

Cost Recovery Impact Statement

Annual Carrier Licence Charge for the charging period 1 July 2013 to 30 June 2014

MAY 2014

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1. Introduction

1.1 Purpose

The purpose of this Cost Recovery Impact Statement (CRIS) is to demonstrate compliance of the Annual Carrier Licence Charge (ACLC) with the Australian Government Cost Recovery Guidelines 2005 (the Guidelines). It also provides a summary of the cost recovery model used by the Australian Communications and Media Authority (the ACMA) and other participating organisations.

The ACLC amounts payable by carrier licensees for the period 1 July 2013 to 30 June 2014 are outlined in Attachment A.

1.2 Background and description of activity

The ACMA is a statutory authority within the Commonwealth Government Portfolio of Communications. It is responsible for administering the telecommunications regulatory regime which is established through the *Australian Communications and Media Authority Act 2005*, the *Telecommunications Act 1997* and the *Telecommunications Universal Service Management Agency Act 2012* (TUSMA Act).

The purpose of the ACLC is to fund activities of the ACMA, the Australian Competition and Consumer Commission (the ACCC) and the Department of Communications (DoC) in regulating telecommunications services provided by the licensed carriers.

The costs of the ACMA's other regulatory activities, such as those related to radiocommunications, internet content and broadcasting services, are not included in the ACLC. Further information about the full range of the ACMA's telecommunications activities can be found at www.acma.gov.au.

The ACLC for the 2013–14 financial year is allocated to licensed telecommunications carriers based on their eligible revenue within the meaning of the TUSMA Act for the 2012–13 financial year, as assessed by the ACMA. Carriers that were 'non-participating persons' within the meaning of the Telecommunications (Participating Persons) Determination 2013 (No. 2) for the eligible revenue period that began on 1 July 2012 and ended 30 June 2013 are, in effect, exempted from paying the ACLC. Generally, non-participating persons are carriers with initial sales revenue, gross telecommunications sales revenue or eligible revenue of less than \$25 million who lodge the required statutory declaration with the ACMA within the specified time frame¹ for the eligible revenue period (that is, the smaller carriers). Any carrier, who holds a licence on 1 July 2013 and is not a non-participating person, is required to pay the ACLC for the 2013–14 financial year, irrespective of whether they have surrendered or cancelled their licence subsequent to this date, and will be held liable for payment of the charge when it becomes due.

1.3 Australian Government cost recovery policy

In December 2002, the Australian Government adopted a formal cost recovery policy to improve the consistency, transparency and accountability of its cost recovery arrangements and promote the efficient allocation of resources. The underlying principle of the policy is that entities should set charges to recover all the costs of products or services where it is efficient to do so, where the beneficiaries are a narrow and identifiable group and where charging is consistent with Australian Government

¹ Refer section 40 of the TUSMA (Eligible Revenue) Determination 2013, www.comlaw.gov.au/Details/F2013L01199.

policy objectives. Cost recovery policy is administered by the Department of Finance and outlined in the Guidelines, which can be found at www.finance.gov.au.

In line with the policy, individual portfolio ministers are ultimately responsible for ensuring entities' implementation and compliance with the Guidelines.

2. Policy and statutory authority to cost recover

2.1 Government policy authority to cost recover

Over the past years, there have been a number of government decisions in relation to the activities funded through the ACLC revenue.

Explanatory Memorandum for the Telecommunications (Carrier Licence Charges) Bill 1996

The regulatory framework for the telecommunications industry was implemented through the introduction of a package of Bills, including the Telecommunications (Carrier Licence Charges) Bill 1996 to impose a fee on applications for carrier licences and an annual charge on carrier licences.

The Explanatory Memorandum for the Telecommunications (Carrier Licence Charges) Bill 1996, circulated by authority of the then Minister for Communications and the Arts, refers to the total amount of the charge on carriers having regard to the amounts attributable to the Australian Communications Authority (predecessor of the ACMA) and ACCC's telecommunications functions and powers for the immediately preceding financial year and the proportion of the Commonwealth's contribution to the budget of the International Telecommunication Union (ITU) for the calendar year.²

Explanatory Memorandum for the Telecommunications (Carrier Licence Charges) Amendment (Industry Plans and Consumer Codes) Bill 2005

The Explanatory Memorandum for the Telecommunications (Carrier Licence Charges) Amendment (Industry Plans and Consumer Codes) Bill 2005, circulated by authority of the then Minister for Communications, Information Technology and the Arts, articulated the government's intent to allow the total amount of annual charges that are imposed on carrier licences to include an additional amount, which would provide for industry bodies and associations that develop consumer-related industry codes to be reimbursed by the ACMA for their costs in developing those codes. The Explanatory Memorandum further referred to the amount of additional revenue raised in a financial year being directly referable to the total amount of costs reimbursed to industry bodies and associations by the ACMA during the previous financial year.³

2009–10 Budget

In the 2009–10 Budget⁴, the government provided \$7.5 million over four years (and ongoing for forward years) to the then Department of Broadband, Communications and the Digital Economy (DBCDE) to support the activities of the Australian Communications Consumer Action Network (ACCAN), which represents consumer interests in telecommunications, disseminates information to consumers through the internet and publications, engages and trains volunteer consumer advocates, coordinates responses to government initiated processes, and conducts conferences and workshops. The costs of this measure were to be included in the ACLC collected by the ACMA under the *Telecommunications (Carrier Licence Charges) Act 1997* (the Act).

