

COST RECOVERY IMPACT STATEMENT

Annual Carrier Licence Charge

2010-11

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1 Overview

1.1 Purpose

The purpose of this Cost Recovery Impact Statement (CRIS) is to transparently demonstrate compliance with the Australian Government Cost Recovery Guidelines 2005 (the guidelines).

1.2 Background

Under section 14 of the *Telecommunications (Carrier Licence Charges) Act 1997* (the Act), the ACMA determines the amount of the carrier licence charge to be imposed on carrier licences by written determination on a yearly basis.

The purpose of the ACLC is to recover costs incurred by the Australian Communications and Media Authority (the ACMA) the Australian Competition and Consumer Commission (ACCC) and the Commonwealth Government in exercising their telecommunications functions and powers, from the telecommunications licensed carriers. The Commonwealth Government's costs are administered by the Department of Broadband, Communications and the Digital Economy (DBCDE).

The ACMA regulates telecommunications according to its functions and powers under the *Australian Communications and Media Authority Act 2005* and the *Telecommunications Act 1997* and *Telecommunications (Consumer Protection and Service Standards) Act 1999* (TCPSS Act).

The ACMA is responsible for the regulation of broadcasting, the internet, radiocommunications and telecommunications. Its responsibilities include:

- promoting self-regulation and competition in the communications industry, while protecting consumers and other users;
- fostering an environment in which electronic media respect community standards and respond to audience and user needs;
- managing access to the radiofrequency spectrum; and
- representing Australia's communications interests internationally

The ACCC promotes competition and fair trade in the market place to benefit consumers, businesses and the community. It also regulates national infrastructure services. Its primary responsibility is to ensure that individuals and businesses comply with the Commonwealth competition, fair trading and consumer protection laws.

The DBCDE works with industry, consumer groups and regulatory authorities to develop a vibrant, sustainable, and internationally competitive broadband and communications sector which promotes the digital economy for the benefit of all Australians.

The authority to determine the method by which the charge imposed on the licensed carriers is calculated by the ACMA, and this is outlined in section 14 of the Act.

The ACLC consists of the following five components as set out in section 15 of the Act:

- the ACMA's costs that are attributable to its telecommunications functions and powers incurred during the previous financial year (paragraph 15(1)(a));
- the amount paid by the ACMA under section 136C of the *Telecommunications Act 1997* during the previous financial year (paragraph 15(1)(ca));
- the ACCC's costs that are attributable to its telecommunications functions and powers incurred during the previous financial year (paragraph 15(1)(b));
- the proportion of the Commonwealth Government's contribution to the budget of the International Telecommunication Union (ITU) for the calendar year in which the beginning of the financial year occurs (paragraph 15(1)(c)); and
- the estimated total amount of grants that are likely to be made by the Minister for Broadband, Communications and the Digital Economy under section 593 of the *Telecommunications Act 1997* for the financial year in which the charges are imposed (paragraph 15(1)(d)).

In accordance with section 15 of the Act the ACMA makes legislative instruments (determinations) specifying the amounts under paragraph 15(1)(a), 15(1)(c) and 15(1)(ca) of the Act, together with a separate determination which sets out the methodology used by the ACMA for the calculation of the total ACLC in accordance with section 14 of the Act. Similarly the ACCC and the Minister make determinations in relation to the costs described in paragraph 15(1)(b) and 15(1)(d) respectively. All determinations are registered on the Federal Register of Legislative Instruments by the respective agencies before the invoices are forwarded by the ACMA to the licensed carriers.

Under the current arrangement the ACMA collects the charges from the carriers on behalf of other participating agencies, and the revenue is treated as administered revenue. The ACLC is imposed on carrier licences that are in force at the beginning of the financial year in which the charges are made. Any licensed carrier who surrenders or cancels the licence subsequent to 1 July of the financial year is held liable for payment of the charge when it becomes due. There were 177 licensed carriers at the beginning of this financial year.

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 policy objectives. In order to apply the policy, the guidelines were issued by the Government in July 2005. Cost recovery policy is administered by the Department of Finance and Deregulation (DoFD) and outlined in the guidelines.

The policy applies to all *Financial Management and Accountability Act 1997* agencies and to relevant *Commonwealth Authorities and Companies Act 1997* bodies that have been

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

What is cost recovery?

The 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' levies or taxes

Cost recovery is different from general taxation. Some levies or taxes are used to raise cost recovery revenues, but the direct link – or 'earmarking' – between the revenue and the funding of a specific activity distinguishes such cost recovery taxes from general taxation. General taxation, on the other hand, is a compulsory exaction of money by a public authority for public purposes, enforceable by law, and which is not a payment for services rendered.

Why have cost recovery?

Used appropriately, cost recovery can provide an important means of improving the efficiency with which Australian Government products and services are produced and consumed. Charges for goods and services give an important message to users or their customers about the cost of resources involved. It may improve equity by ensuring that those who use Australian Government products and services or who created the need for regulation bear the associated costs.

ACLIC cost recovery impact

Agencies are required to use these guidelines when:

- Proposing a new cost recovery arrangements;
- Making material amendments to an existing cost recovery arrangement; or
- Reviewing cost recovery arrangements in line with the Australian Government's scheduled reviews or an agency initiated periodic review.

The total ACLIC for the current financial year (2010-11) has decreased by 4.7% from the previous year. This is considered a material amendment to the existing cost recovery arrangements and has triggered the requirement to prepare a CRIS.

2 Policy Review

2.1 Is charging consistent with policy objectives?

The policy objective of recovering the regulatory costs in relation to the telecommunications functions and powers is essentially ensuring that those who created the need for the regulation contribute towards its costs.

