has not changed, the review did not consider alternative options, such as Crown funding.

The cost recovery model underpinning this review has made a few assumptions around the ongoing costs for administering the regime over the next five years. Key assumptions which may impact fee recovery are:

- Volume of licence applications across each category – the number of licences RSM grants or modifies each year is inconsistent and dependant on factors such as new spectrum or technology becoming available.
- Cost pressures related to changes to technology and processes for delivering key services for licensees.

Any unforeseen events or changes impacting these assumptions could impact volumes and thereby revenue which would be reflected in the memorandum account balance. However, we consider the likelihood of this to be low given the regime is well-established and the historic data aligns with the projections.

The analysis has been informed by feedback from key stakeholders – RSM and licence holders. MBIE received 41 submissions from public consultation, predominantly from industry participants. Submitters are considered to be a fair representation of licence holders.

Submitters identified alternative options which could minimise negative impacts on licensees – i.e. using general taxation revenue to cover funding gaps, subsidising or waiving fees for specific groups, and introducing a new fee category for spectrum private use. These options require further policy work that cannot be completed within current timeframes and must be considered as part of broader reforms beyond this review's scope.

Unless stated otherwise, all fees and costs outlined in this CRIS are GST exclusive.

A Quality Assurance Panel from MBIE has reviewed this Cost Recovery Impact Statement (CRIS). The Panel consider that the information and impact analysis summarised in the CRIS **meets** the Quality Assurance criteria.

Daniel O'Grady, Manager Radio Spectrum Policy and Planning

19 September 2025

Executive summary

Background

The radio spectrum management regime, including the cost recovery structure, was established under the Act and is operated by RSM.

The Act enables licence holders to transmit radio waves in the spectrum that their licence entitles them access to. A licence also grants the holder the right to be protected from radio interference from other transmitters.

To cover the cost of services provided to licence holders by RSM, fees are charged back to licence holders, with the intention of full cost recovery. Historically this has been achieved by distributing the total cost of administration between the licence holders (ie ‘unit cost’).

Over time, the fee structure, licence volumes and regime costs have evolved, and resulted in adjustments to the fees. Most recently, a 2017 review saw fees set below cost to return to users a $11.552 million surplus in the regime’s memorandum account.

Problem and Opportunity

RSM's current cost recovery settings cannot fully recover costs of administering the regime, making the system unsustainable and inefficient for the future. This is a result of:

1. a period of under-recovery to reduce a memorandum account surplus,
2. increased costs and demand for licences, and
3. uneven distribution of costs for processing applications.

Options analysis

Two options for returning to full cost recovery have been assessed against the current appropriation and fees (status quo):

- **Option One –** Increasing fees to achieve full cost recovery with an increase in appropriation for the management and enforcement of the Act.
- **Option Two –** In addition to increasing the fees and appropriation, amend the fee structure to differentiate fees for licence renewals versus new or modified licences.

These options were assessed against the following criteria; equitable, justifiable, transparent, efficient administration and full cost recovery. Public consultation favoured Option One.

MBIE recommends Option One as it meets the overall criteria to achieve full cost recovery in the short to medium term, with the least additional compliance cost. Option Two was more equitable, but likely to require greater time and resources, with limited benefit to key stakeholders. Option Two is also projected to over recover over a five-year period which is inconsistent with the cost recovery principles.

Implementation

The new fees are intended to be in place by 1 July 2026. These fees will be monitored and reviewed over the next five years to ensure they continue to meet the desired objectives.

Background and status quo

Radio spectrum management in New Zealand

Radio Spectrum Management New Zealand (RSM) is responsible for administering legislation pertaining to wireless communication technologies in New Zealand. This includes licences for accessing the radio spectrum, granted to both individuals and collectives.

Licences have two benefits to the holder: they allow licensees to transmit on the radio spectrum for purposes defined by their licence category; and they grant the holder the right to be protected from radio interference from other transmitters. Each licence category has a fee associated with it, which covers RSM's administration costs for each individual licence.

As a business unit, RSM provides services for users of the radio spectrum which relate to both of these benefits that are provided to licence holders. The administrative costs involved are based on the labour, time, and resources expended in their course. These services continue to directly and solely benefit users, as opposed to having an overall public good associated with them.

Radio spectrum licence fees

The *Radiocommunications Regulations 2001* ('the Regulations') prescribes four GST-inclusive fees for radio spectrum licences. The fees are categorised in relation to their intended use and to appropriately allocate costs between licensees.

Licensees pay to apply for or modify a licence, as well as an annual renewal fee that accounts for the costs accrued for each individual licence's administration. The current fees for the four fee categories in Table 1 below were set in 2017 following a fees review (discussed further below).

Table 1 - Current Licence Fees

Fee category	Current fee GST exclusive	Current fee GST inclusive
A. Amateur radio and spectrum licences	$43.48	$50.00
B. Land mobile licence (up to 5 pagers/repeaters)	$521.74	$600.00
C. Land mobile licence (over 5 pagers/repeaters)	$1,304.35	$1,500.00
D. Standard licence fee	$130.43	$150.000

Costs recovered from fees

RSM's administrative costs cover three key functions: licensing, investigating and planning.