² www.austlii.edu.au/au/legis/cth/bill_em/tlcb1996387/memo1.html

³ www.comlaw.gov.au/Details/C2005B00150/Explanatory%20Memorandum/Text

⁴ www.budget.gov.au/2009-10/content/bp2/html/bp2_expense-07.htm

2009–10 Mid-Year Economic and Fiscal Outlook

In the 2009–10 Mid-Year Economic and Fiscal Outlook⁵, the government provided \$3.4 million over two years (terminated in 2011–12 financial year) to the ACCC to implement reforms to telecommunications competition regulation, and \$1.2 million a year ongoing to the ACMA to manage the legislated consumer safeguards regime. The costs of this measure were to be included in the ACLC collected by the ACMA under the Act.

The measure underpinned the government's reforms to existing telecommunications regulation to:

- > address the high level of industry concentration to promote greater competition and consumer benefits
- > streamline and simplify the competition regime to provide more certain and quicker outcomes for telecommunications companies
- > strengthen consumer safeguards to ensure service standards are maintained at a high level
- > remove redundant and inefficient regulatory red tape.

2010–11 Budget

As part of the 2010–11 Budget⁶, the government provided \$24.0 million over five years (and ongoing for forward years) to the ACCC to establish and deliver the proposed regulatory arrangements for the National Broadband Network (NBN), including:

- > implementing specific access arrangements for the NBN, as well as initial preparatory work and industry consultation
- > undertaking regulatory reporting requirements
- > providing advice on pricing and quality of service.

The costs of this measure were to be included in the ACLC collected by the ACMA under the Act.

2011–12 Budget

As part of the 2011–12 Budget⁷, the government provided \$12.8 million over four years to the ACMA (\$7.2 million—terminating in 2015–16 financial year) and the ACCC (\$5.6 million and ongoing for forward years) to establish and deliver the regulatory arrangements for the National Broadband Network (NBN) set out in NBN Co Limited's (NBN Co) Statement of Expectations. The ACMA received this funding to develop and monitor the implementation of appropriate network standards and codes, including implementing compliance, auditing and monitoring program. The funding to the ACCC is essentially for:

- > competition analysis and monitoring
- > regularly monitoring the level of transmission services provided by other wholesale providers to NBN Co points of interconnect
- > setting appropriate benchmarks for transmission services to facilitate retail service providers' access to uniform national wholesale prices.

The costs of this measure were to be included in the ACLC collected by the ACMA under the Act.

⁵ www.budget.gov.au/2009-10/content/myefo/html/appendix_a_07.htm

⁶ www.budget.gov.au/2010-11/content/bp2/html/bp2_expense-04.htm

⁷ www.budget.gov.au/2011-12/content/bp2/html/bp2_expense-04.htm

2013–14 Budget

In the 2013–14 Budget⁸, the government provided \$1.3 million over four years (and ongoing for forward years) to the ACCC to investigate wholesale and retail mobile roaming charges between Australia and New Zealand. The ACCC will publish an annual roaming pricing report to increase price and margins transparency for trans-Tasman roaming.

The ACMA will include the costs of this measure as part of the ACLC from 2014–15 financial year over a period of four years.

2.2 Statutory authority to impose cost recovery charges

Section 12 of the Act imposes the ACLC on carrier licences that are in force at the beginning of a financial year (that is, 1 July 2013 for the purposes of this CRIS).

Subsection 14(1) of the Act specifies that the amount of the charge to be imposed on a carrier licence is the amount ascertained in accordance with a written determination made by the ACMA.

On 26 June 2013, the then Minister for Broadband, Communications and the Digital Economy issued the Australian Communications and Media Authority (Annual Carrier Licence Charge) Direction 2013 (the Direction 2013).⁹ The Direction 2013 requires the ACMA to make such determinations as are necessary under subsection 14(1) of the Act to have the effect of imposing an annual carrier licence charge of \$0 on a carrier licence that is:

- > in force at the beginning of a relevant financial year
- > held by a carrier that was a 'non-participating person' within the meaning of the Telecommunications (Participating Persons) Determination 2013 (No. 2) for the eligible revenue period immediately preceding that financial year.¹⁰

Accordingly, under the Telecommunications (Annual Carrier Licence Charge) Determination 2014 carriers who were non-participating persons for the eligible revenue period immediately preceding the relevant financial year are, in effect, exempted from the liability to pay the ACLC.

