

# The Treasury

## Budget 2011 Information Release

### Release Document

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
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- [6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [7] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [10] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice.

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

**Vote Communications**

# Four-year Budget Plan

Version 1

1 December 2010

Submitted by:

**Ministry of Economic Development**

## Section 1: New Baseline and Summary of Changes

Vote Communications supports the development of efficient, reliable, and responsive ICT infrastructure and improved ease of doing business for firms by providing communications and IT-related policy advice, information, and services.

The primary focus for Vote Communications over the next four years is to ensure that we have the partnerships and legislative framework in place to deliver on the Government's ultra-fast broadband (UFB) and rural broadband (RBI) initiatives. At the same time, we will continue work to encourage demand for fibre by business and the health, education, and other government sectors. We will also be implementing a Telecommunications Development Levy (TDL) to provide funding for the RBI, emergency services and new Telecommunications Service Obligations (TSO) arrangements.

It is also important that we continue to prepare New Zealand for the digital switchover, including providing telecommunications operators with some certainty over when the band will become available for new mobile technologies, and how the allocation process will take place.

The other key focus for the Vote is how we manage the growing threat to New Zealand and the national economy from cyber-intrusions.

The priorities for the Information and Communications Technology portfolio therefore include:

- implementation of the key government broadband policies: UFB and RBI Initiatives
- leading the development of a National Cyber-security Strategy and implementing related policy initiatives such as the National Cyber Security Centre
- ongoing implementation of the Digital Switchover and allocation of the digital dividend for mobile broadband and other new uses.

This focus is reflected in the three priorities outlined in Section 2 below.

### Overall Impact

Operating	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Current Baseline	74,092 <sup>1</sup>	23,574	23,634	23,634	23,634
Cost of new/increased activities <sup>2</sup>	-	848	848	848	848
Amount reprioritised	-	-	-	-	-
New baseline	74,092	24,422	24,482	24,482	24,482

<sup>1</sup> Note that the 2010/11 baseline includes one-off transfers of \$2.540m to address Policy Advice fiscal pressures and \$48.000m RBI funding (likely to seek transfer at least in part to 2011/12, as although contracts will have been signed, funding commitments won't all be recognised as at 30 June 2011).

<sup>2</sup> Note that this is proposed to be funded via a reprioritisation from Vote Economic Development

Capital	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Capital proposals seeking decisions in Budget 2011	-	-	-	-	-
Capital proposals seeking new funding in Budget 2011.	-	228,500	-	-	-

## **Section 2: Vote Priorities and Pressures**

### **Vote Communications priorities**

#### *Implementation of the UFB and RBI Initiatives*

Work on this priority falls into four areas:

- completing the commercial negotiations and the regulatory environment for the UFB and RBI;
- undertaking a range of deployment initiatives to ensure fibre deployed through the RBI and UFB is undertaken efficiently and in a way that encourages uptake, including providing easier access to public land for deployment of fibre, working with Councils to ensure fibre is deployed in greenfields developments, and addressing the issue of access to multi-unit buildings for the deployment of fibre;
- encouraging the demand for fibre by business and the health, education, government sectors; and
- implementing a Telecommunications Development Levy (TDL) to provide funding for the RBI, emergency services and new Telecommunications Service Obligations (TSO) arrangements.

#### *Lead the development of a National Cyber-security Strategy*

The Communications and Information portfolio will lead the Government's development of a National Cyber-Security Strategy, outlining the government's cyber-security objectives and priorities, providing an overview of current and planned responses and agency roles, and coordinating all government cyber-security activity.

In addition, under the Vote we will work with the Department of Internal Affairs and the Government Communications and Security Bureau to develop the Cyber-Security Plan for government information and assets, which the Minister for Communications and Information Technology will present to Cabinet for consideration in early 2011.

This Ministry will also provide support to the Government Communications and Security Bureau in the implementation of a National Cyber-Security Centre.

#### *Ongoing implementation of the Digital Switchover and allocation of the 700 MHz band for mobile broadband and other new uses.*

The Ministry will continue to advance the work on digital switchover with the Ministry of Culture and Heritage, including supporting the completion of the extension of the free-to-air digital terrestrial television network coverage prior to the Rugby World Cup 2011 and implementing arrangements for the restacking of television frequencies so that the 700 MHz band is cleared and ready for the deployment of new mobile broadband services after the digital switchover is completed.

The Minister for Communications and Information Technology will report back to Cabinet by the end of 2011 on the technical planning and allocation of the 700 MHz band for new mobile broadband services, including consideration of Maori interests in this band.

