



## Australian Communications and Media Authority

# COST RECOVERY IMPACT STATEMENT

A report on cost recovery arrangements related to the services provided by the Australian Communications and Media Authority and expenses incurred by ACMA under the *Australian Communications and Media Authority Act 2005*, the *Telecommunications Act 1997*, the *Telecommunications (Consumer Protection and Service Standards) Act 1999*, the *Radiocommunications Act 1983* and the *Broadcasting Services Act 1992*.

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Published by the Australian Communications and Media Authority

Canberra Central Office  
Purple Building, Benjamin Offices  
Chan Street, Belconnen  
PO Box 78,  
Belconnen ACT 2616

Tel: 02 6219 5555  
Fax: 02 6219 5200

Melbourne Central Office  
Level 44, Melbourne Central Tower  
360 Elizabeth Street, Melbourne  
PO Box 13112 Law Courts  
Melbourne Vic 8010

Tel: 03 9963 6800  
Fax: 03 9963 6899  
TTY: 03 9963 6948

Sydney Central Office  
Level 15, Tower 1 Darling Park  
201 Sussex Street, Sydney  
PO Box Q500  
Queen Victoria Building NSW 1230

Tel: 02 9334 7700, 1800 226 667  
Fax: 02 9334 7799



## Australian Communications and Media Authority

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# Overview

## 1.1 Purpose

The Australian Communications and Media Authority (ACMA) is Australia's regulator for broadcasting, the internet, radiocommunications and telecommunications.

ACMA has been formed by the merger of the Australian Communications Authority (ACA) and the Australian Broadcasting Authority (ABA) on 1 July 2005. Cost recovery arrangements of the then Australian Communications Authority were last reviewed in 2003.

This Cost Recovery Impact Statement results from a scheduled review of ACMA's cost recovery arrangements, which was undertaken in accordance with the *Australian Government Cost Recovery Guidelines*.

## 1.2 Background

ACMA regulates broadcasting, the internet, radiocommunications, and telecommunications according to its functions and powers under the *Australian Communications and Media Authority Act 2005*. ACMA also exercises powers under the *Broadcasting Services Act 1992*, the *Radiocommunications Act 1992*, the *Telecommunications Act 1997*, the *Spam Act 2003* and the *Telecommunications (Consumer Protection and Service Standards) Act 1999*.

ACMA's primary responsibilities are to:

- plan the availability of segments of radiofrequency spectrum bands used by broadcasting services and manage access to spectrum through broadcasting licence arrangements;
- manage access to other radiofrequency spectrum bands through radiocommunications licence arrangements and resolve competing demands for spectrum through price-based allocation methods;
- investigate and help resolve radiocommunications interference;
- licence telecommunications carriers;
- ensure the provision and maintenance of safeguards and standards to protect the users of communications products and services;
- regulate communications sector compliance with licence conditions, codes of practice, standards, service guarantees, telecommunications universal service requirements and other consumer safeguards;

- facilitate the provision of sufficient community information to enable informed decisions about communications products and services;
- administer legislative provisions regarding the installation and protection of submarine cables, and the powers and immunities of carriers in constructing telecommunications facilities;
- regulate the transmission of unsolicited electronic messages (spam);
- report on telecommunications industry performance;
- administer the Telecommunications Numbering Plan;
- conduct research into community attitudes on broadcast programming matters;
- ensure compliance with the ownership and control provisions of the Broadcasting Services Act 1992;
- inform itself of technological advances and service trends in the communications sector; and
- represent Australia's communications interests internationally.

In addition, ACMA has specific program functions conferred under other legislation that require new cost recovery arrangements to be established. These program activities include:

- The Postal Industry Ombudsman cost recovery and billing arrangement under the *Postal Industry Ombudsman Act 2006*; and
- The Do Not Call Register.

Section 60 of the *Australian Communications and Media Authority Act 2005* provides that ACMA may, by written instrument, make determinations fixing charges for services provided by the ACMA and in relation to any matter in which expenses are incurred by ACMA under this Act, the *Telecommunications Act 1997*, the *Telecommunications (Consumer Protection and Service Standards) Act 1999* and the *Broadcasting Services Act 1982*. These charges must not be such as to amount to taxation.

ACMA collects regular revenue through broadcasting, radiocommunications and telecommunications licence fees and charges for telecommunications numbers. In 2005-06, ACMA's budget funding was \$72.857 million and actual regular revenue collection was \$734.83 million. Non-regular revenue was raised from market-based spectrum allocation and the auction of **smartnumbers®**.

The cost recovery component of the total revenue collected was approximately 7 per cent of the total income which ACMA managed in 2005-06. ACMA received \$54.75 million in revenue in 2005-06 generated from cost recovered activities. The telecommunications carrier licence charge and spectrum management component of the radio spectrum management tax generated over 90 per cent of ACMA's cost recovered revenue in 2005-06. See table 1.

**Table 1: Revenue from ACMA cost recovery charges**

Charge	Revenue in 2004-05 \$000s	Revenue in 2005-06 \$000s	Expected revenue from fees and charges 2006-07 \$000s
<b>Telecommunications</b>			
Annual carrier licence charge*	25,081	23,047	22,467
other telecommunications charges	180	124	110
<b>Broadcasting</b>			
	38	36	68
<b>Radiocommunications</b>			
Spectrum management component#	27,450	28,312	28,878
Assigned licence issue	1,797	1,529	2,196
Renewals – assigned licences	942	764	477
Non-Assigned licence issue/renewal	537	523	262
Licence Variation	261	222	262
Spectrum licensing	87	56	72
Type testing	287	139	211
<b>Total Revenue</b>	<b>56,660</b>	<b>54,752</b>	<b>54,787</b>
<b>Total ACMA costs (2003-04 and 2004-05) (annual report figures)</b>	<b>76,861</b>	<b>76,679</b>	<b>73,799</b>
<b>Total budget funded (annual report figures)</b>	<b>77,392</b>	<b>73,398</b>	<b>72,857</b>

\* Part of the annual carrier licence charge attributable to ACMA costs alone

# Notional cost recovery component of ACMA indirect radiocommunications costs

### 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. Cost recovery policy is administered by the Department of Finance and Administration and outlined in the *Australian Government Cost Recovery Guidelines* and the review schedule is outlined in Finance Circular 2005/09.

The underlying principle of the policy is that agencies should set charges to recover all the costs of products or service where it is efficient and effective to do so, where the beneficiaries are a narrow and identifiable group and where charging is consistent with Australian Government policy objectives.

## WHAT IS COST RECOVERY?

The Government's *Cost Recovery Guidelines* define cost recovery as broadly encompassing “*fees and charges related to the provision of government goods and services (including regulation) to the private and other non-government sectors of the economy.*” Australian Government cost recovery charges fall into two broad categories:

- Fees for goods and services; and
- ‘Cost recovery’ taxes (primarily levies, but also some excises and customs duties).

Used appropriately, cost recovery can improve economic efficiency. Cost recovery may also have equity effects. It may improve equity by ensuring that those who use regulated products bear the costs. For regulatory agencies these broad principles suggest that the price of regulated products should incorporate all of the costs of bringing them to market, including the administrative costs of regulation. However, cost recovery may not be warranted where:

- It is not cost effective;
- It would be inconsistent with policy objectives; or
- It would stifle competition and industry innovation (for example through ‘free rider’ effects).

# Policy Review

## 2.1 Scope of the Review

As part of the Government's Cost Recovery Guidelines, agencies are required to undertake an initial policy review to identify:

- which of the agency's objectives are relevant to the activities or products being considered for cost recovery; and
- whether cost recovery should be introduced;
- the type of charge that should apply; and
- the mechanisms, including consultation that could be used for ongoing monitoring of the effectiveness and efficiency of charges.