Section 15 of the Act requires that the total of the charges that are imposed on carrier licences must not exceed the sum of the cost components identified in paragraphs 15(1)(a) to 15(1)(d) of the Act (see Table 1). Further information on these cost components is provided in section 3.1 of the CRIS.

⁸ www.budget.gov.au/2013-14/content/bp2/html/bp2_expense-23.htm

⁹ Available at www.comlaw.gov.au/Details/F2013L01300. The Direction 2013 is in similar terms to an earlier direction made in 2011 by the then Minister for Broadband, Communications and the Digital Economy (see the Australian Communications and Media Authority (Annual Carrier Licence Charge) Direction 2011) which required the ACMA to make determinations under subsection 14(1) of the Act that, in effect, exempted carriers who were 'USO non-participating persons' within the meaning of the *Telecommunications (Consumer Protection and Service Standards) Act 1999*, for the eligible revenue period immediately preceding the relevant financial year, from the liability to pay the ACLC.

¹⁰ The Direction 2013 defines relevant financial year as the financial year that begins on 1 July 2013 and each later financial year.

Table 1 Structural components of the ACLC

Reference in the Act	Cost component
15(1)(a)	ACMA's cost component
15(1)(b)	ACCC's cost component
15(1)(c)	ITU contribution
15(1)(ca)	Development of consumer protection related industry codes
15(1)(d)	Government grants—consumer representation and research

In accordance with section 15 of the Act, the ACMA makes a determination specifying the amounts under paragraphs 15(1)(a), 15(1)(c) and 15(1)(ca) of the Act. In accordance with section 14 of the Act, the ACMA makes a separate determination which sets out the method for ascertaining the amount of ACLC imposed on liable individual carriers.

Similarly, the ACCC and the Minister for Communications make determinations in relation to the costs described in paragraphs 15(1)(b) and 15(1)(d) of the Act, respectively (see Table 2). All determinations are registered on the Federal Register of Legislative Instruments by the respective entities before the invoices are forwarded by the ACMA to the licensed carriers.

Table 2 List of legislative instruments for imposition of the ACLC for the 2013–14 financial year

No.	Determination	Made under
1	Telecommunications (Annual Carrier Licence Charge) Determination 2014 <i>(made by the ACMA)</i>	Section 14 of the Act
2	Telecommunications (Specification of Costs by ACMA) Determination 2014 <i>(made by the ACMA)</i>	Paragraphs 15(1)(a), (c) and (ca) of the Act
3	Determination Under Paragraph 15(1)(b) No. 1 of 2014 <i>(made by the ACCC)</i>	Paragraph 15(1)(b) of the Act
4	Determination Under Paragraph 15(1)(d) No. 1 of 2014 <i>(made by DoC)</i>	Paragraph 15(1)(d) of the Act

3. Cost recovery model

3.1 Costs to be included in the ACLC

There are five distinct cost components that are included in the total amount of the ACLC and levied on the carrier licences on an annual basis.

1. Determination of cost component under paragraph 15(1)(a) of the Act—the ACMA's costs

The amount for this component (see tables 3 and 4) represents the ACMA's costs incurred during the financial year 2012–13 in exercising its telecommunications functions and powers, as defined by section 7 of the *Telecommunications Act 1997*.

As a regulator of the telecommunications industry, the ACMA undertakes a range of activities, such as the development and variation of telecommunications standards, the monitoring of compliance of licensed carriers with the regulatory framework, the conduct of investigations and the taking of enforcement action in relation to breaches of the law. In addition, the ACMA carries out regulatory work for the NBN, such as the development of appropriate network standards and codes and a program of compliance, and undertaking monitoring activities that are also relevant for the rest of the telecommunications industry. Further details about the ACMA's telecommunications activities can be obtained from the ACMA's annual report.¹¹

The determination of the ACMA's costs to be recovered via the ACLC is subject to a rigorous process using an activity based costing (ABC) model. There has been no change in the methodology used to determine the costs from the previous financial year. Both direct and support (indirect) costs incurred by the ACMA in exercising its telecommunications functions and powers are captured by the model. Time is used as a primary means of allocating direct costs to activities while support costs are allocated using an appropriate cost driver (further detail on cost drivers is provided later in this section).

The ACMA's ABC model is reviewed annually by an external independent auditor for quality assurance purposes. The audit for this financial year's ACLC (the costs incurred in the financial year 2012–13) was undertaken by Oakton. The audit of the model specifically confirmed:

- > the costs input to the ABC model are consistent with the net cost of services¹² disclosed in the ACMA's 2012–13 audited financial statements
- > the cost drivers used to attribute costs within the ABC model are appropriate
- > the ABC model accurately reflects the consumption of resources by the ACMA, in providing the ACLC related services
- > the ABC methodology used by the ACMA is in accordance with the Guidelines.