[2],[3]

### **Vote Communications pressures**

[2],[3]

The Vote already had an ongoing shortfall of \$0.9m and the Ministry has acquired a number of additional ongoing functions under the Vote including:

- supporting the UFB and RBI - including not only the work around the regulatory settings and policy relating to the initiatives but also the subsequent work to assist with deployment and encouraging demand for fibre (going out at least ten years).
- becoming the lead policy agency for cyber-security.
- playing an active role in relation to the Ministerial Committee on Government ICT and the work resulting from this Committee.

The operational funding for the Vote is not large, making re-prioritisation somewhat challenging. In addition to the resources required for the functions above, much of the policy work is made up of necessary business as usual functions (i.e. support of emergency services, the Telecommunications Relay Service to meet the telecommunications needs of the deaf community, ongoing telecommunications regulation work which requires a response from government, for example responses to requests from Telecom to variations to the operational separation undertakings and increasing calls for action on international roaming charges, advice on international connectivity, working with industry bodies (e.g. the Telecommunications Carrier Forum) to encourage more effective industry

practices, for example disputes resolution, advice on postal policy, and input into the development of free trade agreements).

For this reason we believe there are no programmes or streams of work that can be cut. Work within the Vote is required as either business as usual or relates to government priorities.

**[2],[3]**

### **Section 3: Proposed Changes for Budget 2011 (Reprioritisation)**

[2],[3]

There is currently \$0.848m set aside in an output for infrastructure advice within Vote Economic Development. Around half of this money is currently being used for advice on energy and resource management issues and infrastructure resilience, and the other half of this is discretionary spend on overarching infrastructure issues.

As the UFB and RBI are critical infrastructure priorities for the government, and it would be difficult for Vote Communications to deliver on these initiatives without additional operational funding, we propose, with the agreement of the Minister for Economic Development, a transfer of \$0.848m per annum from Vote Economic Development “Policy Advice and Sector Leadership - Firm Capability, Sectoral and Regional Development” to Vote Communications “Policy Advice – Communications” for 2011/12 and out-years.

As this funding was originally set aside for policy advice on infrastructure we believe that moving it to advice on critical infrastructure would be in keeping with the original purpose for which it was set aside.

In relation to the portion of this \$0.848m currently being spent on energy and resource management issues and infrastructure resilience (mainly made up of salaries of people working on other energy policy issues as well) we believe Vote Energy has the capacity to absorb the cost of these issues within current baselines.

Aside from the above funding issues, we also require a transfer of any under-spend of non-departmental appropriations relating to broadband activities from 2010/11 to 2011/12 to accommodate delays (i.e. draw down is not likely to occur until early next year). Without these transfers, we would not have sufficient capacity to fund the government RBI, trans-Tasman cable investment and UFB commitments.

We therefore recommend:

- a transfer of any under-spend of the following non-departmental appropriations from 2010/11 to 2011/12 to accommodate delays:

- \$48 million other expense RBI appropriation “Broadband Investment (Rural Supply)”;
  - \$15 million capital expenditure trans-Tasman cable investment appropriation “Accelerating Broadband”; and
  - \$378 million capital expenditure Crown Fibre Holdings appropriation “Broadband Investment (Crown Company Capital Costs)”;
- up to \$0.500 million expense transfer in principle from 2010/11 to 2011/12 for the departmental appropriation Policy Advice – Communications, again to accommodate timing issues relating to RBI and cover one-off residual issues around the regulatory and deployment issues associated with the UFB and the RBI. For example UFB regulatory issues existing past June 2011, Resource Management Act implications from deployment, the development of fibre deployment standards for the Utilities Access Code, work with central and local government around deployment of fibre, work with other agencies around demand for fibre (Education, Health and Government ICT);
  - a fiscally neutral transfer of \$0.848 million per annum from the infrastructure-related portion of departmental policy advice funding within Vote Economic Development to Vote Communications;
  - \$28.5 million additional capital funding to centrally support fibre drop costs for schools, out of the remaining \$67.690 million not yet appropriated from the signalled \$150 million commitment to make schools broadband ready. Please note Cabinet has already agreed to take \$28.5 million for fibre drop costs from the remaining \$67.690 million, subject to the Budget 2011 process [CAB Min (10) 37/10 refers];
  - a further allocation of \$200 million capital funding for the Broadband Investment (Crown Company Capital Costs) appropriation from the original \$1,350 million UFB manifesto commitment; and
  - the establishment of new fiscally neutral appropriations and a memorandum account to implement the TDL arrangements.

- **Section 4: Summary of Financial Movements**

Please refer to the attached reports generated from CFISnet which detail the changes to appropriations (including new appropriations) which are required to implement all of the proposed changes in section 3.