The ACMA and the other participating agencies annually review their regulatory activities to assess the ongoing requirement for the relevant activities, and the appropriateness of the charges. The reviews have been conducted in the context of existing legislation that has established powers to recover the costs of its regulatory functions.

2.2 Agencies objectives relevant for cost recovery

The participating agencies' objectives inform their approach to the regulation of the telecommunications industry and are relevant to cost recovery. The objectives are described in the outcomes for the organisations as provided below:

ACMA's Outcome

Outcome 1: A communications and media environment that balances the needs of the industry and the Australian community through regulation, education and advice.

ACCC's Outcome

Outcome 1: Lawful competition, consumer protection, and regulated national infrastructure markets and services through regulation, including enforcement, education, price monitoring and determining the terms of access to infrastructure services.

DBCDE's Outcome

Outcome 1: Develop a vibrant, sustainable and internationally competitive broadband, broadcasting and communications sector, through policy development, advice and program delivery, which promotes the digital economy for all Australians.

In meeting the outcomes, the participating agencies undertake a range of telecommunications regulatory, and program based activities which satisfy the requirements for cost recovery.

2.3 Who should pay cost recovery charges?

The holder of a telecommunications carrier licence that was in force at the beginning of the financial year, in which the charges are made, is liable to pay an annual charge under section 13 of the Act. It is appropriate that these carriers pay for the costs as they are the parties which created the need for the regulation. The ACMA's primary telecommunications regulatory responsibilities are to:

- licence telecommunications carriers;
- regulate telecommunications sector compliance with licence conditions, codes of practice, standards, service guarantees, universal service requirements and other consumer safeguards;

- ensure the provision and maintenance of safeguards and standards to protect the users of telecommunications products and services;
- administer legislative provisions and immunities of carriers in constructing telecommunications facilities; and
- administer the Telecommunications Numbering Plan.

3 Design and Implementation

3.1 Basis of charging – fee or levy

Cost recovery charges can be either:

- a fee that charges individuals or organisations directly for the costs of providing the activity; or
- a levy on a group of individuals or organisations.

The guidelines state that levies should only be charged to “those groups of firms or individuals that use the products or services or create the need for regulation”. The telecommunications regulatory activities more broadly incorporate issuing rights and privileges to licence holders, monitoring ongoing compliance with regulations, investigations and enforcement.

As in the past, in line with the cost recovery policy, the ACLC operates as a levy to recover costs from a group of telecommunications carriers who hold a carrier licence. There is no change proposed for the basis of charging the ACLC.

3.2 Legal requirements for the imposition of charges

Section 12 of the Act imposes the ACLC on carrier licences that are in force as at 01 July 2010, and 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. The effect of this subsection is that the ACMA must make a determination specifying the methodology for calculating the annual charge payable by each carrier. Accordingly, the ACMA makes a determination annually (e.g. the *Telecommunications (Annual Carrier Licence Charge) Determination 2011*) which specifies the methodology used by the ACMA to calculate the annual charges. 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 following components:

ACMA’s Component

This is the amount determined by written instrument in accordance with paragraph 15(1)(a) of the Act to be the amount attributable to the ACMA’s telecommunications functions and powers for the immediately preceding financial year to the relevant financial year. The ACMA’s telecommunications functions and powers are defined by section 7 of the *Telecommunications Act 1997*.

ACCC’s Component

The ACCC makes a written determination annually under paragraph 15(1)(b) of the Act of the amount determined to be the proportion of its costs attributable to the telecommunications functions and powers of the ACCC in the immediately preceding

financial year to the relevant financial year. . The ACCC's telecommunications functions and powers are defined by section 7 of the *Telecommunications Act 1997* by reference to that Act and other legislation.

ITU Contribution

Paragraph 15(1)(c) of the Act requires the ACMA to determine the proportion of the Commonwealth's contribution to the budget of the ITU associated with telecommunications for the calendar year in which the beginning of the financial year occurs. The amount to be prescribed in the determination annually is provided by the DBCDE to the ACMA which makes the determination accordingly.

Amounts paid by the ACMA under section 136C of the Telecommunications Act 1997

Paragraph 15(1)(ca) of the Act requires the ACMA to determine the sum of the amounts paid under section 136C of the *Telecommunications Act 1997* for the immediately preceding financial year to the relevant 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*.

Government Grants – Consumer Representation and Research

Paragraph 15(1)(d) of the Act requires the Minister to estimate the total amount of grants likely to be made under section 593 of the *Telecommunications Act 1997* for the relevant financial year. Section 593 of the *Telecommunications Act 1997* provides for the Minister to make grants of financial assistance to consumer representation and research bodies.

3.3 Components of costs included in charges

As disclosed in 3.2 above there are five components which make up the total ACLC. The following Table 1 presents the amount attributable to each component for the current year (2010-11) ACLC and the previous financial year. The table also provides the variance applicable to each component.

The ACMA and ACCC recover the telecommunications regulatory costs incurred in the financial year preceding the financial year in which the charges are made. DBCDE's ITU component for 2010-11 is based on its 2010 calendar year contribution.