¹¹ ACMA, *Annual report 2012–13*, www.acma.gov.au/theACMA/Library/Corporate-library/Corporate-publications/annual-report-2012--13

¹² Net cost of services incorporates all expenses and revenues attributed to the ACMA's telecommunications functions and powers, but excludes government appropriations and ACLC revenue.

In order to ensure that the allocation base for the ABC model remains accurate, the ACMA conducts agency-wide surveys twice a year. Table 3 below provides details for the direct costs and support costs of the ACMA's component at a major activity group level, namely:

Regulatory function

This includes regulation development activities under the existing legislative framework, the promotion of self and co-regulation and competition in the telecommunications industry (for example, the facilitation of the development of self-regulatory industry codes), the development and variation of telecommunications standards, the conduct of research on matters affecting telecommunications regulations, and the management of technical regulatory arrangements.

Industry monitoring and NBN

This includes activities such as monitoring and reporting on the service performance and compliance of telecommunications organisations (for example, against telecommunications standards and codes, NBN network standards and implementation), monitoring consumer safeguards that establish minimum performance standards, and monitoring the implementation of appropriate NBN standards and codes.

Compliance and enforcement

This involves handling stakeholder complaints, compliance monitoring of devices subject to labelling arrangements and telecommunications cabling, human exposure to electromagnetic energy and electromagnetic compatibility compliance, compliance with consumer protection codes, undertaking audit programs, issuing warning notices, and related enforcement activities.

Licensing and allocation

This includes planning, development and management activities in relation to telecommunications licences, and the planning, allocation and use of telecommunications resources and numbers. The activities associated with issuing licences and allocating numbers such as geographic, free-phone, local and premium numbers are not included as these services are delivered on a fee-for-service basis.

Other activities

All other activities in relation to the ACMA's telecommunications functions and powers are considered in this category including dealing with the telecommunications industry on national interest issues (for example, the management of a mutual recognition agreement).

Table 3 The ACMA's component at major activity group level, 2013–14

Major activity group	Direct cost	Support cost	Total cost
Regulatory function	\$3,433,614	\$4,029,914	\$7,463,528
Industry monitoring and NBN	\$3,673,165	\$3,873,860	\$7,547,025
Compliance and enforcement	\$612,145	\$661,850	\$1,273,995
Licensing and allocation	\$1,312,287	\$1,264,756	\$2,577,043
Other activities	\$151,262	\$197,012	\$348,274
Total costs	\$9,182,473	\$10,027,392	\$19,209,865

Direct costs are the costs directly incurred by the relevant line areas.¹³ These costs are attributed to their activities on the basis of information provided via the agency wide survey which reflects the consumption of resources relevant to telecommunications functions and powers. Direct costs include direct staff salaries, and other expenses (for example, contractors, consultants, suppliers, office consumables, travel) in relation to the line areas in carrying out telecommunications activities.

The support costs are the costs incurred by the ACMA's support services such as information technology (IT), finance, human resources, facilities, legal and other corporate services. These costs are allocated to activities using a number of cost drivers which include average staffing levels, the number of desks, the value of assets and an estimation of consumption of resources to reflect the appropriate support costs. The costs include all support staff salaries and other expenses (for example, contractors, consultants, suppliers, depreciation, occupancy) in relation to corporate support services.

The ACMA continues to contain costs, while providing improved services to the telecommunications industry and stakeholders. In doing so, the ACMA's component has decreased by 8.8 per cent from the previous financial year (see Table 4). This is partly due to the streamlining of activities during a restructure within the ACMA, following the transfer of telecommunications functions in relation to universal service obligations and national relay services to the TUSMA, and partly due to the reduction in budget for the ACMA's telecommunications activities.

¹³ Relates to Communications Infrastructure Division; Content, Consumer and Citizen Division; Digital Economy Division and Digital Transition Division.

Table 4 The ACMA's cost component

Costs	2013–14 Based on 2012–13 costs	2012–13 Based on 2011–12 costs	% change*
Employees	\$12,520,830	\$13,684,453	(8.5%)
Suppliers	\$3,522,501	\$4,000,071	(11.9%)
Total costs	\$16,043,330	\$17,684,524	(9.3%)
Overheads	\$3,166,535	\$3,368,481	(6.0%)
Total ACMA costs	\$19,209,865	\$21,053,005	(8.8%)

*increase/(decrease)

The ACLC does not include the costs associated with the telecommunications activities listed in Attachment B, as they are either budget-funded or delivered on a fee-for-service basis. The ACMA has not budgeted for any additional activities that relate to telecommunications functions and powers for the financial year 2013–14. Given that the running costs of the ACMA continue to be reduced, the level of expenditure that is to be recovered via the ACLC for the next financial year is also not expected to change significantly.