ACMA reviewed its existing regulatory and information activities to assess the ongoing requirement for the activity and the appropriateness of the current level and application of charges. The review has been undertaken in the context of existing legislation that has established ACMA’s powers to recover the costs of its regulatory and information functions and activities. It should be noted that ACMA also collects revenue on behalf of the Government from industry participants through other arrangements such as from broadcast licensing fees, universal service obligation levies and annual numbering taxes. Unlike cost recovery “taxes” these other fees and charges have pricing formulae established under separate legislation which is not explicitly linked to the costs of undertaking a specific regulatory activity.

## 2.2 Agency objectives relevant for cost recovery

ACMA has four main objectives which inform its approach to the regulation of the communications industry and which are relevant to cost recovery. These objectives are described in the Outcomes/Outputs measures for the organisation (see table below).

Cost recovery guidelines activity type	ACMA Outputs
regulatory	1.1 Effective regulation of the communications industry;
	1.2 Planning and licensing of communications services;
	2.1 Ensuring the provision of community standards and safeguards which reflect broad community expectations;
information	2.2 Facilitating sufficient community information to enable informed decisions about communications products and services.

In meeting those objectives, ACMA undertakes a range of regulatory, information and program based activities which are relevant to cost recovery considerations and which include:

- Regulatory activities, such as:
  - Issuing rights and privileges such as telecommunications, radiocommunications and broadcasting licences and telecommunications numbers;
  - Registration and approval processes such as permit applications;
  - Monitoring and compliance with technical, performance and content standards; and
  - Investigations and enforcement activities; and

- Information activities that include reports and publications and provision of information to consumers about service safeguards.

Section 60 of the *Australian Communications and Media Authority Act 2005* (the ACMA Act), provides that ACMA may, by written instrument make determinations fixing charges for services provided by the ACMA and in relation to any matter in which expenses are incurred by ACMA under this Act, the *Telecommunications Act 1997*, the *Telecommunications (Consumer Protection and Service Standards) Act 1999*, the *Radiocommunications Act 1992* and the *Broadcasting Services Act 1992*.

To date, ACMA has recovered costs for its information and regulatory activities under telecommunications, radiocommunications and to a more limited extent, broadcasting functions. ACMA's regulatory activities under the *Spam Act 2003* are excluded from cost recovery arrangements under section 60 of the ACMA Act.

In addition, charging arrangements are also established under separate legislation for the Do Not Call Register scheme (the *Do Not Call Register Act 2006*) and complaints investigation functions under the Postal Industry Ombudsman Scheme established under the *Postal Industry Ombudsman Act 2006*.

## 2.3 Should cost recovery be introduced

In reviewing its existing activities and assessing the case for introducing cost recovery to additional areas of activity, ACMA considered and applied the following principles from the *Cost Recovery Guidelines* framework to determine whether the case for cost recovery for individual activities is supported by:

- a direct link between the provision of an activity or service by ACMA and an individual beneficiary or an identified group of beneficiaries (or those who create the need for regulation);
- the policy rationale for undertaking the activity as described in legislation;
- a clear legal basis for introducing charges, consistent with ACMA's powers as outlined under section 60 of the ACMA Act, or as defined in other legislation; or
- the capacity for a charging structure that is consistent with the objectives for the activity and would not unduly stifle competition and industry innovation.

An issue ACMA also considered in the policy review was how its activities as converged regulator could be reflected in a more consistent and converged industry approach to the provision of services which are cost recovered. The review has sought to apply a consistent policy to the treatment of ACMA's regulatory activities so that industry participants that are seeking services or products from ACMA are treated in a similar way, within the parameters established by legislation.

ACMA has sought to apply a fee for service where there is an individual beneficiary of the activity undertaken by ACMA. Pricing principles that apply to individual activities are currently defined in different sets of legislative instruments. To date, pricing principles have been developed on an industry sectoral basis which has led to some key areas of difference in approach, particularly in relation to formulae outlined in legislation for determining licensing charges.

Information activities are another area where existing arrangements lead to different charging treatment across industry sectors. Information activities are currently cost recovered under pricing formulae that attribute the cost of all telecommunications to the annual carrier licence charge and spectrum management functions to the spectrum annual tax.

The review has noted that developing a converged, technology neutral approach for licensing taxes and a more consistent approach to the pricing principles that underpin the cost recovered aspects of telecommunications, broadcasting and spectrum licensing activities would require a review of aspects of existing legislation. The review noted that the potential to apply cost recovery to converging technologies and service may be constrained by the existing legislation, but this would need to be examined on a case-by-case basis. Any review of legislation would be a matter for Government consideration.

## **2.4 Outcomes from the review of activities**

The review process has identified services and products where existing cost recovery charges should be updated to reflect ACMA's current costs, and where new cost recovery arrangements could apply. The review also clarified the basis for the exclusion of specific activities from cost recovery arrangements.

### **POTENTIAL NEW CHARGING PROPOSALS**

A number of activities undertaken by ACMA which are not currently subject to cost recovery, have been identified as potentially suitable for cost recovery. The key activity areas concern the recovery of ACMA's administrative costs in licensing and registration and approval processes for commercial broadcasters. Five licensing activities have been identified for potential cost recovery and relate to licence applications and variations requested by commercial broadcasters.

For registration and approval processes, three activities have been identified for potential cost recovery, covering prior approval and standards setting processes requested by commercial broadcasters and program producers for a specific commercial benefit.

For investigations and compliance activities, the review did not identify any new charging proposals on the basis that charging would be inconsistent with the policy objectives for undertaking the activity, in particular that these activities have a strong public or policy benefit, which is more appropriately supported from general taxpayer funding.

As a result of the review, ACMA is undertaking further development of proposals to consider the application of cost recovery to a range of broadcasting registration and licensing activities, noting that a range of data needs to be collected to assess the cost of particular activities, calculate and establish an appropriate fee structure. It is expected that the government will consider policy approval for new charging proposals in the 2007-08 budget. If the government provides agreement in principle, a cost recovery impact statement will be submitted to the 2008-09 budget process.

### **UPDATES OF EXISTING CHARGES**

The majority of ACMA's existing telecommunications and radiocommunications regulatory activities were identified as requiring updates of charges to:

- reflect ACMA's current hourly rate, which has not been updated since 2003;

- accurately record the current resources involved in ACMA regulatory activities, based on time recording exercises and activity surveys; and
- to address areas of under or over recovery that were identified during the review.

As part of the review, ACMA examined a number of broadcasting activities of the former ABA that were subject to fees and charges, with a view to applying cost recovery principles in establishing an appropriate fee for the activity. The review identified a set of charging proposals for existing broadcasting activities that aligns ACMA's costs of undertaking the activity with a fee for service.

## **Issuing rights and privileges**

### ***Licensing***

ACMA issues licences to enable use of frequencies in the radiofrequency spectrum under apparatus licences, class licences and spectrum licences, licences to provide broadcasting services and carrier licences to operate telecommunications networks used to supply telecommunications services (carriage services) to the public. Licence applicants receive a direct benefit from the right to use and/or supply services.

### ***Telecommunications licensing***

Costs incurred by the ACMA in regulating the telecommunications industry are largely recovered under the *Telecommunications (Carrier Licence Charges) Act 1997*. The main component is the annual carrier licence charge, with a number of other telecommunications charges applying for application and declaration processes.

Section 15 of the *Telecommunications (Carrier Licence Charges) Act 1997* requires the ACMA component of the annual carrier licence charge to be calculated on the cost that is attributable to ACMA's telecommunications functions and powers incurred in the financial year immediately preceding the financial year in which the charges are to be made.

The total cost of the annual carrier licence charge has decreased by 3 per cent, from \$23.2 million in 2005-06 (based on 2004-05 costs) to \$22.5 million in 2006-07 (based on ACMA's 2005-06 costs). The reduction in charges for 2006-07 primarily reflects a reduction in overhead costs attributed to telecommunications functions that arose as a result of the creation of ACMA. The annual carrier licence charge is reviewed annually to ensure that the charge reflects the costs of the telecommunications functions in the preceding financial year.