Licensing

- Review and process radio licence applications ensuring compliance with legislation and Public Information Brochures while allowing innovation and development of technologies for the benefit of New Zealand.
- Administer the Register of Radio Frequencies (RRF) to ensure efficiency for users.

- Process applications for radio engineers, radio certifiers, and operator certificate examiners, and promotes continued adherence to RSM rules.
- Maximises the use of online services where possible.

Investigations

- Ensure licensed transmissions are protected from unwanted interference by carrying out investigations and promoting compliance with the legislation.
- Ensure licensees meet licence conditions.
- Auditing and enforcement intervention limited to minimise financial burden, enable innovation whilst ensuring compliance requirements are met.

Spectrum Planning

- Technical and engineering work for licences, including setting the band plans and technical conditions which prevent or manage unwanted interference.
- Technical and engineering advice to support effective allocation of radio spectrum.
- Support licensing and investigations functions on technical or complex issues.
- Participate in international negotiations which set the technical conditions that manage interference between users, which are adopted into New Zealand standards and licenses (spectrum is a globally managed resource).

Licence volumes

At the end of the 2024/25 financial year, there were 60,294 licences registered on the RRF. A majority of the licences are renewed each year and fall within the 'standard licence fee' category.

While the total number of licences administered by RSM continues to grow each year, the associated administrative costs vary depending on the spectrum available and nature of licence applications (renewals, modification or new applications). An increase in spectrum licence volumes can also be attributed to population growth. From 2016/17 to 2024/25, total licence volumes followed a steady and consistent upward trend, rising from 40,749 in 2016/17 to 60,294 in 2024/25 – an increase of 48 per cent. This growth reflects historic trends of a sustained increase in licensing activity across various categories.

Looking ahead, we forecast that this trend will continue from 2025/26 to 2032/33, with volumes projected to climb from 61,905 to 75,266. The overall licence volume pattern indicates ongoing expansion and stable demand over the next five years. Using forecast average of volumes, rather than actual prior year volumes ensures that as volumes rise RSM is not significantly over recovering its fixed appropriation.

Table 2 – Actual and forecast licence Volumes[1]

Actual Annual Licence Volumes					Forecast Annual Licence Volumes					
2020/21	**2021/22**	**2022/23**	**2023/24**	**2024/25**	***2025/26***	***2026/27***	***2027/28***	***2028/29***	***2029/30***	***2030/31***
49,304	52,450	51,257	57,311	60,294	*61,905*	*63,578*	*65,323*	*67,144*	*69,045*	*21,029*

[1] See Annex 1 for more detail of volumes forecast across each fee category.

Authority to recover fees

RSM is empowered to charge and recover fees through the Act and the Regulations. Section 135 of the Act sets out that fee-related matters may be authorised by the Regulations, as well as who is required to pay fees, and the method of payment, waiver or refund of fees. Schedule 6 of the Regulations sets out the current annual administration fees payable for radio and spectrum licence fees, under four categories based on use type (stated in Table 1). Sections 38 to 44AA of the Regulations provide further detail around the recovery of fees. This includes when fees must be paid, licence cancellation procedures, and the ability to waive fees.

Reviews of cost recovery charges

MBIE typically reviews licencing fees every three to five years.

The last major review concluded in 2017 and resulted in fees being set lower than cost to reduce a surplus in the memorandum account. Fees were subsequently reviewed in 2020 and left unchanged while the memorandum account remained in surplus.

The 2025 review looked at the annual operating costs and revenue from radio and spectrum licences for all four fee categories set out in schedule 6 of the Regulations.

Problem and opportunity

RSM's current cost recovery settings cannot fully recover costs of administering the regime, making the system unsustainable and inefficient for the future. The financial impact of the three causes contributing to the problem and opportunity faced by RSM is set out below and illustrated in Figure 1.

1. Period of under-recovery to reduce memorandum account surplus

In 2017, MBIE conducted a fee review that identified a surplus of $11.552 million in the RSM memorandum account. To address this, a decision was made to implement a simpler fee structure and set fees at a level of under-recovery to gradually reduce the surplus. The need to review and adjust fees back to cost recovery at the end of the under-recovery period was signalled during the fee review consultation in 2016, and in RSM’s Five Year Spectrum Outlook 2017 - 2021 and Radio Spectrum Outlook 2023 - 2027. The proposal for a short-term fee reduction in the 2016 consultation was supported by 13 submitters while nine opposed it.

With the memorandum account forecast to be in deficit by 30 June 2026, RSM will face sustained annual deficits and/or need to reduce services if the fees remain unchanged. Deficits would need to be covered by MBIE’s cash reserves which would have a negative effect on MBIE’s cash position. This is not sustainable and does not meet the Treasury and OAG guidelines on cost recovery.

2. Increased costs and demand for licences

RSM's current budget for the management and enforcement of the Act is $8.999 million. Prior to 2022, RSM's expenditure remained relatively stable and well within this budget.