2. Determination of cost component under paragraph 15(1)(b) of the Act—the ACCC's costs

The ACCC makes a written determination annually under paragraph 15(1)(b) of the Act, which sets the proportion of its costs attributable to the telecommunications functions and powers of the ACCC in the immediately preceding financial year (that is, 2013-14 ACLC component for the purposes of this CRIS). The ACCC's telecommunications functions and powers are defined by section 7 of the *Telecommunications Act 1997*.

Along with the ACMA, the ACCC has commenced significant work in relation to the establishment of regulatory arrangements for the NBN. As mentioned in section 2.1 of the CRIS, this work will include competition analysis and monitoring, including regularly monitoring the level of transmission services provided by other wholesale providers to NBN Co points of interconnect, and setting appropriate benchmarks for transmission services to facilitate retail service providers' access to uniform national wholesale prices. The ACCC's other activities funded through the ACLC relate to:

- > complaints investigations relating to anti-competitive behaviour in the communications sector
- > compliance monitoring activities, which include Telstra's compliance with its Operational Separation Plan
- > regulated transmission, fixed line and mobile services.

Further information about the ACCC's activities can be found at www.accc.gov.au.

The ACCC's direct costs are the costs directly incurred by the line areas involved with carrying out the activities. These costs include staff salaries and other expenses in relation to the line areas in carrying out telecommunications activities. Direct costs are derived from the following areas:

- > communications group
- > convergence and mobility
- > access operations and pricing

- > NBN engagement and group coordination
- > industry structure and compliance.

The ACCC's support costs are the costs incurred by the ACCC's corporate divisions including Finance, Human Resources, Legal, Property, IT, Regulatory Affairs Divisions and Legal Group. These costs include staff salaries and other expenses in relation to the ACCC's corporate activities. Support costs are allocated based on specific cost drivers as shown in Table 5 below:

Table 5 Allocation of the ACCC's support costs

Category	Allocation method
Executive	Allocated based on the direct costs of communications group as a percentage of the total ACCC's costs (excluding legal related costs).
Corporate management	
Corporate services	
Finance	
Strategic communications	
Information and technology	Allocated based on a percentage of FTE.
Human resources	
Property	
Asset usage	
Legal	Allocated based on a percentage of legal-related expenditure.

This methodology reflects the appropriate consumption of resources by areas involved in relevant telecommunications activities.

The total cost for the ACCC's activities has been derived from relevant direct costs and support costs for the 2012–13 financial year (see Table 6).

Table 6 The ACCC's component

Costs	2013-14 Based on 2012–13 costs	2012–13 Based on 2011–12 costs	% change*
Employees	\$8,124,604	\$8,200,139	(0.9%)
Consultancy and travel	\$177,831	\$231,372	(23.1%)
Other	\$381,674	\$231,395	64.9%
Total direct costs	\$8,684,109	\$8,662,906	0.2%
Overheads	\$6,320,528	\$5,151,908	22.7%
Total ACCC's costs	\$15,004,637	\$13,814,814	8.6%

*increase/(decrease)

The ACCC's component for 2013–14 has been calculated at \$15,004,637, representing an 8.6 per cent increase on the prior financial year. The increase is due to a range of factors:

- > A revised model for allocating overheads was developed, whereby more relevant drivers are used for different expenditure categories. In particular, cost allocation based on the percentage of Full-Time Equivalent (FTE) as they relate to property, IT, human resources, and asset usage was determined to provide a more accurate reflection of consumption of resources. This resulted in a higher base of overhead costs being allocated representing approximately \$0.4m of the variance.
- > Costs relating to accruals (for employee entitlements) and asset usage charges (derived from depreciation) were not included in the model used to derive the prior year's ACLC component. With the transition to the revised model used by the ACCC, these accrual and asset usage charges have been incorporated into the calculation of the 2013–14 component. As these costs have increased the overall cost base, it has resulted in a variance from the previous financial year's component. This accounted for approximately \$0.7m of the variance.

3. Determination of cost component under paragraph 15(1)(c) of the Act—the ITU costs

This component relates to the proportion of the Commonwealth's annual contribution to the budget of the ITU associated with telecommunications for the calendar year (2013) in which the beginning of the financial year occurs. The amount prescribed in the determination is calculated by the DoC.