For other telecommunications licensing fees, the fee calculation is based on the ACMA's hourly rate and survey information on the estimated time to perform the activity. The Carrier Licence Application Charge is increasing from \$2,200 per application to \$2,500, reflecting the costs of additional requirements to consult with the Attorney-General's Department before licensing new carriers. The Nominated Carrier Declaration Application charge is decreasing from \$3,000 to \$2,900, reflecting reduced processing times.

### ***Radiocommunications licences***

ACMA assigns access to radiofrequency spectrum through one of three systems of licences:

- Class licences;
- Spectrum licences; or
- Apparatus licences.

The underlying principle in relation to the costs of spectrum management activities undertaken by ACMA is that where the beneficiaries of the activity can be separately

identified, ACMA recovers its spectrum management costs through specific charges on the beneficiaries. This forms the basis for the licence charges. There are also annual cost recovery taxes to recover the indirect cost of spectrum management and provide incentives for efficient spectrum use. Indirect costs are those that cannot be directly attributable to individual licensees. These activities include international coordination, domestic planning and interference management. The annual spectrum management tax is levied by ACMA under the *Radiocommunications (Transmitter Licence Tax) Act 1983* and the *Radiocommunications (Receiver Licence Tax) Act 1983*.

### **Class licences**

Class licences are open, standing authorities that allow anyone to operate particular radiocommunications equipment provided that the operation and the device is in keeping with the conditions of the licence. Equipment that is currently subject to class licensing in Australia includes citizen band radios, mobile phone handsets, cordless telephones and a range of other low power devices, such as garage door openers. The licences are issued by ACMA by a notice published in the *Commonwealth of Australia Gazette*.

There are currently 18 class licences, with 13 of these issued under the *Radiocommunications Act* and 5 under the *Broadcasting Services Act*. Class licences are not issued to individual users and no licence fees are payable. For the purposes of the review, class licences were excluded from the review of cost recovery arrangements.

### **Spectrum licences**

Spectrum licences are a tradeable, technology neutral (that is the licence is not related to any particular technology, system or service) spectrum access right for a fixed non-renewable term. Spectrum licences are generally auctioned, or may be allocated by tender or a pre-determined price. Spectrum licences were not reviewed as part of the cost recovery arrangements.

### **Apparatus licences**

Apparatus licences are issued to authorise the operation of radiocommunications equipment. Charging arrangements for apparatus licences are outlined in the *Radiocommunications (Charges) Amendment Determination No.1 2006*. The types of equipment operating under apparatus licences include radiocommunications transmitters operating in outputs, amateur, broadcasting, maritime, aircraft and land mobile services. Apparatus licensing applies common licence conditions to categories of radiocommunications services. Fee charges vary according to the licensing option.

There are three types of administrative charges that apply:

- Issue;
- Renewal; and
- Instalment charges.

Administrative charges apply per spectrum access for assigned licences and per licence for non-assigned licence. Assigned licences require individual frequencies to be assigned. Non assigned licences are issued when an individual frequency assignment is not required or if a frequency can be selected from a predefined suite.

### ***Under and over recovery***

The review considered the efficiency and appropriateness of the charges cost recovered through apparatus licences, including instances of over or under recovery of costs. The former ACA had applied a policy of limiting fee variations to 15 per cent of the current fee. This practice resulted in under recovery of costs for some significant areas of activity. The current review has sought to apply full cost recovery unless there are explicit policy reasons to exclude an activity from cost recovery or there is policy support for an approach of partial cost recovery for a defined time period, consistent with the *Cost Recovery Guidelines*.

The estimate of costs and calculation of charges may result in some instances of over or under recovery in radiocommunications licensing based on the difference between expected revenue in 2006-07 and costs incurred in 2005-06, the difference is illustrated in the table below and is considered immaterial. There are three main sources of the over or under recovery of costs:

- Non-assigned licences could represent an under-recovery of approximately \$69,237 in 2006-07, however this is dependent on volumes. Non-assigned licences incorporate the cost of licence issue based on the time taken for a new issue plus the period of annual renewals is amortised to provide a combined issue and renewal rate. Non-assigned licence charges are intended to recover the cost of the licence issue and renewal costs over the life of the licence.
- Assigned licences may represent an over-recovery of approximately \$82,010 in 2006-07, however, this is dependent on volumes. This is attributed to estimates in the volume of assigned licence accesses which varies annually, and forms the basis for calculating revenue. As part of an annual review of its costs, ACMA intends to monitor volume changes in licences to assess whether modification of charges is needed to better align costs and revenue assumptions.
- Assigned licence renewals may contribute to an over recovery of approximately \$77,058 in 2006-07. The possible over-recovery is driven by the variability in annual volumes of licence renewals underpinning revenue assumptions. The variations will be monitored annually to adjust charges where necessary to align to the costs of undertaking the activity.

**Table : Estimated Over/(Under) Recovery Using Proposed fees and Charges**

Type	Expected Revenue Based on Proposed Fees and Charges	Cost of Activities for 2005-06	Expected Over/Under Recovery
Total Assigned Licence Issue	\$2,195,925	\$2,113,915	\$82,010
Renewals - Assigned Licences	\$476,847	\$399,789	\$77,058
Non-Assigned Licence Issue/Renewal	\$47,059	\$116,296	(\$69,237)
Total Over (Under) Recovery	\$2,719,831	\$2,630,000	\$89,831

### ***Fee Variations***

The review identified a number of charges that are no longer applicable, since the previous review of radiocommunications charges was undertaken in 2003. The update in ACMA's

hourly rate and a time recording exercise that attributed resources to specific licensing activities has resulted in a number of variations to existing licence charges.

In summary, the main changes resulting from the review are:

- for the majority of existing licensees, the updates will result in a reduction in fees. ACMA renewed or carried over 137,657 licences compared with 10,483 licences which were issued in 2005/06. Decreases in charges are proposed for:
  - non-assigned licence issue and renewal (various charges reducing from \$25 maximum current charge to \$12;
  - assigned licence renewal fees with the exception of amateur licence renewals, decreasing from \$6 to \$3;
  - higher volume amateur licence issue such as land mobile system 0-30 MHz licences are expected to decrease from \$150 to \$123.
- Fee increases for the remaining radiocommunications licences, with 68 per cent of activities proposed to increase charges by more than 15 per cent on current charges. Again, in context, some of the higher volume licence issue such as land mobile system > 30 MhZ and Point to Multipoint licence issue are expected to increase by 7 per cent on current charges.

Further details on individual fees are outlined in section 3.5.

### **Broadcasting licences**

In addition to the apparatus licensing for operating equipment in the assigned parts of the radiofrequency spectrum, ACMA issues licences to broadcasters which authorise the provision of broadcasting services within a defined licence area.

These defined licence area charges are separate from the annual broadcasting licence fee established under the *Radio Licence Fees Act 1964*, the *Television Licence Fees Act 1964* and the *Datacasting (Imposition of Charges) Act 1998*. These annual broadcasting licence fees were not considered as part of the review, as the annual licence fee is determined in legislation by way of a tax in respect of the licence that is determined as percentage of gross earnings of the licences from advertising and other matter for the preceding calendar year, rather than determined on a cost recovery basis.

The review examined the administrative activities involved in the issue of broadcast licences for additional television licences in 1 and 2 station markets, subscription television, non-broadcasting service bands, transmitter licences for open narrowcasting services, datacasting and international broadcasting licences. These activities are currently subject to charges for the issue of licences, but the previous charges were not set on a cost recovery basis.