However, the 2025 review identified additional cost pressures which can be attributed to three key changes:

- Alongside its operational efficiencies discussed below, **implementation of the new RRF** in December 2022 has created a net $1.072 million annual cost pressure, which includes the ongoing impact of capital charge, depreciation and ICT system maintenance support and education costs.
- Expenditure **increases on personnel and operating costs –** especially for planning functions. This is a result of additional demand for faster spectrum roll out and continuing to improve services to licence holders. Industry has sought more spectrum, specifically wireless internet service providers and mobile network operators, to increase capacity. This is in addition to various Government priorities which rely on access to radio spectrum. For example, the Defence Capability Plan includes thirteen projects that rely on access to more radio spectrum.
- The **development of new spectrum uses and technologies**, and the ability to import unlicenced transmitters and equipment from overseas markets has increased the complexity of spectrum issues. RSM works to ensure it can efficiently respond to the needs of licence holders in this environment, particularly threats to the rights of licence holders to non-interference. In addition, an increase in the amount of applications for licences to test new technologies require more in-depth analysis from RSM staff and more frequent updates to the RRF.

The financial impact of these costs on the budget is outlined in Table 3 below.

Table 3 - Impact of additional annual expenditure (FY 2026/27 onwards)

Cost type	Current budget for FY 2026/27 ($000)	Forecast cost above budget ($000)	Proposed annual budget ($000)
RRF IT system	2,667	1,072	3,739
Personnel	2,866	491	3,357
Other operating costs and MBIE support costs	3,466	895	4,361
Total	**8,999**	**2,458**	**11,457**

Despite the increase in licence volume and the operational efficiencies from the RRF, the forecast revenue from the current fees will not be sufficient to meet the costs for delivering the required services to licence holders. Over the last three years, the difference in revenue and expenditure was being met through the surplus in the memorandum account. With the memorandum account forecast to reach a nil balance by 30 June 2026, the current fees are no longer sustainable or appropriate for fee recovery.

3. Uneven distribution of costs

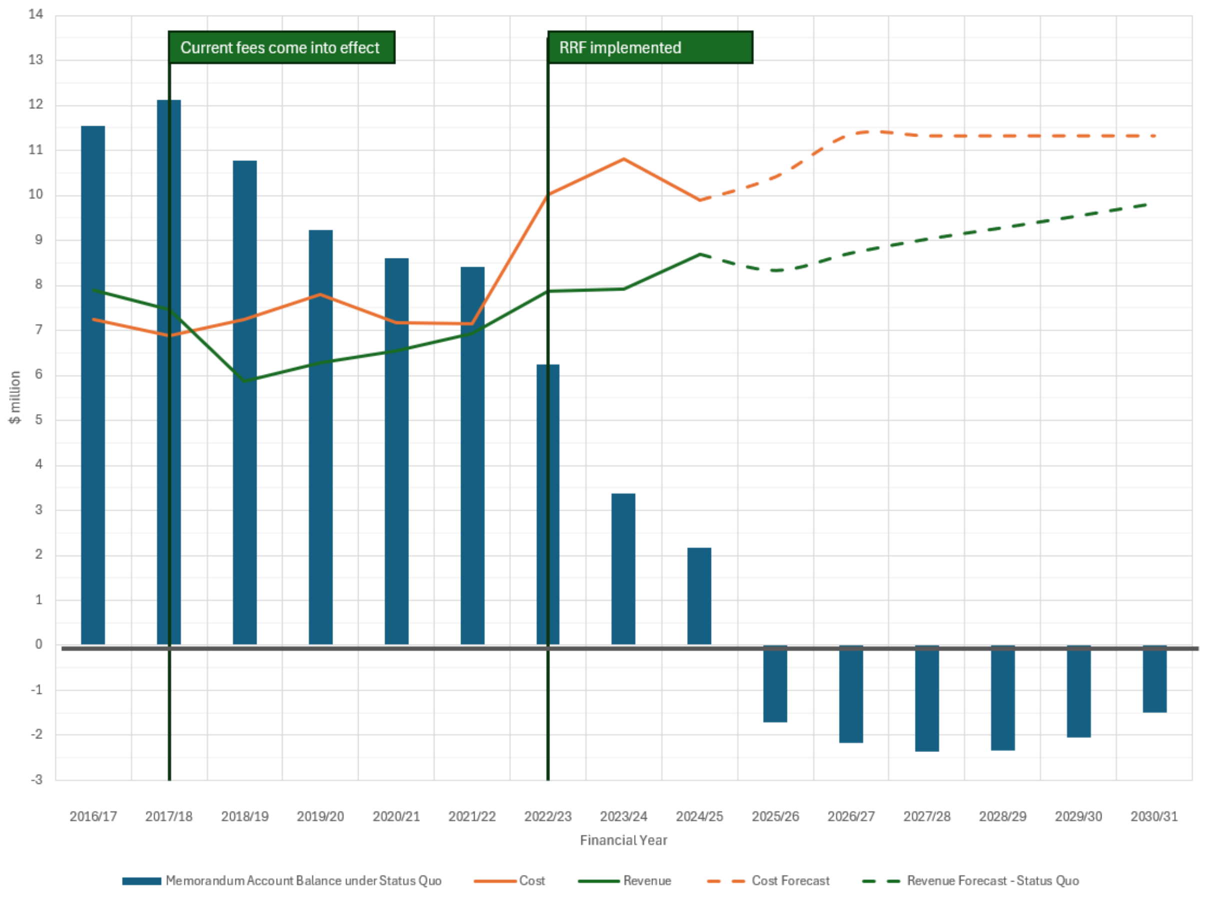
The introduction of the RRF has changed the way RSM operates and processes licence applications. Applicants can now submit licence applications through an intuitive online platform, with optimised workflows and automated validation checks that minimise manual errors.