The DoC coordinates Australia's participation in the ITU, the specialised United Nations agency responsible for international cooperation in the use of telecommunications and radiofrequency spectrum. Australian organisations, both government and private, participate in many of the specialist ITU meetings including study groups, which develop recommendations for international adoption, and keep relevant treaties under review. Table 7 provides the comparison of ITU contributions for the calendar years 2012 and 2013:

Table 7 ITU component

	Telecommunications sector	Radiocommunications sector	Total
	AUD	AUD	AUD
2013	1,601,578	3,436,414	5,037,992
2012	1,680,159	3,646,914	5,327,073
Decrease	(4.68%)	(5.77%)	(5.43%)
Ratio 2013	31.79%	68.21%	
Ratio 2012	31.54%	68.46%	
	SWISS FRANCS	SWISS FRANCS	SWISS FRANCS
2013	1,502,078	3,222,922	4,725,000
2012	1,490,265	3,234,735	4,725,000
Increase/(decrease)*	0.79%	(0.37%)	
Ratio 2013	31.79%	68.21%	
Ratio 2012	31.54%	68.46%	

*increase/(decrease)

The Commonwealth contributions to the ITU, amounting to 4,725,000 Swiss Francs, are made directly by the DoC each year, covering both the telecommunications and radiocommunications sectors. The same level of contribution is expected to be made for the 2014 calendar year.

In order to separate the costs that are relevant to the telecommunications sector, the DoC has established a ratio which is based on the components of ITU's output costs. The output costs are ascertained from ITU's activity based costing model. Accordingly, for the year 2013, a ratio of 31.79:68.21 was derived for the telecommunications standardisation sector and the radiocommunications sector respectively. The decrease of 5.43 per cent (AUD) for the telecommunications sector component in 2013 is essentially attributable to exchange rate fluctuation.

4. Determination of cost component under paragraph 15(1)(d) of the Act— Government grant for consumer representation program

Section 593 of the *Telecommunications Act 1997* provides the Minister for Communications, on behalf of the Commonwealth, with the power 'to make a grant of financial assistance to a consumer body for purposes in connection with the representation of the interests of consumers in relation to telecommunications issues'.

Since 2009–10, this grant has been provided to ACCAN as the peak body representing consumers of telecommunications services. ACCAN is provided \$2 million (CPI indexed) per annum as part of a second multi-year funding agreement until 2017. Milestone payments under this agreement are made directly by the DoC as the Commonwealth delegate. This funding is subsequently recouped by the ACMA as a component of the ACLC calculated under paragraph 15(1)(d) of the Act.

Table 8 Consumer representation grant program

Grant	2013–14	2012–13	Variance
National advocacy, education and research by the peak body for telecommunications consumers (ACCAN)	\$2,166,000	\$2,127,000	\$39,000
Total	\$2,166,000	\$2,127,000	\$39,000

The increase of \$39,000 is due to indexation. ACCAN will continue to be resourced to a level that will enable it to conduct activities necessary for an effective peak communications consumer advocate, including representation, research, consumer education and participation in self-regulatory activities. ACCAN also operates a competitive Independent Grants Scheme, which allows individuals and organisations to undertake research or representation projects in the interest of telecommunications consumers. Accordingly an amount of \$2.21 million (CPI indexed) has been estimated for the 2014–15 financial year.

The mid-term review of ACCAN, which was undertaken by the then DBCDE in 2011, concluded that ACCAN had established itself as a well-regarded and effective organisation in representing the interests of consumers in the telecommunications sector.

5. Determination of cost component under paragraph 15(1)(d) of the Act— Development of consumer protection codes

This component represents the sum of the amounts paid under section 136C of the *Telecommunications Act 1997* for the immediately preceding financial year (that is, the 2012–13 financial year). Section 136C of the *Telecommunications Act 1997* allows the

ACMA, in certain circumstances, to make payments on behalf of the Commonwealth for the development of certain industry codes by a telecommunications industry body or association which are subsequently registered by the ACMA under Part 6 of the *Telecommunications Act 1997*.

The amount included in the ACLC for the purposes of this CRIS is \$320,949, which represents the actual payment made by the ACMA in the 2012–13 financial year for the development of Telecommunications Consumer Protection Code C628:2012 by Communications Alliance Ltd. An amount of \$210,405 was paid in the 2011–12 financial year by the ACMA for the development of the Mobile Premium Services Code by Communications Alliance Ltd.

3.2 Structure of the ACLC

The ACLC is imposed as a levy. This legal form of charging is considered appropriate as it encompasses a number of regulatory and other activities that may not be easily or cost effectively attributed to individual licensed carriers and hence translated into direct fees, but can be attributed to the telecommunications industry as a group.

Establishment of individual levy amounts

For the purpose of ascertaining the levy for liable individual licensed carriers, their 'eligible revenue', as assessed by the ACMA, is used as a basis for allocating the total ACLC. There has been no change in the method for the establishment of individual charges.