TABLE 1 – ACLC COST COMPONENTS

Reference to the Act	Cost Component Details	2010-11 ACLC Amount	2009-10 ACLC Amount	Variance % Increase/ (decrease)
15(1)(a)	ACMA's Cost	21,838,615	23,607,525	(7%)
15(1)(b)	ACCC's Cost	12,223,338	11,767,358	4%
15(1)(c)	Contributions to ITU	1,603,978	1,921,987	(17%)
15(1)(d)	Grants for Consumer Representation Program	2,032,000	2,000,000	2%
15(1)(ca)	Cost of development of telecommunications consumer protection codes	Nil	251,882	(100%)
Total		37,697,931	39,548,752	(4.7%)

3.3.1 ACMA's Cost

The determination of the ACMA's cost recovery component is subject to a rigorous process using an activity based costing (ABC) system which captures the direct and indirect costs of activities that are relevant to the ACMA's telecommunications functions and powers. Under the ABC methodology, whilst time is used as a means of allocating direct costs to activities, the allocation of indirect costs uses the average staffing level and the distribution of floor space as appropriate. In order to ascertain the allocation base for the ABC model, the ACMA conducts periodic agency-wide surveys.

From the model, a net cost of services is established for telecommunications activities and is then used as the ACMA's ACLC cost recovery component. The net cost of services represents the total cost incurred in the previous year by the ACMA in undertaking its telecommunications functions and powers. This includes all relevant staff costs, other direct costs, overheads and the cost of capital, but excludes non-appropriated telecommunications miscellaneous revenue. The ACMA cost recovery activities account for a significant proportion of the use of its asset base. The nature of the asset base has a medium level of risk and therefore, consistent with the Australian Government Property Ownership Framework, the cost of capital of the net assets incorporated in the net cost of services is 10%.

The ABC model is reviewed annually by an external independent auditor for quality assurance purposes. The audit of the model specifically reviews the application of the ABC methodology and the calculation of the ACLC. The 2010-11 ACLC review was undertaken by Oakton during April 2011, and presents an unqualified quality assurance report. The review report confirms the appropriateness of the costing methodology adopted by the ACMA in the attribution and allocation of costs to activities as the basis for determining cost recovery charges, and confirms compliance with the Act.

TABLE 2 – NET COST OF SERVICES – THE ACMA’S TELECOMMUNICATIONS FUNCTIONS AND POWERS

Details	2009-10 Cost	2008-09 Cost	% Increase
Total telecommunications costs per ABC Model	\$35,167,100	\$35,345,338	(1%)
Less: Deductions			
Market-based Number Allocation Project Costs (MNAP)	\$510,801	\$866,651	
SPAM Costs	\$4,113,248	\$4,754,237	
Do Not Call Register Costs	\$8,535,047	\$5,896,005	
Total Deductions	\$13,159,096	\$11,516,893	
Cost of ACMA’s Telecommunications Functions and Powers – paragraph 15(1)(a)	\$22,008,004	\$23,828,445	
Less: Miscellaneous Revenue Offset	\$169,389	\$220,920	
Net Cost of ACMA’s Telecommunications Functions and Powers	\$21,838,615	\$23,607,525	(7%)

The ACMA recovers the telecommunications regulatory costs incurred in the financial year preceding the financial year in which the charges are made. Although the total telecommunications costs have decreased marginally (by less than 1%), the ACMA’s ACLC cost recovery component has effectively dropped by 7% from the previous year. This is predominantly due to the reduction in the cost of field operations. In 2008-09, field operations were centralised in Sydney, which enabled the ACMA to achieve a cost reduction of \$2.1 million, of which \$1.5 million relates to ACLC, in operating costs and related overhead costs.

The details of the cost of the ACMA’s telecommunications functions and powers under paragraph 15(1)(a) of the Act for the financial year 2009-10 are provided in Table 3 below:

TABLE 3 – COST OF THE ACMA'S TELECOMMUNICATIONS FUNCTIONS AND POWERS – 2009-10

Expense Details	2009-10 Cost
Employee expenses	\$12,754,395
Supplier expenses	\$5,103,454
Total Direct Costs	\$17,857,849
Overheads	\$3,930,951
Cost of calculation, review and approval of ACLC (fixed component)	\$49,815
Cost of ACMA's Telecommunications Functions and Powers – paragraph 15(1)(a)	\$21,838,615

From the total telecommunications costs, the following deductions are made:

- **MNAP**
MNAP costs are not recovered from industry on the basis that costs would be offset by auction proceeds.
- **SPAM**
The former Department of Communications, Information Technology and the Arts confirmed that Anti-SPAM activity is not a telecommunications activity to be recovered from carriers, as the direct beneficiaries are the members of the public. SPAM costs include the costs attributable to Anti-spam activities carried out in accordance with and the *Spam Act 2003* and e-security activities.
- **Do Not Call Register**
According to the subsection 15(4) of the *Telecommunications (Carrier Licence Charge) Act 1997*, the activities conducted under the *Do Not Call Register Act 2006*, do not form part of the ACMA's telecommunications functions and powers.
- **Miscellaneous Revenue**
In order to determine the net cost of services, miscellaneous revenue received from the telecommunications carriers is offset against the cost of telecommunications functions and powers. The reason for this deduction is to avoid recovering costs where industry paid up-front fees determined under cost recovery principles. The deduction includes the following fee types:
 - Carrier Licence Application Fee;
 - Nominated Carrier Declaration Licence Application Fee;
 - Numbering Application Fee;
 - Smart Number Registration Fee;
 - Submarine Cable Installation Permit Application Fee; and
 - Connection Permit Application Fee.

The ACMA's net costs of services for the previous five years are shown in Table 4.

TABLE 4 – THE ACMA’S ACLC COMPONENT FROM 2003-04 TO 2009-10

Financial Year	ACLC Amount \$	Increase/ (Decrease) %
2003-04	\$25,080,988	-
2004-05	\$23,047,154	(8%)
2005-06	\$22,289,736	(3%)
2006-07	\$22,900,517	3%
2007-08	\$22,820,634	(0.3%)
2008-09	\$23,607,525	3%
2009-10	\$21,838,615	(7%)

Table 4 shows that since the inception of the ACMA in July 2005, the ACMA has made a significant effort to contain costs, whilst the ACMA has provided improved services to the industry and stakeholders.