This has been particularly useful in reducing costs for licence renewals that do not involve any changes to the licence.

However, initiating or modifying a licence remains significantly more resource-intensive and costly. These applications have continued to require manual processing and in-depth analysis, particular where new technologies or spectrum bands are concerned.

This imbalance presents an opportunity to redistribute fees more fairly across the licensing lifecycle, ensuring licence holders benefit from a more equitable cost structure. As a majority of applications are renewals, licence holders could benefit from a more even fee distribution.

Figure 1: Financial impact under current fees (closing balance at end of financial year)



Cost Recovery Principles and Objectives

The Treasury and the OAG set guidelines and principles for how government agencies recover costs related to services provided, which inform how RSM sets and administers licence fees. The principles recommend that fees should be set and administered in a way that are:

- **Equitable:** Fees should be applied and managed in a way that is fair and proportionate to the services provided, while also closely reflecting the actual costs of service delivery to each licence holder. This ensures all users experience both fairness and value-for-money.

- **Justifiable:** costs recovered through fees should reasonably relate to the services they are charged for, with any portion of indirect costs appropriately included (for example, MBIE's technical support costs).

- **Transparent:** revenue from fees should be correctly accounted for and used appropriately, and the process for developing fees should be clear and easily understood.

Alongside this guidance, MBIE's objectives in administering and reviewing fees are to:

- **Incentivise improved efficiency** in administering the Act – specifically in delivering management and enforcement functions to meet RSM's statutory requirements.

- **Fully recover the costs** associated with administering the Act, with costs recovered trending as close as possible towards a zero balance, neither grossly over recovering nor under recovering.

Policy Rationale: Why a user charge? And what type is most appropriate?

When policy decisions were made to introduce the regime, it was intended that the cost of operating the regime would be fully recovered from licence holders, the benefactors of RSM's services, through fees.

Usage of Crown funding, either partially or in full, is not appropriate for cost recovery in this context. Under the Treasury and the OAG principles for setting public sector charges, the Crown only financially contributes where it is considered there is a general public benefit without a clearly attributable benefit to individual users or a defined group.

Full cost-recovery from users (new or existing registered licence holders) as intended when the regime was established therefore continues to be appropriate. This is consistent with the Legislation Design and Advisory Guidelines.

The level of the proposed fee and its cost components (cost recovery model)

Returning to full cost recovery requires the projected costs to be distributed proportionately between licence holders (ie 'unit cost').

As such, the proposed cost recovery model is based on:

- Projected annual expenditure of $11.457 million which takes into account RSM's operating model, key cost components for the services provided by RSM and operational efficiencies (ie savings) from the implementation of the RRF. The details of the cost components are outlined in Table 3 above.

- Annual licence volume of 67,224 based on the forecast of annual licence volumes set out in Table 2. The forecasts are informed by historic trends, international developments, population forecasts and emerging spectrum uses – both by government and industry. We have taken a conservative approach to volume forecasts – predicting a 0-5 per cent increase for each licence type – to avoid significant under-recoveries that could adversely impact service delivery.

- GST-exclusive figures to account for the costs incurred by Government. However, given the Regulations prescribe fees as being GST-inclusive, both values have been included in the model.

To minimise the impact of fee increases and fluctuating volumes, the cost recovery model considers a five-year average of costs and licence volumes to ascertain the unit cost for each category.