In accordance with the Direction 2013, non-participating persons (that is, the smaller carriers) are, in effect exempted from the liability to pay the ACLC. While the total ACLC continues to include costs that may be incurred by the ACMA in regulating non-participating persons, the ACMA estimates that the impact of exempting non-participating persons from the liability to pay the ACLC is insignificant. This was established at the time the initial Direction was introduced in 2011 to remove unnecessary red tape in telecommunications regulation.

The ACMA collects financial information from the telecommunications industry annually in the form of a written eligible revenue return in order to assess the eligible revenue of each participating person (as defined in section 92 of the TUSMA Act) in accordance with subsection 96(1) of the TUSMA Act. The applicable eligible revenue amounts for the purposes of calculating the ACLC for the 2013–14 financial year, relate to the immediately preceding financial year (that is, the 2012–13 financial year).

The following formula is used for allocating the total charge to liable individual carriers:

$$(MCA - OTC) \times \frac{ER}{TER}$$

Where:

- > MCA is the maximum charge amount
- > OTC is the other telecommunications charges¹⁴
- > ER is the individual carrier's eligible revenue
- > TER is the total eligible revenue.

¹⁴ This is the amount of the ACMA's costs for the immediately preceding financial year that is attributable to the ACMA's telecommunications functions and powers, but has been met from telecommunications charges other than the ACLC (see Attachment B).

The 'ER/TER' determines the individual proportion of the carrier's assessed eligible revenue relative to the total assessed eligible revenue for those carriers who are liable to pay the ACLC. In summary, the formula allocates the total ACLC to the individual carriers, in the same proportion as their assessed eligible revenue relates to the total assessed eligible revenue. Attachment A outlines the charges that will apply to relevant carriers for the period 1 July 2013 to 30 June 2014.

4. Stakeholder engagement

On application for a carrier licence, carriers are advised that an instrument made under subsection 14(1) of the Act specifies the amount of ACLC imposed on persons who hold a carrier licence that was in force on the first day of the relevant financial year. The ACMA is required to make the Telecommunications (Annual Carrier Licence Charge) Determination and the Telecommunications (Specification of Costs by ACMA) Determination for the purposes of the ACLC.

With respect to the Telecommunications (Specification of Costs by ACMA) Determination 2014, the ACMA considered that consultation was unnecessary on the basis that the Determination is minor or machinery in nature and does not substantially alter existing arrangements.

With respect to the Telecommunications (Annual Carrier Licence Charge) Determination 2014, the ACMA considered that consultation was unnecessary on the basis that the Determination is minor in nature and does not substantially alter existing arrangements. The Determination is to impose an ACLC of \$0 on certain carrier licences in accordance with the Direction 2013 to which the ACMA is bound. The Determination is to also set out a method for ascertaining the amount of ACLC imposed on other carrier licences, which is substantially the same as the method set out in the Telecommunications (Annual Carrier Licence Charge) Determination 2012 (that applied to carrier licences in force at the beginning of the 2011–12 financial year) and the Telecommunications (Annual Carrier Licence Charge) Determination 2013 (that applied to carrier licences in force at the beginning of the 2012–13 financial year). The method was the subject of consultation as part of a review of the ACMA's cost recovery arrangements undertaken in late 2011.

5. Financial information

The summary of all components identified in paragraphs 15(1)(a) to 15(1)(d) of the Act is provided in Table 9. The ACLC amount for 2013–14 financial year has decreased by 1.5 per cent from the previous financial year. The estimated ACLC revenue for 2014–15 financial year disclosed in 2014–15 Budget is \$46.2 million. However, the estimated ACLC revenue is difficult to forecast as organisational changes in the participating organisations are currently underway. The ACLC revenue estimate will be subject to a portfolio review before 2015–16 Budget.

Table 9 ACLC summary by cost component

Reference in the Act	Cost component	2013-14 ACLC Actual	2012-13 ACLC Actual
15(1)(a)	ACMA's cost component	\$19,209,865	\$21,053,005
15(1)(b)	ACCC's cost component	\$15,004,637	\$13,814,814
15(1)(c)	ITU contribution	\$1,601,578	\$1,680,159
15(1)(d)	Government Grants—Consumer Representation and Research	\$2,166,000	\$2,127,000
15(1)(ca)	Development of consumer protection related industry codes	\$320,949	\$210,405
Total		\$38,303,029	\$38,885,383

6. Key forward dates and events

As the ACLC is set on an annual basis, the ACMA is able to ascertain the actual costs of its activities before they translate into the charges for the applicable period. This essentially eliminates the risk of over or under recovery from the telecommunications industry. Reflecting the annual nature of the ACLC, the CRIS is also updated on an annual basis. The key forward events and dates for the ACLC process for the 2014–15 financial year are provided in Table 10 below.