3.3.2 ACCC Cost

The ACCC recovers the telecommunications regulatory costs incurred in the financial year preceding the financial year in which the charges are made. The total cost has been derived by apportioning corporate overheads and the Regulatory Affairs Division overhead costs to the actual costs of the Communications Group for 2009-10. The details are provided in Table 5.

TABLE 5 – ACCC COST COMPONENT

	2009-10 Costs	2008-09 Costs	% Change 09-10 & 08- 09	2007-08 Costs
Direct Costs				
Employee	\$5,746,456	\$5,212,657	10%	\$4,739,292
Consultancy and Travel	\$700,323	\$957,544	(27%)	\$780,286
Other Expenses	\$1,494,993	\$2,830,628	(47%)	\$2,630,421
Total Direct Costs	\$7,941,772	\$9,000,829	(12%)	\$8,149,999
Overheads	\$4,281,566	\$2,766,529	55%	\$2,653,740
Total ACCC Costs	\$12,223,338	\$11,767,358	4%	\$10,803,739

In Table 5, the increase in overheads is offset by the decrease in other expenses, resulting from a redirection of depreciation and lease costs to be accounted for centrally.

The costs for the Communications Group for 2009-10 have been calculated at \$12,223,338 representing a 4% increase on the prior year. The largest increases have been in employee expenses as well as overhead costs whilst decreases occurred in relation to consultancy,

travel and other expenses, including legal expenses. The reduction in consultancy, travel and other expenses has substantially offset the increases in employee costs as well as the increase in overheads, both of which were primarily attributable to increased functions associated with the NBN Co and Regulatory Reform of Communications measures undertaken by the ACCC in 2009-10.

3.3.3 Contributions to ITU

The DBCDE 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.

The contributions to the ITU are made directly by the DBCDE. The base figure that is used for the calculation is the contribution made to the ITU by the Commonwealth of Australia for the calendar year in which the annual carrier charges are made. The contributions for the calendar year 2010 were 4,725,000 Swiss Francs (AUS \$5,047,130), covering both the telecommunications and radiocommunications sectors.

In order to separate the costs that were relevant to the telecommunications sector, the DBCDE established a ratio which was based on the components of ITU's output costs applicable to carrier licence fee calculations using ITU's activity based costing methodology. Accordingly, for the year 2010, a ratio of 31.78:68.22 was derived for the telecommunications standardisation sector and the radiocommunications sector respectively.

Table 6 provides the comparison of ITU costs for the calendar years 2009 and 2010:

TABLE 6 – ITU COST COMPONENTS

	Telecommunication Sector	Radiocommunication Sector	Total
	AUS \$	AUS \$	AUS \$
2010	1,603,978	3,443,152	5,047,130
2009	1,921,987	4,162,174	6,084,161
Decrease	(17%)	(17%)	(17%)
Ratio 2010	31.78%	68.22%	
Ratio 2009	31.59%	68.41%	
	SWISS FRANCS	SWISS FRANCS	SWISS FRANCS
2010	1,501,605	3,223,395	4,725,000
2009	1,492,628	3,232,372	4,725,000
Increase / (Decrease)	1%	(1%)	
Ratio 2010	31.78%	68.22%	
Ratio 2009	31.59%	68.41%	

The decrease of 17% (AUS \$) for the telecommunications sector component is attributable to exchange rate fluctuation.

3.3.4 Grants for made under section 593 of the Act

The grants made under section 593 of the *Telecommunications Act 1997* initially commenced in 1998. However, from July 2009, the program has been renamed the Consumer Representation Grants Program, and has an allocation of ongoing annual funding of \$2 million (indexed). This funding provides support to the Australian Communications Consumer Action Network (ACCAN) through a multi-year Funding Agreement until 2013. The payments are made directly by the DBCDE, which has policy oversight for consumer representation in the telecommunications industry.

In the previous 2009-10 financial year, once only transitional funding to four longstanding grants recipients: Deaf Australia; Deafness Forum of Australia; Communication Rights Australia and the Internet Society; was provided at the same level of financial support they received in 2008-09.

Table 7 details the amounts allocated to each individual organisation and the types of expenditure incurred in the previous 2009-10 financial year, compared with the entire amount provided to ACCAN in 2010-11 and subsequent years:

TABLE 7 – CONSUMER REPRESENTATION GRANT

Organisation	Expense category	Grant 2010-11	Grant 2009-10
ACCAN	National advocacy, education and research by the peak body for telecommunications consumers	\$2,032,000	\$1,840,300
Deaf Australia	Education and research for deaf consumers		\$48,000
Deafness Forum of Australian	Education and research for the Deaf (signing) population		\$47,600
Communication Rights Australia	Education and research for people with severe communication difficulties		\$39,000
Internet Society of Australia	Education and research for internet users in Australia		\$25,100
Total Grant		\$2,032,000	\$2,000,000

The estimate of grants allocated under section 593 of the *Telecommunications Act 1997* for the financial years preceding 2009-10 averaged approximately \$0.8 million. Following the establishment of ACCAN in July 2009, the grant has been increased by approximately \$1.2 million. The estimated grant for the financial year 2010-11 has been increased by 1.6% in line with the applicable Consumer Price Index. The entire grant is allocated to ACCAN, the peak consumer body. With this grant, 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 significant lobbying activities, research, consumer education and participation in self-regulatory activities. Other organisations seeking Program funding apply to ACCAN directly through ACCAN's competitive Independent Grants Scheme. Initial establishment costs for ACCAN were not recovered through the ACLC.