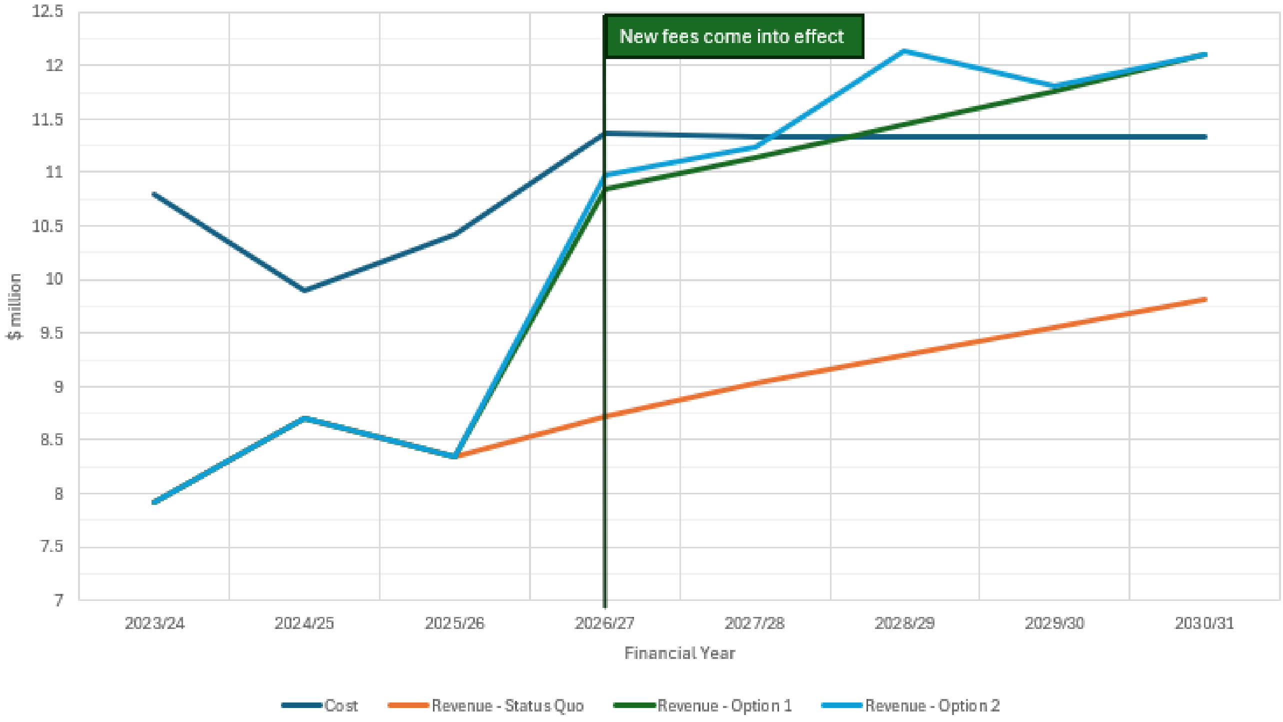
Design options

Based on the cost-recovery model, MBIE designed and consulted on two options to achieve full cost recovery over a five-year period:

- **Option One –** Increasing fees to achieve full cost recovery with an increase in appropriation for the management and enforcement of the Act.
- **Option Two –** Increasing fees to achieve full cost recovery with an increase in appropriation and amending the fee structure so the fees account for differences between awarding new licences versus modifications/renewals.

The option of retaining current fees and focusing on operational efficiency improvements instead was also considered during the policy development stage. Despite inflationary pressures and significant increases in licence volumes since 2017, RSM's expenses have remained stable. The cost pressures experienced are a direct result of external factors and efforts have already been made to improve operational efficiencies – IT system improvements through the RRF, prioritising audits and planning functions that provide the most benefit to licensees, sharing service costs across the business, incorporation of self-help functions via the RRF to reduce demand on call centre. The significant licence volume increase since current fees were set in 2017 has also meant that no number of operational efficiency improvements would make up for the fact the current fees cannot sustainably service existing licensees. Further reductions in operational expenses are not feasible without significant degradation to services. This will adversely impact licence holders and compromise the quality of the licensing regime and services provided by the industry. In time, service degradation will impact consumers of wireless communication technologies which could have broader economic impacts.

Figure 2: Forecast of revenue and expenses under cost recovery model



Option One

Option One retains the current licence structure and proposes an increase to all four fee categories as set out in Table 4. This increase is based on the cost of delivering RSM services, fully recovering $11.327 million of RSM costs and ensuring that fees closely reflect the actual costs needed to provide services. It ensures that fees are applied and managed in a way that is fair for service users.

Small adjustments have been made to the unit cost to round the GST-inclusive fee to the nearest dollar. This supports administration and aligns with the approach taken to set the current fees in 2017.

The proposed GST-inclusive fee would be a 30-32 per cent increase on the current fees. However, prior to 2017, when the fees were set at full cost recovery, the average licence fee was $230 (including GST) which is higher than the equivalent proposed fee for the standard licence category.

Table 4 - Option One Fee Structure

	GST Exclusive		GST Inclusive				Cost recovered	
License type	**Unit cost**	**Proposed fee**	**Proposed fee**	**Current fee**	**Change***		**Average volume forecast over**	**Average forecast revenue over five years**
Amateur radio and spectrum licenses	$57.30	$57.39	$66.00	$50.00	+$16.00	+32%	318	$18,250
Land mobile up to 5 pagers/repeaters	$682.72	$695.65	$800.00	$600.00	+$200.00	+33%	413	$287,304
Land mobile over 5 pagers/repeaters	$1,706.81	$1,565.22	$1,800.00	$1,500.00	+$300.00	+20%	120	$188,435
Standard license fee	$164.71	$165.22	$190.00	$150.00	+$40.00	+27%	66,372	$10,965,875
							Total revenue	$11,459,865
							Total cost	$11,437,715
							Minor over recovery	$22,149

*** F**ee change has been calculated by comparing the GST-inclusive fees which is the values prescribed in regulations and familiar to industry.

Option Two

This option proposes an increase to all four fee categories, and introduces two fee types under each category:

1) a fee for new licences and licence modifications ('New + Modification fee'), and

2) a fee for licence renewals ('Renewal fee').

The New + Modification fee would apply for the first year of a licence or when a Management Right is renewed[2]. For each subsequent year a licence holder applies for a renewal, the Renewal fee would apply.

