

18 July 2018

Osmond Borthwick
Manager, Communications Policy
Commerce, Consumers & Communications
Building, Resources and Markets
Ministry of Business & Innovation



By email: communicationspolicy@mbie.govt.nz

Dear Osmond

Submission to MBIE – Recovery of increased funding for the Commerce Commission

Thank you for the opportunity to comment on the proposed recovery of additional funding for the Commerce Commission's (the Commission) requirements for the new Regulatory Regime set out in the Telecommunications (New Regulatory Framework) Amendment Bill (Bill). The consultation paper sets out a proposal for the methodology for recovering \$12 million over three years, which is the amount required by the Commission to implement the proposed new wholesale regulatory environment. The paper also seeks comment on a proposed increase of \$300,000 to the Commission's funding to compensate for broadcasting transmission services being included in the Telecommunications Act (the Act).

The TCF does not wish to comment on the cost recovery methodology for the proposed \$12 million over three years. Individual TCF members will provide their own submissions on this issue.

However, the TCF¹ does have some concern about the increase of \$300,000 to recover the cost of the Commission's expanded role which results from broadcasting transmission services being included in the Act.

An expansion of the Commission's role does not necessarily require an increase in funding. Rather, the Commission should be required to prioritise its work programme to ensure that it is able to remain within its appropriation.

The difficulty with the proposed increase of \$300,000 is that the industry has no ability to understand how this cost will be recovered and whether there will be any contribution by broadcasters. Contributions to the Telecommunications Regulatory Levy (TRL) are based on each company's qualifying revenue above a threshold of \$10 million per year. There is a possibility that broadcasting transmission qualifying revenues do not meet the contribution threshold and therefore the telecommunications industry will be required to absorb the full increase. The consultation paper has insufficient detail to allow any assessment of the potential level of liability for individual TCF members.

¹ Except for Trustpower and Chorus that do not support the submission.

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Any increase in the Commission's work programme has to be matched by increased activity by the industry to respond to the Commission, which means any increase in funding for the Commission has a double impact for the industry. Commercial entities do not have the ability to easily increase their revenues to meet the proposed increase in regulatory costs.

Consequently, the TCF does not support the increase of \$300,000, and recommends that the Commission is encouraged to remain within its current appropriation and reprioritise its work programme.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. Thorn', followed by a horizontal line.

Geoff Thorn
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