3.3.5 Industry Codes developed and registered under Part 6 of the *Telecommunications Act 1997*

There were no payments made for industry code development for the financial year 2009-10. The previous year's amount represents the payments made by the ACMA for the development of industry codes by Communications Alliance Ltd which were subsequently registered by the ACMA under Part 6 of the *Telecommunications Act 1997*.

3.4 Charging methodology

Method of ascertaining individual carrier licence charge

The amount of charge imposed on each carrier licence is made up of a fixed component and a variable component.

- **Fixed Component**

The fixed component of \$49,815 is equally distributed amongst all the carriers liable for the charge in a relevant financial year and is the proportion of the ACMA's costs that relate to the calculation, review and approval of the ACLC. The cost calculation is based on the ACMA's hourly rate of \$164 per hour. This is referred to as the minimum fixed charge (MFC) in the Determination made under section 14 of the Act by the ACMA. This has decreased from the previous year (from \$285 to \$281 per carrier) as a result of the increase in the number of licensed carriers.

- **Variable Component**

The variable component is the remainder of the net cost of services once the fixed costs have been subtracted, and is distributed amongst the carriers based on their 'eligible revenue' for the previous eligible revenue period as assessed by the ACMA under section 20F of the *Telecommunications (Consumer Protection and Service Standards) Act 1999* (TCPSS Act).

The ACMA collects financial information from industry annually in the form of a written eligible revenue return in order to assess each participating person's (as defined in section 20A of the TCPSS Act) eligible revenue in accordance with subsection 20F(1) of the TCPSS Act. The primary purpose of this information is to determine how much each participating person must contribute to the Universal Services Obligation payments. The applicable eligible revenue amounts relate to the financial year immediately preceding the financial year in which the annual carrier licence charges are made for those participating persons who are liable to pay the ACLC in the relevant financial year.

The following formula is used for ascertaining the variable component of the individual ACLC:

$$\{[MCA - OTC - (MFC \times TNC)] \times ER / TER\}$$

Where:

- MCA is the maximum charge amount
- OTC is the other telecommunications charges (miscellaneous revenue)
- MFC is the minimum fixed charge
- TNC is the total number of carriers
- ER is the individual carrier's eligible revenue
- TER is the total eligible revenue

Basically "[MCA - OTC - (MFC x TNC)]" represents the variable component. In this calculation the variable component is determined by subtracting the fixed component (i.e. MFC x TNC) from the total net cost of services (i.e. MCA - OTC).

The "ER / TER" determines the individual proportion of the carrier's reported eligible revenue to the total reported eligible revenue for all carriers. This is regarded as the 'carrier's contribution factor' (CCF).

In summary, the formula allocates the total variable component of the ACLC to the individual carriers, in the same proportion of their reported eligible revenue. There has been no change in the methodology for the last five years.

3.5 Cost recovery charges and impact on carriers

Attachment A outlines the ACLC for the current and previous financial year together with the details of the variances for all licensed carriers. The carriers are listed from largest to smallest charges applicable for the current financial year.

The attachment illustrates changes in individual carrier's ACLC from 2009-10 to 2010-11. Individual carriers 2010-11 ACLC may have increased or decreased from the 2009-10 ACLC as a result of the following factors:

- The decrease in the total ACLC;
- Change in the total number of carriers; and
- Changes in individual carrier's contribution factor (as detailed in 3.4).

4 Ongoing Monitoring

4.1 Mechanism for on-going monitoring

The ACMA periodically examines its organisational net cost of services based on a combination of surveys, and other cost drivers used in the ABC model to ensure that the information in the model is accurate and reliable. Similarly the other participating agencies monitor their cost components periodically. Appropriate internal consultation occurs as part of this process with consideration given to compliance requirements to ensure the recovery of costs is efficient, and consistent with Australian Government Cost Recovery Guidelines. The ACMA's ABC model is audited annually by a suitably qualified external auditor to ensure the model results in activity costs that are fair and equitable.

4.2 Stakeholder consultation

On application for a carrier licence, carriers are advised that an instrument made under subsection 14(1) of the Act specifies the amount of annual carrier licence charge imposed on persons who hold a carrier licence that was in force on the first day of the relevant financial year. On this basis, the determination is not subject to external consultation.

In addition, the cost recovery policy and the calculation methodology remain unchanged. Based on the preliminary assessment, the Office of Best Practice Regulation has confirmed that no further regulatory analysis is required for the changes to the ACLC determinations (reference number ID 12559).

4.3 Periodic review

According to the Cost Recovery Guidelines, the cost recovery arrangements should be subject to periodic review no less frequently than every five years. However, as required by the legislation the review and the development of the charges determinations in relation to the ACLC are undertaken annually.

If in the next five years there is a material change in the ACMA's or other participating agencies existing cost recovery arrangements, then the current CRIS will be updated or a new CRIS will be produced in accordance with the cost recovery policy.