The Renewal fee is less than the New + Modification fee. This is because licence renewals are processed automatically in the RRF. As a result, licencing renewals require less time and resources when compared to new or modified licences. For this reason, a greater proportion of the costs are assigned to new and modified licences, rather than renewals.[3]

The amateur licence fee remains the same as Option One and under both fee types. This reflects that comparatively less RSM resources are required to administer this licence category, regardless of whether applications are made for new or modified licences or renewals.

As with Option One, small adjustments have been made to the unit cost to round the GST-inclusive fee to the nearest dollar.

The proposed charges are set out in Table 5. A comparison against the current fees has not been included due to the change in fee structure.

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[2] All previous licences issued in that Management Right must be re-issued, because a licence can only have a duration that is as long or shorter than its management right

[3] The unit cost difference between the options are the personnel costs of RSM Licensing and half of the RRF capital and operational fees assigned to new and modified licences, divided by the forecast number of new and modified licences over the fee review period.

Table 5 - Option Two Fee Structure

License type	GST Exclusive		GST Inclusive		Cost recovered	
	Unit cost	Proposed fee	Proposed fee	Current fee	Average volume forecast over	Average forecast revenue over five years
Application and renewal (rescind)						
Amateur radio and spectrum licenses				$50.00		
Land mobile up to 5 pagers/repeaters				$600.00		
Land mobile over 5 pagers/repeaters				$1,500.00		
Standard license fee				$150.00		
Application new or Modification (new)						
Amateur radio and spectrum licenses	$59.49	$59.13	$68.00		318	$18,803
Land mobile up to 5 pagers/repeaters	$1,731.30	$1,731.30	$1,991.00		1	$1,731
Land mobile over 5 pagers/repeaters	$4,328.70	$4,328.70	$4,978.00		3	$240,751
Standard license fee	$433.04	$433.04	$498.00		5,669	$12,710
Renewal of license with no modification (new)						
Amateur radio and spectrum licenses	$59.49	$59.13	$68.00		-	$0
Land mobile up to 5 pagers/repeaters	$584.30	$584.35	$672.00		412	$171,583
Land mobile over 5 pagers/repeaters	$1,460.75	$1,460.87	$1,680.00		115	$2.286,670
Standard license fee	$146.08	$146.09	$168.00		58,881	$8,924,735
					Total revenue	$11,656,985
					Total cost	$11,437,738
					Minor over recovery	$219,247

Consultation

A public consultation on the proposed fee increases was undertaken between 12 February to 11 April 2025. At the time of the consultation, MBIE had no preferred option, as both would increase fees to the required level.

MBIE received 41 submissions from across the following industry groups:

- Amateurs/recreational (of differing specialities) – 9 submissions
- Internet Service Providers and satellite operators – 8 submissions
- Telecommunications – 8 submissions (including all three MNOs)
- Broadcasting – 6 submissions (including Community Access Media Alliance and New Zealand Media and Entertainment)
- Manufacturing/supply – 2 submissions
- Government/SOEs – 2 submissions
- Surveying, engineering, and measurements – 1 submission
- Maritime Vessel Operator – 1 submission
- Unspecified – 4 submissions

Consultation Feedback

Most submitters preferred Option One over Option Two for its consistency with the current fee structure, simplicity, minimal administration costs, and fees being more predictable. While some submitters acknowledged the need for a fee increase, most considered the proposed fees to be too high – specifically the 36 per cent fee increase for standard licences.

Submitters that preferred Option Two saw it as a more appropriate distribution of costs and having a lower financial impact on licence holders that do not plan to expand or change their services – particularly benefiting smaller operators (eg amateurs).

A few submitters noted that the proposals are unfair to smaller organisations and broadcasters as they do not differentiate between commercial and non-commercial licence holders (due to the universal flat fee). In particular, community access media broadcasters were concerned about the impact on their financial sustainability of the fees increase.

Some submitters indicated that Option Two may impact licence application decisions which could adversely impact the industry. Most notably, licensees may be discouraged by the cost associated with updating licence details following modifications. As a result, licensing records held in the RRF may become less accurate over time.

Option One was preferred by 20 submitters - amateurs, telecommunications, broadcasting and media, and all three mobile network operators. Option Two was preferred by 11 submitters - telecommunications, commercial radio, amateurs, and internet service providers.

Alternative proposals from submitters

The following alternative options to mitigate the negative impacts on licensees were identified through the consultation process:

- **Introducing a new fee category for spectrum private use and/or satellites** which would reduce the fee increase for other licences in the standard licence fee category. This could address perceived inequities between licensing individual radio licences and co-located spectrum licences. Although future reviews may revisit fee category structures, the current system—streamlined during the 2017 review—has received industry support for its clarity and consistency.
- Treat **licence reissues following a management rights renewal as 'renewals'** rather than 'new licences' or **modifications the same as renewals**. This requires significant revisions to the cost recovery model to assess impacts on RSM licencing functions which would delay implementation.
- **Waive or subsidise fees for smaller licensees**, such as community access media stations. This does not align with the 'user pays' principle and the need to maintain the memorandum account's financial sustainability. Shifting the fee burden to other licensees is inconsistent with the review's equitable and justifiable policy objectives.
- Reduce the proposed new fees and **cover the shortfall through general taxation.** This does not align with Treasury guidelines which prohibits the use of general taxation for user-pays services like those administered by RSM.