As a result of the review, ACMA applied its hourly rate to the broadcasting licence issue and renewal processes to update the fees. In addition, the costs of gazettal and public notifications were included in specific licences. This resulted in a number of variations to existing charges. In summary, the main changes resulting from the review are:

- A decrease in charges for the issue of non-broadcasting service band licences from \$2,400 to \$815, and a decrease in the cost of a subscription broadcasting licence from \$1600 to \$1020;

- An increase in the fee for priced-based allocation of transmitter licences for open narrowcasting services from \$550 to \$1,133. The fee increase has been limited and represents an under-recovery of costs. The scope of the fee increase was limited to ensure that later entrants to the market are not discouraged, noting the variable demand for the service outside metropolitan areas and that the majority of licences have been allocated. As this activity falls under the *Radiocommunications Act 1992*, the fee has been listed under radiocommunications charges in section 3.5
- Fee increases for a range of other broadcasting licences resulted from the application of cost recovery principles to fees previously determined by the ABA, as well as changes to the allocation of overhead costs resulting from the formation of ACMA. This includes international broadcasting licences, datacasting licences, allocation of commercial licences, renewal of commercial licences and implementation plan assessments and variations.

Further details on individual fees are outlined in section 3.5.

### **Numbering**

ACMA is responsible for administration of the Numbering Plan which establishes a framework for the allocation and use of numbers used in supplying telecommunications carriage services. There are two main charging components:

- The annual numbering charge, which is established under the *Telecommunications (Numbering Charges) Act 1997*. The numbering charge revenue target is set by the Government through the Budget process. The amount of the charge applied to a particular number is calculated using an opportunity-cost methodology that recognises the value forgone in allocating shorter numbers relative to longer numbers. Numbers which are exempt from charges include community service numbers, geographic numbers, telex numbers and international signalling point codes.
- Numbering application fee for numbers allocated otherwise than in accordance with the allocation system under section 463 of the Telecommunications Act.

In addition, ACMA incurs expenses in providing registration facilities for numbers auctioned under the **smartnumbers**® auction system. An application charge to register for the auction is cost recovered by ACMA.

As a result of the review, ACMA proposes to update the numbering application fee, and **smartnumbers**® registration charge to reflect the current costs of providing the service.

This has resulted in proposals to reduce the **smartnumbers**® application fee (from \$80 reducing to \$42) reflecting an increase in the number of registrations, and to reduce the number allocation application charge from \$150 to \$110.

### **Registration and approval processes**

The *Telecommunications Act* and *Radiocommunications Act* establish a range of permit processes that enable communications industry participants to engage in specific activities. The recovery of the costs of issuing a permit and conducting any associated public consultation or assessment processes are established under separate charging determinations.



The *Telecommunications (Charges) Determination 2006* establishes the charges payable for ACMA consideration of applications for connection permits for customer equipment and customer cabling and for applications to act as a certification body for customer equipment and customer cabling.

The *Telecommunications (Submarine Cable Permit – Application Charge) Determination 2006 No.2* establishes the charges for permits to install submarine cables in designated zones.

The *Telecommunications (Facility Installation Permit – Application Charge) Determination 2006* establishes the charges for dealing with an application for a facility installation permit.

The *Radiocommunications (Charges) Determination 2006* establishes charges for testing equipment and devices for compliance with standards, technical specifications or class licences, examinations for certificates of proficiency for amateur and restricted operators, and applications for accreditation of frequency assigners.

The review identified a need to amend the current charges to update ACMA's hourly rate and reflect the current costs of undertaking the registration and approval processes which has resulted in fee increases proposed for facilities installation permits, submarine cable permits, connection permit charges and customer equipment certification charges.

There are 75 type testing activities conducted under the *Radiocommunications Act* which are subject to charging. Previous rates resulted in under-recovery of costs as they excluded costs associated with the depreciation of type testing equipment and an attribution of overhead costs. As a result of the review, it is proposed that rates for type testing of devices increase by 53 per cent and 70 per cent for assessment and advice on compliance without device testing.

Further details on individual fees are outlined in section 3.5.

## **Industry monitoring and compliance**

ACMA's telecommunications and radiocommunications monitoring and compliance activities are cost recovered through the telecommunications carrier licence charge in the case of telecommunications functions, and through the annual spectrum management tax in the case of radiocommunications activities.

The *Broadcasting Service (Opinion Fees) Determination 2006* establishes charges for opinions given under section 21 of the *Broadcasting Services Act* which provide clarity to broadcasters about compliance with categories of broadcasting services, in addition to establishing charges for opinions on control made under subsection 74(7) of the *Broadcasting Services Act*.

The review identified a need to amend the charges for both of these activities in providing opinions under the *Broadcasting Services Act* to reflect ACMA's current costs of undertaking the activity. This has resulted in proposed fee increases from \$1,275 to \$12,300 for section 21 opinions and from \$2,500 to \$12,300 for section 74 opinions, reflecting the significant resource and specialist legal advice that is directed to this activity. The introduction of this increase will take effect from 1 January 2008 to ensure that the fees for opinions do not act as a deterrent for prospective applicants seeking regulatory certainty prior to the allocation of the unassigned channels expected in 2007. This provides time for

potential new entrants to seek regulatory clarification about services, and potentially avoids more costly and lengthy investigations that could occur after the allocation of the channels where categories of service and control issues have not been settled.

There are a range of other monitoring and compliance activities undertaken under the *Broadcasting Services Act* which were reviewed. They include monitoring of sports broadcasting under anti-siphoning rules, compliance with internet industry codes of practice and compliance with conditions imposed on broadcast licensees. In all instances, the identified beneficiaries of the monitoring and compliance activity were the general community who benefited from conditions on industry behaviour that delivered diverse and appropriate content. The review considered that cost recovery was not appropriate for these activities which benefit a broad community and which are considered more appropriately funded from the budget.

## **Investigations**

ACMA's telecommunications investigations activity costs are recovered under the telecommunications annual carrier licence charge. The indirect costs of radiocommunications investigation costs are recovered under the annual spectrum management tax.

The exception to this approach is analogue radio and television interference investigations conducted under Part 4.2 of the *Radiocommunications Act 1992* where an individual requests ACMA to conduct an interference testing. For this activity a fee for service is charged, consistent with the principle that there is a direct beneficiary for the activity. The review has proposed no change to the current fee of \$80, which reflects the time taken in conducting these investigations.

In the case of broadcasting investigations activities, the review concluded that charging was not consistent with the policy objectives for specific activities. The activities reviewed included investigation of complaints about broadcasters and internet content, which noted that the beneficiaries of the investigation activities were in general broadcast audiences rather than a distinct group of beneficiaries or industry participants that created the need for regulation, and therefore the activity was more appropriately supported by budget funding.

## **INFORMATION ACTIVITIES**

ACMA has a number of information functions to provide community information to enable informed decisions about communications products and services and to report on the performance of the communications industry.

There are elements of ACMA's information functions which have "public good" characteristics and where the review concluded it was not appropriate to recover costs from industry participants or consumers. This includes the production of information for consumers on consumer safeguards and statutory reporting requirements to report on the performance of the telecommunications industry (under section 105 of the *Telecommunications Act*). The review concluded that these activities are more appropriately funded from the budget.

ACMA also produces information where there are direct beneficiaries of that activity. The review considered the production of annual broadcasting financial results and the Information, Communications and Entertainment Conference and noted that there are direct

private benefits for individuals accessing this information or participating in the conference. The charges for these activities are reflected at section 3.5.

## **NEW PROGRAM ACTIVITIES**

In addition, ACMA has specific program responsibilities which include cost recovery arrangements as part of the design of these regulatory schemes. This includes the:

- Do Not Call Register; and
- Postal Industry Ombudsman complaint investigations.

Details on the Postal Industry Ombudsman and Do Not Call Register cost recovery arrangements are under development, with a separate Cost Recovery Impact Statements due to be completed before the end of the 2006/07 financial year.