5 Certification

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



Signature of Chairman

Australian Communications and Media Authority

Name: CHRIS CHAPMAN Date: 24 June 2011

6 Cost Recovery Links

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

<http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/cost-recovery.html>

For proposals that involve regulation or amendment to regulation that affects business, a Regulation Impact Statement is required. Contact the Office of Best Practice Regulation for further information below:

<http://www.finance.gov.au/obpr/index.html>

7 Glossary

ABC	Activity Based Costing
ACCC	Australian Competition and Consumer Commission
ACCAN	Australian Communications Consumer Action Network
ACMA	The Australian Communications and Media Authority
Act	<i>Telecommunications (Carrier Licence Charges) Act 1997</i>
CRIS	Cost Recovery Impact Statement
CCF	carrier's contribution factor
DBCDE	Department of Broadband, Communications and the Digital Economy
DoFD	Department of Finance and Deregulation
ER	eligible revenue
guidelines	Australian Government Cost Recovery Guidelines July 2005
ITU	International Telecommunication Union
MCA	maximum charge amount
MFC	minimum fixed amount
MNAP	Market-based Number Allocation Project
OTC	other telecommunications charges
SPAM	unsolicited message often sent in bulk to a large number of email addresses
TCPSS Act	<i>Telecommunications (Consumer Protection and Service Standards) Act 1999</i>
TER	total eligible revenue
TNC	total number of carriers

COMPARISON OF ACLC WITH PRIOR YEAR

Carrier Licence that is in force at the beginning of the 2009-10 Financial Year	ACLC 2010-11 \$ (A)	ACLC 2009-10 \$ (B)	ACLC Variance \$ (C)	ACLC Variance % (D)
Telstra Corporation Limited	\$22,659,640	\$24,450,770	(1,791,130)	(7%)
Optus Mobile Pty Limited	\$5,520,144	\$5,046,211	473,933	9%
Vodafone Hutchison Australia Pty Limited	\$2,979,365	\$1,375,697	1,603,668	117%
Optus Networks Pty Limited	\$2,159,179	\$2,808,987	(649,808)	(23%)
Vodafone Australia Pty Limited	\$978,959	\$2,456,300	(1,477,341)	(60%)
Telstra Multimedia Pty Limited	\$475,303	\$459,231	16,072	3%
AAPT Limited	\$473,972	\$544,612	(70,640)	(13%)
Soul Pattinson Telecommunications Pty Limited	\$301,462	\$282,579	18,883	7%
Uecomm Pty Limited	\$220,506	\$285	220,221	77270%
Chime Communications Pty Ltd	\$213,644	\$263,206	(49,562)	(19%)
Primus Telecommunications Pty Limited	\$161,898	\$182,329	(20,431)	(11%)
PowerTel Limited	\$141,474	\$159,507	(18,033)	(11%)
Macquarie Telecom Network Carrier Services Pty Limited	\$122,843	\$131,310	(8,467)	(6%)
Verizon Australia Pty Limited	\$116,330	\$149,149	(32,819)	(22%)
Agile Pty Ltd	\$83,676	\$76,531	7,145	9%
TransACT Capital Communications Pty Ltd	\$74,070	\$72,056	2,014	3%
Inmarsat Leasing (Two) Limited	\$70,444	\$34,082	36,362	107%
Nextgen Networks Pty Limited	\$65,146	\$52,471	12,675	24%
PIPE Networks Pty Limited	\$61,205	\$46,562	14,643	31%
Amcom Pty Ltd	\$58,611	\$50,634	7,977	16%
Pipe International (Australia) Pty Ltd	\$48,776	\$1,686	47,090	2793%
AARNet Pty Ltd	\$48,301	\$39,400	8,901	23%
New Skies Satellites Australia Pty Ltd	\$44,401	\$20,699	23,702	115%
Windytide Pty. Ltd.	\$44,113	\$48,536	(4,423)	(9%)
Digital Distribution Australia Pty Limited	\$37,553	\$39,676	(2,123)	(5%)
Pivotal Group Pty Limited	\$28,940	\$25,105	3,835	15%
Adam Internet Pty Ltd	\$27,834	\$22,587	5,247	23%
VIVIDWIRELESS Pty Ltd	\$27,423	\$0	27,423	

Carrier Licence that is in force at the beginning of the 2009-10 Financial Year	ACLIC 2010-11 \$ (A)	ACLIC 2009-10 \$ (B)	ACLIC Variance \$ (C)	ACLIC Variance % (D)
Victorian Rail Track Corporation	\$26,484	\$20,452	6,032	29%
Office des Postes et Télécommunications	\$25,925	\$11,005	14,920	136%
Australian Private Networks Pty Ltd	\$22,732	\$18,361	4,371	24%
Silk Telecom Pty Ltd	\$21,807	\$30,751	(8,944)	(29%)
iPSTAR Australia Pty Ltd	\$21,158	\$15,539	5,619	36%
Datafast Telecommunications Pty Ltd	\$19,732	\$17,589	2,143	12%
SCCL Australia Limited	\$16,389	\$39,411	(23,022)	(58%)
Wideband Networks Pty Ltd	\$15,920	\$7,844	8,076	103%
XYZed Pty Ltd	\$13,897	\$14,108	(211)	(1%)
Australia-Japan Cable (Australia) Limited	\$13,724	\$13,316	408	3%
A.C.N. 088 889 230 Pty Ltd	\$11,545	\$10,607	938	9%
ETSA Utilities	\$10,550	\$11,470	(920)	(8%)
Ergon Energy Telecommunications Pty Ltd	\$9,464	\$9,797	(333)	(3%)
Clever Communications Operations Pty. Limited	\$8,899	\$11,023	(2,124)	(19%)
BigAir Group Limited	\$8,717	\$6,943	1,774	26%
Iridium Australia Licensee Pty Limited	\$8,612	\$1,158	7,454	644%
Intelsat Asia Carrier Services Inc	\$8,379	\$16,042	(7,664)	(48%)
Network Technology (Aust) Pty Ltd	\$7,602	\$5,859	1,743	30%
Vertical Telecoms Pty Limited	\$7,317	\$8,487	(1,170)	(14%)
Newsat Networks Pty Ltd	\$7,119	\$6,265	854	14%
Intelligent IP Communications Pty Ltd	\$6,955	\$3,745	3,210	86%
VERNet Pty Ltd	\$6,924	\$7,090	(166)	(2%)
Optus Vision Pty Limited	\$6,793	\$13,243	(6,450)	(49%)
Quantum Multimedia Communications Pty Ltd	\$6,407	\$6,476	(69)	(1%)
Reach Networks Australia Pty Limited	\$6,264	\$4,431	1,833	41%
Southern Cross Telecommunications Pty Ltd.	\$5,387	\$6,570	(1,183)	(18%)
Paetel International Pty Ltd	\$4,951	\$0	4,951	
Auroracom Pty Ltd	\$4,582	\$2,452	2,130	87%
OnAir Switzerland Sarl	\$4,550	\$285	4,265	1496%
Orion Satellite Systems Pty Limited	\$4,139	\$3,830	309	8%
Basslink Telecoms Pty Ltd	\$4,098	\$285	3,813	1338%
SkyMesh Pty Ltd	\$4,054	\$2,689	1,365	51%