Alterations to options post-consultation

The proposed fees for both options have been updated following public consultation to:

- **Reduce the unit cost** following a further review of the cost recovery model. Submitters queried the cost recovery model which led to a review during the development of this CRIS. The review resulted in an increase in the forecasts for licence volumes and adjustments to how costs are allocated for land mobile licences.
- **Update the financial position for the 2024/25 financial year.** The actual revenue for this financial year was higher than the forecast due to a recovery of late fee payments which reduced the deficit forecast for the 2024/25 financial year.
- **Round the GST-inclusive fee** (which is the fee published in the Regulations and website) to the nearest dollar. This will avoid administrative errors.

The changes resulted in changes to the proposed fees outlined in Table 4 and 5. Most fees were reduced - under option one, standard licence fees were reduced by $15 (7.6 per cent) and land mobile over 5 pagers/repeaters fees were reduced by $270 (14.0 per cent). Some fees for new or modified licences saw a minor increase under Option Two.

Impact analysis

MBIE has assessed the options against the status quo. The analysis has considered the cost recovery principles, policy objectives and submitters' feedback.

Options analysis against objectives

Equitable: Both options cover the actual costs of service delivery to each licence holder resulting in a better outcome than the status quo. However, Option Two proportionately allocates costs of administering licences between different types of applications, passing on savings from operational efficiencies from the RRF to licence renewal applicants. As a result, we considered this to be more equitable than the status quo or Option One.

Justifiable: Both options reflect a user-pays model and directly allocate costs of services to licence holders. This avoids cross-subsidisation or over-recovery which might indirectly pass on costs between difference licence classes.

Transparent: The rationale and cost recovery model for both options was detailed in the discussion document. The need for a future increase in fees was also established and communicated when the under-recovery period began, providing licensees with transparency around it in advance. Option Two's proposed structure offers greater transparency than the status quo by accounting for differences in costs associated with assessing licence applications. The fee structure better enables revenue to be more transparently appropriated to licence holders.

Efficiencies in administering the Act: The return to full-cost recovery enables RSM to effectively administer the Act and deliver the services sought by licence holders. Particularly, both options support delivery of spectrum allocations, innovation in the RRF and effective management of incidents of harmful interference at the speed and standard that benefits licence holders. However, Option Two is considerably more complicated and would require more time and resourcing (IT changes, education and awareness campaigns etc) – potentially delaying any fee changes past the 2026/27 financial year which might result in reduced services in the short term. By maintaining the same fee structure, Option One can be implemented quickly (within six months) without impacting service delivery.

Full and sustainable cost recovery: Option One achieves a balanced approach to full cost recovery. Under the current forecasts, Option One gradually recovers costs and trends towards a nil balance over a six-year period. While Option Two returns the memorandum account to a surplus sooner, the financial position is expected to fluctuate with changes to application types. The revenue from fees could increase significantly if new or modified licences exceed the volumes forecast. Due to the unpredictable nature of application types, Option Two is less sustainable in the long-term and could be significantly worse than the status quo or Option One.

Table 6 – Summary of options Analysis

	Status quo	Option One: Retain Licence Structure	Option Two: New Licence Structure
Equitable	0	+ Equal distribution	++ Proportionate distribution
Justifiable	0	++ User-pays model	++ User-pays model
Transparent	0	0 Public consultation	++ Public consultation Tailored fee structure
Efficiency in administering the Act	0	++ Quick to implement, recovers costs for critical services	+ Recovers costs for critical services
Fully and sustainable cost recovery	0	++ Gradual cost recovery	- Costs recovered, but highly variable

Key: - - significantly worse than the status quo, - worse than the status quo, 0 same as the status quo, + better than status quo, + + significantly better than status quo

Impact on fee payers and consumers

The proposed fee increase will have a financial impact on all licence holders – which includes approximately 3,500 business of different scales, public sector entities (predominantly local government) and non-commercial organisations.

Commercial operators typically hold several licences. As a result, both options will have a financial impact but given the scale of their commercial operations, fee changes are unlikely to impact their financial positions. The three mobile network operators (Spark, OneNZ and 2 Degrees) and Chorus will be impacted to a greater extent, given that approximately 50 per cent of licences are held between these entities. In the public consultation, industry submitters raised concerns about introducing new charges during a period of high living and business costs, which could impact wireless communication services provided to consumers.

Non-commercial operators, ie amateurs or community radio stations, typically have fewer licences. However, due to the nature of their operations, fee changes may have a greater impact on their operations. Some submitters have noted that the proposed fee changes could compromise their operations. However, the information provided suggests licence costs make up a very small proportion of total operating costs for both non-commercial and commercial operators.