Table 10 Key forward dates and events for the recovery of ACLC

Key events	Organisation	Date
Update of forward estimates	ACMA, ACCC & DoC	July 2014
Update of actual amounts	ACMA	February 2015
	ACCC	February 2015
	DoC	February 2015
Portfolio charging review	ACMA	2014–15 financial year

7. CRIS approval and change register

Certification

I certify that this CRIS complies with the Australian Government Cost Recovery Guidelines.

.....
Chief Executive Officer
Chris Chapman

Date of Certification:/...../2014

Change register

Date	Description	Approved by	Comments
28 May 2014	Certification of the CRIS	ACMA CEO	
18 June 2014	Agreement to the CRIS	The Minister for Communications	

Glossary

ABC	Activity Based Costing
ACCC	Australian Competition and Consumer Commission
ACCAN	Australian Communications Consumer Action Network
ACLC	Annual Carrier Licence Charge
ACMA	Australian Communications and Media Authority
ACMA Act	<i>Australian Communications and Media Authority Act 2005</i>
CRIS	Cost Recovery Impact Statement
DBCDE	Department of Broadband, Communications and the Digital Economy
Direction 2013	Australian Communications and Media Authority (Annual Carrier Licence Charge) Direction 2013
DoC	Department of Communications
ER	eligible revenue
FTE	Full Time Equivalent
Guidelines	Australian Government Cost Recovery Guidelines July 2005
ITU	International Telecommunication Union
IT	Information Technology
MCA	maximum charge amount
NBN	National Broadband Network
OTC	other telecommunications charges
TER	total eligible revenue
the Act	<i>Telecommunications (Carrier Licence Charges) Act 1997</i>
TUSMA Act	<i>Telecommunications Universal Service Management Agency Act 2012</i>

Attachment A

ACLC for 2013–14

No.	Carrier licence in force at 1 July 2013	ACLC amount
1	A.C.N. 088 889 230 Pty Ltd	\$15,797
2	AAPT Limited	\$279,580
3	AARNet Pty Ltd	\$54,416
4	Adam Internet Pty Ltd	\$45,822
5	Agile Pty Ltd	\$153,486
6	Amcom Pty Ltd	\$101,591
7	Chime Communications Pty Ltd	\$233,279
8	Datafast Telecommunications Pty Ltd	\$38,864
9	Digital Distribution Australia Pty Limited	\$44,397
10	Ipstar Australia Pty Ltd	\$46,125
11	Macquarie Telecom Pty Limited	\$121,018
12	New Skies Satellites Australia Pty Ltd	\$45,136
13	Nextgen Networks Pty Limited	\$216,605
14	Nextgen Telecom Pty Ltd	\$1,020
15	Nextgen Telecom (WA) Pty Ltd	\$23
16	Optus Mobile Pty Limited	\$5,671,799
17	Optus Networks Pty Limited	\$2,437,548
18	Pipe International (Australia) Pty Ltd	\$24,013
19	PIPE Networks Pty Limited	\$114,562
20	Primus Telecommunications Pty Limited	\$274,416
21	Soul Pattinson Telecommunications Pty Limited	\$405,352
22	Telstra Corporation Limited	\$24,054,710
23	Telstra Multimedia Pty Limited	\$454,230
24	TransACT Capital Communications Pty Ltd	\$66,655
25	Uecomm Pty Limited	\$186,232
26	Unwired Australia Pty Limited	\$3,493
27	Verizon Australia Pty Limited	\$61,304
28	Victorian Rail Track	\$42,266
29	Vividwireless Pty Ltd	\$32,507
30	Vodafone Australia Pty Limited	\$2,542,843
31	Vodafone Hutchison Australia Pty Limited	\$527,879
32	XYZed Pty Ltd	\$6,061
Total		\$38,303,029

Attachment B

Telecommunications activities not included in the ACLC

Smartnumbers® auction activities

The costs associated with numbers auctioned under the smartnumbers auction system are not recovered from industry on the basis that costs would be offset by auction proceeds, except for an application charge to register for the auction which is cost recovered on a fee basis.

Spam and e-security activities

These activities include anti-spam activities carried out in accordance with the *Spam Act 2003* and e-security activities. The costs associated with these activities are considered not appropriate to recover from the telecommunications carriers as the direct beneficiaries are the members of the public.

Do Not Call Register and telemarketing related activities

In accordance with subsection 15(4) of the *Telecommunications (Carrier Licence Charge) Act 1997*, the activities conducted under the *Do Not Call Register Act 2006* and the *Telecommunications Act 1997* to the extent that they relate to telemarketing do not form part of the ACMA's telecommunications functions and powers.

Public information activities

These activities include the production of information for the general public on consumer awareness. The costs of these activities are considered to be more appropriately met through budget funding.

Other telecommunications activities

The following activities are delivered on a fee-for-service basis:

- > carrier licence applications
- > nominated carrier declaration licence applications
- > numbering applications
- > Smartnumber registrations
- > submarine cable installation permit applications
- > connection permit applications.