Carrier Licence that is in force at the beginning of the 2009-10 Financial Year	ACLC 2010-11 \$ (A)	ACLC 2009-10 \$ (B)	ACLC Variance \$ (C)	ACLC Variance % (D)
Pacific Wireless Australia Pty. Ltd.	\$3,749	\$3,822	(73)	(2%)
GE International Holdings Inc	\$3,619	\$2,084	1,535	74%
Allegro Networks Pty Ltd	\$3,563	\$4,086	(523)	(13%)
Flexinet Pty Ltd	\$3,563	\$533	3,030	569%
Bluemaxx Communications Pty Ltd	\$3,407	\$2,456	951	39%
Pivit Pty Ltd	\$3,273	\$2,181	1,092	50%
Broadcast Engineering Services (Australia) Pty Ltd	\$3,233	\$3,176	57	2%
Cirrus Communications Pty Limited	\$3,157	\$3,541	(384)	(11%)
MePherson Media Pty. Ltd.	\$2,963	\$3,408	(445)	(13%)
Clear Networks Pty Ltd	\$2,686	\$3,526	(840)	(24%)
DCS Internet Pty Ltd	\$2,658	\$2,729	(71)	(3%)
AccessPlus Pty Ltd	\$2,148	\$341	1,807	530%
Integrated Data Labs Pty Ltd	\$2,133	\$2,390	(257)	(11%)
Link Innovations Pty Limited	\$2,019	\$1,764	255	14%
Digital River Networks Pty. Ltd.	\$2,007	\$2,523	(516)	(20%)
Ipera Communications Pty Limited	\$1,901	\$1,687	214	13%
Anittel Communications Pty Ltd	\$1,776	\$0	1,776	
Broadband Wireless Pty Ltd	\$1,741	\$1,263	478	38%
Silk Telecom (WA) Pty Ltd	\$1,496	\$4,866	(3,370)	(69%)
Dragnet Internet Services Pty Ltd	\$1,426	\$2,276	(850)	(37%)
Golden IT Pty. Ltd.	\$1,313	\$1,005	308	31%
Ocean Broadband Ltd	\$1,300	\$1,095	205	19%
Index Consultancy - Australia Pty. Ltd.	\$1,249	\$1,162	87	7%
Wireless Broadband Engineering Pty Limited	\$1,206	\$1,028	178	17%
OMNIConnect Pty Ltd	\$1,200	\$1,325	(125)	(9%)
Central Coast Internet Pty. Limited	\$1,138	\$995	143	14%
GoldNet Pty Ltd	\$1,123	\$310	813	262%
ClubLINKS Telco Pty Ltd	\$1,105	\$1,069	36	3%
Rail Corporation New South Wales	\$1,095	\$1,225	(130)	(11%)
Linknet Communications NSW Pty Limited	\$1,055	\$1,097	(42)	(4%)
Mackay Computer Services Pty Ltd	\$1,044	\$1,115	(71)	(6%)
Alpha dot net Australia Pty Limited	\$1,012	\$1,132	(120)	(11%)

Carrier Licence that is in force at the beginning of the 2009-10 Financial Year	ACLC 2010-11 \$ (A)	ACLC 2009-10 \$ (B)	ACLC Variance \$ (C)	ACLC Variance % (D)
Ivery Holdings Pty Ltd	\$987	\$529	458	86%
aCure Technology Pty Ltd	\$982	\$668	314	47%
Kallistrate Pty. Ltd.	\$957	\$672	285	42%
Tasmanet Pty. Ltd.	\$853	\$575	278	48%
Western Australian Internet Association (Inc.)	\$835	\$723	112	16%
Northern Technology Holdings Pty Ltd	\$718	\$480	238	50%
Fish Telecom Pty Ltd	\$705	\$853	(148)	(17%)
Acc Internet Services Pty Ltd	\$668	\$767	(99)	(13%)
Tas Communications Pty Ltd	\$648	\$1,553	(905)	(58%)
Port of Brisbane Corporation	\$589	\$675	(86)	(13%)
Megalink Australia Pty Ltd	\$567	\$564	3	1%
Access Wireless & Cable Pty Limited	\$567	\$601	(34)	(6%)
Nuskope Pty. Ltd.	\$565	\$529	36	7%
Techsus Pty Ltd	\$539	\$536	3	1%
World Without Wires Pty Ltd	\$538	\$572	(34)	(6%)
Michael Parnell Pty. Limited	\$520	\$514	6	1%
YLESS4U Pty Ltd	\$504	\$569	(65)	(11%)
CipherTel Pty Ltd	\$495	\$363	132	36%
Integrity Network Solutions Pty. Ltd.	\$495	\$853	(358)	(42%)
Leading Edge Internet Pty Limited	\$495	\$493	2	0%
Satellite and Wireless Pty Ltd	\$495	\$1,198	(703)	(59%)
NURV Telecom Pty Ltd	\$495	\$432	63	15%
Tower Computer Aid Pty. Ltd.	\$495	\$502	(7)	(1%)
Broadband Express Pty Ltd	\$486	\$711	(225)	(32%)
Winderee Investments Pty Ltd	\$471	\$664	(193)	(29%)
Unwired Australia Pty Limited	\$470	\$39,850	(39,380)	(99%)
Radcomp Pty Ltd	\$457	\$430	27	6%
Eeopost Pty Limited	\$452	\$495	(43)	(9%)
Digital Technologies & Telecommunications Pty Limited	\$452	\$451	1	0%
Spencer Gulf Telecasters Pty Limited	\$447	\$447	0	0%
Wideliux Pty. Ltd.	\$441	\$445	(4)	(1%)
Ai Tel Pty Ltd	\$440	\$403	37	9%