## **ACTIVITIES EXCLUDED FROM COST RECOVERY**

The review identified a range of activities where it was not considered appropriate to recover costs. The activities excluded from cost recovery arrangements were excluded on the basis that:

- to charge would be inconsistent with the policy objectives identified for the activity, where there is a strong policy or public benefit from the activity being undertaken. The main activities in this category would be the licensing and planning arrangements to support community broadcasting and broadcasting retransmission services. These activities aim to enhance services provided to local communications across Australia, and charging acts as a disincentive for provision of services by the community not-for profit sector, which are more appropriately supported by budget funding;
- where it is not possible to identify a distinct group of beneficiaries for an activity that would allow a fee for service or a levy to be developed. This includes aspects of ACMA's broadcasting investigations activities which are triggered by complaints and where to introduce charging would introduce a disincentive for initiating a compliance investigation, and where the outcomes of the compliance action provide benefit to a wider set of communications consumers rather than an individual initiating the complaint. Similarly, some aspects of ACMA's compliance and information provision activities have "public good" characteristics, where the benefits of the activity accrue to members of the general public;
- where activities are subject to taxation arrangements or where the pricing for the provision of a product or service is established under auction arrangements, as is the case for specific aspects of ACMA's numbering and spectrum allocation activities.

# Design and Implementation

## 3.1 Basis of charging – fee or levy

For the majority of ACMA's activities, the charges proposed are a fee for service to the direct beneficiary of activity, with the calculation of the charge based on the amount of time taken to perform the activity. Generally, this results in the costs incurred for activities in 2005-06, being recovered by ACMA through updated fees and charges for 2006-07 and beyond. The exceptions to a fee for service are a charge and tax which operate as levies to recover costs from a group of users. These include:

- the telecommunications annual carrier licence charge which operates as a levy on telecommunications carriers recovering the costs of ACMA's telecommunications functions and the functions of other agencies including the telecommunications costs of the Australian Competition and Consumer Commission, the Australian government's contribution to the International Telecommunications Union and grants made to consumer representative bodies under section 593 of the *Telecommunications Act 1997*;
- annual spectrum management tax which recovers the indirect costs associated with assigned and non-assigned radiocommunications licences.

## 3.2 Legal Requirements for the Imposition of Charges

Section 60 of the *Australian Communications and Media Authority Act 2005* (the ACMA Act), provides that ACMA may, by written instrument make determinations fixing charges for services provided by the ACMA and in relation to any matter in which expenses are incurred by ACMA under this Act, the *Telecommunications Act 1997*, the *Telecommunications (Consumer Protection and Service Standards) Act 1999*, the *Radiocommunications Act 1992* and the *Broadcasting Services Act 1992*.

In addition, charging arrangements are also established under separate legislation for the Do Not Call Register scheme (the *Do Not Call Register Act 2006*) and complaints investigation functions under the Postal Industry Ombudsman Scheme established under the *Postal Industry Ombudsman Act 2006*.

## 3.3 Components of Costs Included in Charges

ACMA has adopted an activity based costing (ABC) methodology to determine the costs of telecommunications, spectrum management and broadcasting regulatory functions undertaken by the ACMA as a basis for determining charges.

The costs of service provision by ACMA is determined using an annual net cost of service expense model to fully distribute costs across ACMA's identified activities and outputs, excluding any non-appropriated revenue. The net cost of service represents the actual costs incurred by ACMA in undertaking its functions and activities.

All direct, indirect and capital costs are considered in determining the net cost of service. The cost of capital was calculated at a rate of 10 per cent on net assets as at 30 June 2006 and applied in full in the second period - 1 February 2006 to 30 June 2006. This rate has not

changed from the previous year where it was based on the Australian Government Property “hurdle rate”. However, for 2005-06, this rate was based on the discount rate for medium risk property proposals as published in the Department of Finance and Administration’s Estimate Memorandum 2005/31.

Under the ABC methodology, time is used as the basis for estimating the cost of the majority of ACMA’s activities in the model. ACMA conducted an agency wide survey twice during the financial year 2005-06 in order to assess the allocation base for the relevant costs incurred by the sections and the allocation of sections’ costs to all activities, cost objects and outputs.

The exceptions to this approach are where the calculation of costs is prescribed in legislation and requires ACMA to consider other cost components. An example of this approach occurs with the telecommunications annual carrier licence charge where ACMA is required to consider third party costs, such as the Australian Competition and Consumer Commission’s telecommunications costs in the development of the licence charge. The annual spectrum management tax also requires ACMA to reflect the opportunity costs of spectrum use in the development of charges to recover the indirect costs of spectrum use.

### **3.4 Outline of Charging Structure**

For the majority of ACMA’s activities, the charges proposed are a fee for service to the direct beneficiary of the activity, with the calculation of the charge based on the time taken and resources allocated in performing the activity.

#### ***Hourly rate***

Fee for service charges are based on 2005-06 activity based costing model cost outputs which resulted in an hourly rate of \$164 excluding GST.

Two special hourly rates are proposed for type testing with one rate for the testing of devices for compliance and the other rate proposed for the assessment and advice on compliance without testing of devices. The reason for establishing the special hourly rates is that this is a discrete activity with unique costs associated with the operation of the testing equipment that need to be reflected in the costs of undertaken the type testing activities. The special hourly rate for type testing was calculated based on the total costs of the type testing unit and average hours over the previous three years spent on testing activities.

#### ***Fees for service***

For the majority of ACMA’s activities which are charged as a fee for service, the calculation of the fee was based on the ACMA’s hourly rate multiplied by the time taken to conduct the activity.

The exceptions to this approach are fees for:

- radiocommunications licence renewal which are calculated based on the cost of renewals in 2005-06 divided by the number of renewals during the year to provide an individual cost for each renewal;
- non-assigned licence issue and renewal which is calculated based on the time taken for a new licence issue plus the anticipated period of annual renewals which is amortised to create a combined issue and renewal rate. The charge for the issue of

the licence is higher relative to the renewal fee, and to encourage people to be licensed the issue charge is amortised over the life of the licence;

- radiocommunications licence transfers where a tiered system of charging has been proposed to allow the first 5 transfers to be charged a fixed rate, with the balance charged at the standard hourly rate. The rationale is to recognize that transfers can involve significant compliance checking, resulting in longer timeframes to process multiple licence transfers;
- smartnumbers application fee which is based on the activity cost of processing 2,500 registrations per annum. The calculation represents the unit cost of a registration, calculated based on ACMA's costs divided by the number of registrations.

### ***Levies and cost recovery taxes***

The calculation methodology for the telecommunications annual carrier licence charge is established under the *Telecommunication (Annual Carrier Licence Charge) Act*. The charge comprises the costs of ACMA and the ACCC telecommunications functions and powers for the immediately preceding financial year, the cost of the Commonwealth contribution to budget of International Telecommunications Union for the calendar year; and the estimate of the total grants likely to be made under section 593 of the Telecommunications Act (which are administered by the Department of Communications, Information Technology and the Arts).

The calculation methodology for the annual spectrum management tax is established under the *Radiocommunications (Transmitter Licence Tax) Act 1983* and the *Radiocommunications (Receiver Licence Tax) Act 1983*. The annual tax is calculated by multiplying the following factors:

- normalisation factor, which converts relative spectrum values to a dollar figure;
- bandwidth;
- power, which allows a reduce tax for low power spectrum accesses which deny spectrum to other users over a small area;
- location weighting, which reflects the density of services and demand for spectrum at different frequencies and geographic areas;
- adjustment factor, which modifies the tax levels of some licensing options.

### 3.5 Summary of Charging Arrangements

A summary of the proposed charges are outlined in the table.

Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
<b>Telecommunications Charges</b>					
Telecommunications (annual carrier licence charge)	levy	\$23,200,000	-3%		\$22,500,000
Application Charge for Connection Permit for Connection of Customer Cabling	fee for service	\$150.00	9%	hourly rate	\$164
Carrier Licence Application Charge	fee for service	\$2,200.00	14%		\$2,500
Connection Permit Charges	fee for service	\$150.00	9%	hourly rate	\$164
Customer Equipment Certification Charges	fee for service	\$150.00	9%	hourly rate	\$164
Telecommunications carrier facilities installation permits	fee for service	\$5,370.00	13%	application charge deposit	\$6,070
		\$148.00	11%	application charge	\$164
		\$37,000.00	20%	public inquiry deposit	\$44,280
		\$148.00	11%	public inquiry charge - hourly rate	\$164
Nominated Carrier Declaration Application Charge	fee for service	\$3,000.00	-3%		\$2,900
Number Allocation Applications Charge	fee for service	\$100.00	9%	Online Application	\$110
		\$12.50	9%	Block of sequential numbers	\$14
		\$100.00	9%	Written Application	\$110

Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
		\$12.50	9%	Block of sequential numbers	\$30
Submarine Cable Permit - Application Charge (Non Protection Zones)	fee for service	\$6,225.00	9%	Non-protection zone installation permit	\$6,810
		\$25,000.00	0%	Non-protection zone installation permit - use of external consultants	\$25,000
		\$450.00	9%	Application to extend duration of permit	\$495
Submarine Cable Permit - Application Charge (Protection Zones)	fee for service			Protection zone installation permit	\$2,215
				Application to extend duration of permit	\$495
Submarine Cable Permit - Application Charge for both (Protection Zones) and (Non-Protection Zones)	fee for service			Protection zone installation permit	\$6,150
MNAP Application Fee	fee for service	\$80.00	-48%	Based on 2,500 Registration per annum	\$42
<b>Broadcasting</b>					
Application for International Broadcasting Licence	fee for service	\$2,000.00	60%	time consumed x hourly rate	\$3,198
Datacasting Broadcasting Licence	fee for service	\$350.00	9%	time consumed x hourly rate	\$385
Implementation Plan Assessment no GST	fee for service	\$805.00	2%	time consumed x hourly rate	\$820
Implementation Plan Variation no GST	fee for service	\$133.00	23%	time consumed x hourly rate	\$164
Non BSB Commercial Broadcasting Licence	fee for service	\$2,400.00	-66%	time consumed x hourly rate	\$815
Opinion on Category of Broadcasting Services	fee for service	\$1,275.00	865%	time consumed x hourly rate	\$12,300
Opinion on Control	fee for service	\$2,500.00	392%	time consumed x hourly rate	\$12,300



Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
Renewal Commercial Broadcasting Licence	fee for service	\$200.00	122%	time consumed x hourly rate	\$445
Subscription Broadcasting Licence	fee for service	\$1,600.00	-36%	time consumed x hourly rate	\$1,020
Price-based allocation of Commercial Licence	fee for service	\$2,000.00	210%	time consumed x hourly rate	\$4,564
Priced-based allocation of Transmitter Licence for open narrowcasting	fee for service	\$550.00	1044%	time consumed x hourly rate	\$1,133
Issue of additional Television Licences in 1 and 2 station markets	fee for service	\$10,000.00	0%	time consumed x hourly rate	\$10,000
Broadcasting Financial Results Publication	fee for service	\$500.00	0%	broadcasting financial results	\$500
		\$50	0	radio and television results	\$50
<b>Radiocommunications</b>					
<b>Assigned Licence Issue</b>					
Accredited Assigner Assignments Not Lodged Online (all licence type)	fee for service	\$73.00	68%	time consumed x hourly rate	\$123
Accredited Assigner Assignments Not Lodged Online -Amateur Beacon -Amateur Repeater	fee for service	\$20.00	15%	time consumed x hourly rate	\$23
Accredited Assigner Assignments Lodged Online (all licence type)	fee for service	\$73.00	12%	time consumed x hourly rate	\$82
Accredited Assigner Assignments Lodged Online -Amateur Beacon -Amateur Repeater	fee for service	\$20.00	15%	time consumed x hourly rate	\$23

Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
Aeronautical Assigned System	fee for service	\$282.00	2%	time consumed x hourly rate	\$287
Aircraft assigned	fee for service	\$118.00		time consumed x hourly rate	\$123
Ambulatory - Initial	fee for service	\$366.00	12%	time consumed x hourly rate	\$410
Ambulatory - Copy	fee for service	\$73.00	68%	time consumed x hourly rate	\$123
Ambulatory System	fee for service	\$366.00	12%	time consumed x hourly rate	\$410
CBRS Repeater	fee for service	\$238.00	21%	time consumed x hourly rate	\$287
Defence Licence	fee for service				Hourly rate
Defence Renewal	fee for service				Hourly rate
Earth Receive		Standard Licensing Hourly Rate (\$147.00 per hr)	12%		Hourly rate
Fixed Earth	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)	12%		Hourly rate
Fixed Receive	fee for service	\$120.00	37%		\$164
Land Mobile System 0-30MHz (less than 45min)	fee for service			time consumed x hourly rate	\$123
Land Mobile System 0-30MHz (greater than 45min)	fee for service			time consumed x hourly rate	\$492
Land Mobile System - >30MHz	fee for service	\$461.00	7%	time consumed x hourly rate	\$492
Limited Coast Assigned	fee for service	\$196.00	46%	time consumed x hourly rate	\$287

Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
Major Coast A	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
Major Coast B	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
Major Coast Receive	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
Major Events and Defence Exercises	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
Mobile Earth	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
Narrowband Area Service (70 - 960 MHz)	fee for service	\$461.00	7%		\$492
Narrowband Area Service	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate

Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
Open Narrowcast Service	fee for service	\$550.00			\$1,133
Outpost Assigned		Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
PABX Cordless Telephone Service	fee for service	\$172.00	19%	time consumed x hourly rate	\$205
Paging System - Exterior	fee for service	\$259.00	11%	time consumed x hourly rate	\$287
Paging System - Interior	fee for service	\$181.00	36%	time consumed x hourly rate	\$246
PMTS Class A		Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
PMTS Class B		Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
Point to Multipoint	fee for service	\$461.00	7%	time consumed x hourly rate	\$492
Point to Multipoint System	fee for service	\$461.00	7%	time consumed x hourly rate	\$492
Point to Multipoint System -BWA	fee for service				Hourly rate
Point to Point	fee for service	\$354.00	16%	time consumed x hourly rate	\$410
Point to Point 58 GHz	fee for service	\$86.00	43%	time consumed x hourly rate	\$123
Point to Point 5.8 GHz	fee for service	\$86.00	43%	time consumed x hourly rate	\$123
Radio determination	fee for service	\$230.00	25%	time consumed x hourly rate	\$287

Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
Scientific Assigned	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
Ship Station Class B Assigned	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
Ship Station Class C Assigned	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
Space	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
Space Receive	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
Studio to Transmitter Link Station	fee for service	\$354.00	16%	time consumed x hourly rate	\$410
Television Outside Broadcast	fee for service	\$221.00	11%	time consumed x hourly rate	\$246
Television Outside Broadcast System	fee for service	\$221.00	11%	time consumed x hourly rate	\$246
Provisional International Broadcasting Certificate	fee for service	\$110.00	12%	time consumed x hourly rate	\$123

Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
<b>Renewal of Assigned Licences</b>					
Licence Renewals	fee for service	\$6	-50%	renewal cost x number of renewals	\$3
<b>Non-Assigned Licence Issue/Renewal</b>					
Amateur - Advanced	fee for service	\$20.00	15%		\$23
Amateur - Standard	fee for service	\$20.00	15%		\$23
Amateur - Foundation	fee for service	\$20.00	15%		\$23
Limited Coast Marine Rescue	fee for service	\$16.00	-25%		\$12
Limited Coast Non Assigned	fee for service	\$25.00	-52%		\$12
Outpost Non Assigned	fee for service	\$6.00	0%		\$6
Scientific Non Assigned	fee for service	\$18.00	-33%		\$12
Ship Station Class B Non Assigned	fee for service	\$18.00	-17%		\$15
Ship Station Class C Non Assigned	fee for service	\$18.00	-28%		\$13
Sound Outside Broadcast	fee for service	\$31.00	-61%		\$12
Television Outside Broadcast Network	fee for service	\$16.00	19%		\$19
Temporary Fixed Link	fee for service	\$23.00	-48%		\$12
<b>Variation of Assigned Licence Technical Details</b>					
Vary all other licence type: consideration takes for any licence < 15 minutes	fee for service	\$37.00	11%		\$41
<b>Non-Assigned</b>					
Vary: non-assigned licence	fee for service				\$41

Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
Vary - no FAC: All other licence types		Standard Licensing Hourly Rate (\$147.00 per hr) up to GST Inclusive Issue Charge			Hourly rate
Accredited Assigner Variation Not Lodged Online	fee for service	\$97.00	27%		\$123
Accredited Assigner Variation Lodged Online	fee for service	\$73.00	12%		\$82
<b>General Licensing Services</b>					
Radiofrequency assignment and licensing services not otherwise specified	fee for service	Standard licensing hourly rate \$147			Hourly rate
Provision of technical radiofrequency services	fee for service	Standard licensing hourly rate \$147			Hourly rate
Placing a field officer on standby to be available for call-out to provide interference investigation services at a special event	fee for service	\$15 per hour			\$16 per hour
<b>Administer Exams</b>					
Examination, or reassessing an result in an examination, for the Amateur Operator's Certificate of Proficiency (Advanced)	fee for service	\$35.00	486%		\$204

Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
Examination, or reassessing an result in an examination, for the Amateur Operator's Certificate of Proficiency (Standard)	fee for service	\$35.00	486%		\$204
Examination, or reassessing an result in an examination, for the Amateur Operator's Certificate of Proficiency (Foundation)	fee for service	\$22.00	521%		\$136
Marine Radio Operator exam conducted/reassessed by ACMA	fee for service	\$147.00	-54%		\$68
Marine Radio VHF Operator exam conducted/ reassessed by ACMA	fee for service	\$125.00	-45%		\$68
Marine Satellite Communications Endorsement exam conducted by other persons	fee for service	\$30.00	9%		\$33
Examination, or reassessing an result in an examination, for the Amateur Operator's Certificate of Proficiency (Advanced)	fee for service				
(a) regulations		\$9.00	659%		\$68
(b) theory		\$13.00	426%		\$68
(c) practical		\$13.00	426%		\$68
Examination, or reassessing an result in an examination, for the Amateur Operator's Certificate of Proficiency (Standard)	fee for service				
(a) regulations		\$9.00	659%		\$68
(b) theory		\$13.00	426%		\$68
(c) practical		\$13.00	426%		\$68
Examination, or reassessing an result in an examination, for the Amateur Operator's Certificate of Proficiency (Foundation)	fee for service				



Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
(a) theory / regulations		\$9.00	659%		\$68
(b) practical		\$13.00	426%		\$68
<b>Accreditation Other</b>					
Assessing an application for accreditation	fee for service	\$208.00	31%		\$273
Duplicated instrument of any kind	fee for service	\$38.00	8%		\$41
Licence copy - Changed particulars	fee for service	\$38.00	8%		\$41
Licence Transfer	fee for service	\$41.00			\$41 each for 1 - 4 transfers, more than 4 transfers at hourly rate
Interference investigation (radio/TV broadcast) where cause is mainly within control of applicant	fee for service	\$80.00	0%		\$80
Issuing a permit for a Non Standard Transmitter (s167)	fee for service	\$163.00	11%		\$180
Issuing a permit for a Non Standard Transmitter (s174)	fee for service	\$37.00	388%		\$180
Supply of Adjacent Service Listing	fee for service	\$74.00	11%		\$82
Supply of Frequency Scan	fee for service	\$74.00	11%		\$82
Establishment of, and maintenance of, a Credit Account	fee for service	\$372.00	3%		\$383
Considering the establishment of a credit account without proceeding to issue it	fee for service	\$372.00	3%		\$383
Recording the issue of a transmitter licence to a person to whom a related licence within the meaning of subsection 102(1) of the <i>Radiocommunications Act 1992</i> is transferred	fee for service	\$41.00			Hourly rate
General Hourly Rate	fee for service	\$147.00			Hourly rate

Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
Special Hourly Rate A	fee for service	\$267.00	53%		\$408 per hour
Special Hourly Rate B	fee for service	\$224.00	70%		\$381 per hour
<b>Spectrum Licensing</b>					
Considering registration of a device under an issued spectrum licence - manual	fee for service				Hourly rate
Considering registration of a device under an issued spectrum licence - semi-automatic	fee for service				Hourly rate
Assessing compliance with licence conditions in registering device under issued spectrum licence, or alteration of registered details	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
Amending registered details of device - Manual	fee for service				Hourly rate
Amending registered details of device - Semi-automatic	fee for service				Hourly rate
Issuing new licence or reprint of spectrum licence	fee for service	\$38.00	8%		\$41
Investigating Interference where person making complaint is wholly or mainly responsible for managing the Interference	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
Considering variation of the conditions of issued spectrum licence	fee for service	Standard Licensing Hourly Rate (\$147.00 per hr)			Hourly rate
Considering the registration of new antenna	fee for service	\$37.00	11%		\$41

Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
Considering the registration of new site	fee for service	\$37.00	11%		\$41
<b>Type Testing</b>					
AS/NZS 4268 (SRD)	fee for service	\$4,072.00	29%	Standard (NATA Open Air Test required)	\$5,263
LIPD Class Licences	fee for service	\$2,790.00	-100%	Standard (NATA Open Air Test NOT required)	\$2,938
LIPD Technical Checks	fee for service	\$1,068.00	53%	LIPD Class licence - Standard	\$0
AS/NZS 4280 (406 EPIRB)	fee for service	\$6,008.00	53%	LIPD Class licence - Partial (technical checks only)	\$1,632
AS/NZS 4281 (CTS)		\$3,645.00	53%	Standard (NATA Open Air Test required)	\$9,180
AS/NZS 4295 (LMRS)		\$2,817.00	53%	Standard	\$5,569
		\$1,335.00	53%	Retest base/mobile stn	\$4,304
		\$5,047.27	53%	Retest trans mod b/m stn	\$2,040
	fee for service	\$2,990.00	52%	Dual bandwidth - 1st freq	\$7,670
		\$3,338.00	53%	Dual bandwidth - additional freq	\$4,570
		\$2,003.00	53%	Standard - 1st freq	\$5,100
		\$2,003.00	53%	Standard - additional freq	\$3,060
		\$774.00	53%	Partial	\$3,060
Spectrum Impact Testing	fee for service	\$2,537.00	53%	1 aspect of transmitter	\$1,183
AS/NZS 4330 (121.5 EPIRB)	fee for service	\$6,969.00	53%	Data equipment	\$3,876
AS/NZS 4355 (HF CB)	fee for service	\$3,044.00	53%	Standard (NATA Open Air Test required)	\$10,649
		\$2,739.00	53%	Standard	\$4,651
		\$774.00	53%	Transmitter	\$4,189
		\$609.00	53%	1 aspect of transmitter	\$1,183
AS/NZS 4365 (UHF CB)	fee for service	\$2,710.00	53%	Receiver	\$932
		\$2,657.00	53%	Standard	\$4,141
		\$774.00	53%	Transmitter	\$4,060
		\$1,669.00	-44%	1 aspect of transmitter	\$1,183
AS 4367 (HF ISBS)	fee for service	\$3,605.00	53%	Receiver	\$932
		\$3,064.00	53%	Standard	\$5,508
				Transmitter	\$4,685

Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
AS/NZS 4415.1 (VHF IMM DSC)		\$774.00	53%	1 aspect of transmitter	\$1,183
		\$2,343.00	53%	Receiver	\$3,584
	fee for service			Standard - Full	\$7,140
				Standard - No Duplex	\$6,610
AS/NZS 4415.2 (VHF IMM NON DSC)				Transmitter	\$5,222
				Receiver - No Duplex	\$4,447
				1 aspect of transmitter	\$1,183
	fee for service			Standard - Full	\$7,691
AS/NZS 4582 (MF/HF IMM SSB)				Standard - No Duplex	\$7,283
				Transmitter	\$5,386
				Receiver - No Duplex	\$5,120
	fee for service			1 aspect of transmitter	\$1,183
AS/NZS 4583 (VHF AIR)		\$9,372.00	53%	Standard	\$14,321
		\$6,675.00	53%	Transmitter	\$10,200
		\$6,141.00	53%	Receiver	\$9,384
	fee for service			1 aspect of transmitter	\$1,183
AS/NZS 4769.1 (FM PAGE)		\$774.00	53%	Base Unit	\$6,263
		\$4,098.00	53%	Hand Held Receiver	\$5,222
		\$3,418.00	53%	Transmitter in Base Unit or Hand held unit	\$4,039
	fee for service			Receiver in Hand Held Unit	\$3,672
AS/NZS 4769.1 (FM PAGE)		\$3,084.00	53%	Receiver in Base Unit	\$4,712
		\$774.00	53%	1 aspect of transmitter	\$1,183
		\$2,857.00	53%	Pocket Pager (NATA Open air test required)	\$4,366
	fee for service			Pocket Pager (NATA Open air test NOT required)	\$1,632
AS/NZS 4769.1 (FM PAGE)		\$748.00	53%	Additional cost if base unit is analogue FM capable	\$1,142
		\$2,350.00	53%	Paging Base with external antenna	\$3,590

Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
		\$748.00	53%	Additional cost if base unit is analogue FM capable	\$1,142
		\$3,631.00	53%	Paging Base with external antenna and pocket pager or two	\$5,549
		\$748.00	53%	Additional cost if base unit is analogue FM capable	\$1,142
		\$3,551.00	53%	Paging Base with Integral antenna	\$5,426
		\$748.00	53%	Additional cost if base unit is analogue FM capable	\$1,142
		\$3,551.00	53%	Paging Base with Integral antenna and pocket pager or two	\$5,426
		\$748.00	53%	Additional cost if base unit is analogue FM capable	\$1,142
		\$774.00	53%	1 aspect of transmitter	\$1,183
AS/NZS 4769.2 (AM PAGE)	fee for service	\$2,857.00	53%	Pocket Pager (NATA Open air test required)	\$4,366
		\$1,068.00	53%	Pocket Pager (NATA Open air test NOT required)	\$1,632
		\$2,403.00	53%	Paging Base with external antenna	\$3,672
		\$3,685.00	53%	Paging Base with external antenna and pocket pager or two	\$5,630
		\$3,605.00	53%	Paging Base with Integral antenna	\$5,508
		\$3,605.00	53%	Paging Base with Integral antenna and pocket pager or two	\$5,508
		\$774.00	53%	1 aspect of transmitter	\$1,183
AS/NZS 4770 (MF/HF LMRS SSB)	fee for service	\$7,716.00	53%	Standard	\$11,791
		\$5,607.00	53%	Transmitter	\$8,568
		\$4,993.00	53%	Receiver	\$7,630
		\$774.00	53%	1 aspect of transmitter	\$1,183
TS 005 (AMPS)	fee for service	\$4,806.00	53%	Standard	\$7,344

Type	Method of Recovery	Current Charges (GST Exclusive)	Fee variance on current charges%	Cost components	Cost recovery charge
		\$2,830.00	53%	Partial	\$4,325
		\$774.00	53%	1 aspect of transmitter	\$1,183
Paper Submission	fee for service	\$205.00	0%	Compliance cert/approval	\$204
Any other testing of devices for compliance	fee for service	\$267.00	53%		\$408 per hour
Any other assessment and advice on compliance without testing of device	fee for service	\$224.00	70%		\$381 per hour

# Ongoing Monitoring

## 4.1 Monitoring mechanisms

ACMA intends to undertake annual time recording surveys to ensure that there is current information available on the volume of industry activity and the cost of ACMA resources involved in supporting the regulatory and information activities.

The Time Recording Exercise is undertaken over a period of weeks and is used to derive a time consumed per minute for licensing and other activities. For activities not specifically time recorded, staff are surveyed to provide an estimated time to perform an activity. The volume of activity is also reviewed against actual volumes to assess whether current calculation methodologies remain appropriate.

## 4.2 Stakeholder consultations

ACMA consulted with telecommunications carriers and carriage service providers, broadcasters, radiocommunications licensees and industry associations during December 2006 and January 2007 on the updates to existing fees and charges covering telecommunications, radiocommunications and broadcasting activities. ACMA issued a media release and discussion paper for comment on 22 December 2006 and called for comments. The discussion paper was also published on ACMA's website. Separately, approximately 500 of the major radiocommunications licensees, over 100 telecommunications carriers and carriage service providers were contacted to seek comments on the proposed fee and charges updates.

The major issues raised by stakeholder groups, along with ACMA's response to these issues are set out below:

- the amount of proposed fee increases and the justification of ACMA's costings, particularly given the significant amounts collected for broadcasting licensing revenue;
- the costs and processes associated with amateur radio licences; and
- the alignment of cost recovery principles with the objective to encourage industry self regulation.

With respect to the fee increases and justification the updates reflect the last 3 years of cost increases and workload factors with the main increase derived from staff salaries. This has resulted in an increase in the hourly rate from \$147 to \$164 and has subsequently impacted on a range of fees and charges.

The cost modelling process has been reviewed by KPMG (ACMA's previous internal auditor) through an annual quality assurance review, along with Ernst & Young as part of their assessment of ACMA's cost recovery arrangements. Both reviews confirmed the appropriateness of the costing methodology in the attribution and allocation of costs to activities as a basis for determining cost recovery charges. One submission suggested the use of benchmarking to ensure the costs derived were efficient. ACMA will explore possible benchmarks as part of an ongoing review processes. It is also referred to fees in the context of overall collection of broadcasting licence revenue however this issue cannot be considered as part of the cost recovery process.

In relation to the issues raised around licence applications, renewal processes and amortisation periods, several of these suggestions are limited by the legislation and others to streamline processes will be considered in an ongoing review of business processes.

It is noted that the cost recovery principles applied throughout the review do not conflict with the objective of industry self regulation. Reductions in costs resulting from increased self regulation and other productivity gains in ACMA, are reflected in the updated fees and charges, e.g. the reduction in the annual carrier licence charge for 2006/07.

It is intended to undertake separate consultation on cost recovery arrangements for the Do Not Call Scheme and Postal Industry Ombudsman complaints scheme, as these schemes are currently under development.

### **4.3 Periodic review**

During the life of this CRIS, ACMA will undertake an annual review of fees and charges for the following charges where annual reviews are specified under legislation. These include:

- the telecommunications annual carrier licence charge;
- the annual spectrum management tax component of assigned and non-assigned radiocommunications licences; and
- annual numbering charge.

ACMA intends to conduct a full review of its costs and prices of its activities periodically, and consult stakeholders on the outcomes of these review processes.

If in the next five years there is a significant change in ACMA's responsibilities and activities, then a review of cost recovery arrangements will be conducted for the relevant activities and a cost recovery impact statement produced in accordance with the policy.



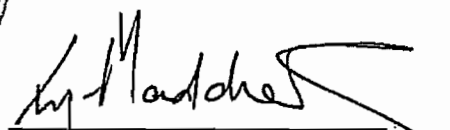
# Certification

This cost recovery impact statement was certified by the Chair of ACMA on 8 February 2007. The Common Seal of the Australian Communications and Media Authority was affixed to this document in the presence of:





Signature of Chairman



Signature of Member

Name: CHRIS CHAPMAN

Name: LYN MADDOCK

## Cost Recovery Links

The Australian Government Cost Recovery Guidelines and the accompanying Finance circular can be found at:

[http://www.finance.gov.au/finframework/cost\\_recovery.html](http://www.finance.gov.au/finframework/cost_recovery.html)

Information regarding regulation and requirements for regulation impact statements can be found at the Office of Regulation Review website:

<http://www.pc.gov.au/orr/index.html>