Public sector entities, predominantly local government bodies, account for approximately 8 per cent of licence volumes. On average, each public sector licensee holds fewer than 50 licences - New Zealand Police, New Zealand Defence Force and KiwiRail hold the largest share, accounting for approximately 4 per cent of licences. The New Zealand Defence Force and KiwiRail both submitted feedback during public consultation. Whilst neither supported the fee increase proposed, they noted that it would not impact licence acquisition decisions or their operations. Given the lower volumes of licences, the cost difference faced by public sector entities will be small and unlikely to impact service delivery and operational decisions.

Error! Not a valid bookmark self-reference.7 compares the impact of both options on four hypothetical licensees and the potential cost that may be passed on to consumers, in different use cases. In most cases, Option Two may result in higher fees for licensees – especially when they have more new + modified licences. This could have a greater impact on new entrants or smaller entities due to increased upfront costs. Option One has a lower impact on licensees and consumers, and in general has a smaller fee difference versus the status quo.

Table 7 - Scenario comparison of Options One and Two (GST Inclusive) over 12 months

	Number of Customers	Licences held			Status Quo	Option 1			Option 2		
		Total	Renewals	New + Modified	Total Annual Cost	Total Annual Cost	Cost Difference*	Cost per Consumer	Total Annual Cost	Cost Difference*	Cost per Consumer
Scenario 1: Large mobile network operator	2,400,000	9000	8,190	810	$1,350,000	$1,710,000	$360,000	$0.15	$1,779,300	$429,300	$0.18
Scenario 2: Medium-sized wireless internet service provider	4,400	116	106	10	$ 17,400	$22,040	$4,640	$1.05	$22,788	$5,388	$1.22
Scenario 3: Amateur operator	0	52	50	2	$2,600	$3,432	$832	n/a	$3,536	$936	n/a
Scenario 4: Government Agency	0	487	441	46	$73,050	$92,530	$19,480	n/a	$96,996	$23,946	n/a

* Fee difference compared to status quo

Conclusions and recommendations

MBIE recommends Option One as it best meet the objectives of this review and cost recovery principles overall. This was also favoured by submitters and expected to have a lesser impact on licence holders and their customers. Option One offers greater predictability for stakeholders and, while it may not achieve the same level of equity as Option Two, it is a more sustainable approach to cost recovery and significantly easier to administer, supporting the effective administration of the Act in the short term.

Despite Option One being preferred in the current context, MBIE considers that, if cost and time pressures were not a factor, then Option Two would have a greater appeal. Going forward into future reviews, Option Two may be revisited and implemented, if circumstances allow.

Implementation plan

Regardless of which option is progressed, it will be given effect through updating the Regulations to reflect the new fees. MBIE is aiming for these new fees to come into effect on 1 July 2026.[4]

RSM will release clear information about the upcoming fee increases, including timeframes, several months in advance to give licence holders ample time to prepare and budget. The industry is already aware of the planned changes following the release of the discussion document in February, and RSM will be available to answer any queries from licensees.

RSM will be responsible for operationalising the new fee structure. They will continue to use existing powers to enforce fee payment.

Table 8 - Milestone Timeline

Milestone	Anticipated Deadline
Cabinet consideration of policy decisions for new fees (ECO)	October 2025
Drafting regulations – minor amendments	November – January 2025
Preparation for IT system changes	October – February 2025
Cabinet consideration of amended Regulations (LEG)	Late-February 2026
Regulations gazetted	March 2026
IT system changes implemented	March 2026 – July 2026
Website content updated	March – July 2026
New fees effective	1 July 2026

[4] Licence holders with anniversary dates in June 2026 will receive on 1 June 2026 a renewal notice for the period 1 July 2026 to 30 June 2027.

Monitoring and evaluation

MBIE will monitor licence application volumes, actual expenditure incurred, revenue collected, and the resulting impact on the memorandum account balance. The information gathered will help identify any significant over- or under-recovery and inform future reviews.

Impact on the memorandum account balance will be the key indicator of the effectiveness of the fees – a sustained surplus or deficit of more than 10 per cent may indicate that the fees need to be adjusted sooner.

Review

A comprehensive fee review will be carried out in three to five years. In addition, the memorandum account will be reviewed annually to ensure there is no unexpected sustained over- or under-recovery.

Annex 1 – Detailed Licence Volume Distribution Projections

Table 9 - Licence Volume Distribution

	Distribution of Annual Licence Volumes Across Fee Categories Over Past 8 Financial Years (Since New Categories Adopted)								*Projected Distribution of Annual Licence Volumes Across Fee Categories Over Next 5 Financial Years*					
Licence Categories	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	***2025/26***	***2026/27***	***2027/28***	***2028/29***	***2029/30***	***2030/31***
A. Amateur radio and spectrum licences	304	311	320	321	328	320	318	318	*318*	*318*	*318*	*318*	*318*	*318*
B. Land mobile licence (up to 5 pagers/repeaters)	550	565	580	568	545	379	371	413	*413*	*413*	*413*	*413*	*413*	*413*
C. Land mobile licence (over 5 pagers/repeaters)	119	93	108	110	115	114	105	109	*112*	*115*	*117*	*120*	*123*	*126*
D. Standard licence fee	41,316	44,027	46,488	48,305	51,462	50,444	56,517	59,454	*61,063*	*62,732*	*64,474*	*66,293*	*68,191*	*70,172*