Carrier Licence that is in force at the beginning of the 2009-10 Financial Year	ACLIC 2010-11 \$ (A)	ACLIC 2009-10 \$ (B)	ACLIC Variance \$ (C)	ACLIC Variance % (D)
Geo Media Broadband Pty Ltd	\$433	\$431	2	0%
Advatel Wireless Pty Ltd	\$426	\$366	60	16%
Newhome Technologies Pty Ltd	\$422	\$285	137	48%
CNTCorp Pty. Ltd.	\$402	\$0	402	
Business Services & Resources Pty Limited	\$394	\$285	109	38%
Ossini Pty Ltd	\$393	\$394	(1)	(0%)
NetWave Communications Pty Ltd	\$391	\$1,199	(808)	(67%)
Projeel Eclectic R & D (SA) Pty Ltd	\$374	\$405	(31)	(8%)
Fiber Vision Networks Pty. Ltd.	\$374	\$285	89	31%
Country Energy	\$374	\$1,923	(1,549)	(81%)
Eastern Wireless Pty. Ltd.	\$339	\$353	(14)	(4%)
Waekado Communications Pty Ltd	\$337	\$355	(18)	(5%)
Opticom Co Pty Ltd	\$336	\$291	45	16%
Nowires Pty Limited	\$328	\$361	(33)	(9%)
Universal Communications Group Pty Ltd	\$322	\$285	37	13%
Spartan Information Technology Pty. Ltd.	\$316	\$0	316	
AcroMobile AS	\$314	\$285	29	10%
Logie IT Solutions Pty Ltd	\$309	\$0	309	
Puddlenet Pty Ltd	\$297	\$300	(3)	(1%)
Splash Internet Pty. Ltd.	\$294	\$0	294	
Light Technologies Pty Ltd	\$288	\$286	2	1%
OPENetworks Pty Ltd	\$287	\$288	(1)	(0%)
Snork Pty Ltd	\$282	\$0	282	
Blitzwave Pty Ltd	\$281	\$285	(4)	(1%)
Blubroadband Pty Limited	\$281	\$2,708	(2,427)	(90%)
Boeing Defence Australia Ltd	\$281	\$285	(4)	(1%)
Bottle Communications Pty. Ltd.	\$281	\$705	(424)	(60%)
Data and Communications Victoria Pty Ltd	\$281	\$0	281	
Elms Communications Pty Ltd	\$281	\$344	(63)	(18%)
Fibre Optic Infrastructure Holdings Pty Ltd	\$281	\$285	(4)	(1%)
Freecor International Pty. Limited	\$281	\$630	(349)	(55%)
Gateway Networks Pty Ltd	\$281	\$0	281	

Carrier Licence that is in force at the beginning of the 2009-10 Financial Year	AGLC 2010-11 \$ (A)	AGLC 2009-10 \$ (B)	AGLC Variance \$ (C)	AGLC Variance % (D)
i3 Asia-Pacific Pty Ltd	\$281	\$285	(4)	(1%)
Indigo Telecom (Aust) Pty Ltd	\$281	\$285	(4)	(1%)
Jemena Asset Management (2) Pty Ltd	\$281	\$285	(4)	(1%)
Luminet Pty Ltd	\$281	\$285	(4)	(1%)
NBN Co Limited	\$281	\$0	281	
NBN Tasmania Limited	\$281	\$0	281	
No Wires Communication Pty Ltd	\$281	\$285	(4)	(1%)
Ochre Services Pty Ltd	\$281	\$285	(4)	(1%)
On Q Networks Pty Ltd	\$281	\$0	281	
Oziplex Pty Ltd	\$281	\$286	(5)	(2%)
Port of Brisbane Pty Ltd	\$281	\$0	281	
QESTel Pty Ltd	\$281	\$0	281	
RP 25 Pty Ltd	\$281	\$285	(4)	(1%)
Select Communications (Australia) Pty Ltd	\$281	\$289	(8)	(3%)
Syneaaccess Group Pty. Limited	\$281	\$0	281	
Tampnet Oceania Pty Ltd	\$281	\$0	281	
Telecommunications Integration Services Pty Ltd	\$281	\$0	281	
Uecomm Operations Pty Limited	\$281	\$223,277	(222,996)	(100%)
Victorian Urban Development Authority	\$281	\$0	281	
Wimax Telecom Pty. Ltd.	\$281	\$285	(4)	(1%)
Wobygong Pty Ltd	\$281	\$285	(4)	(1%)
Licences Surrendered		\$21,068	(21,068)	
Total	\$37,697,931	\$39,548,752	(\$1,850,821)	(4.7%)

Note: Decreases are shown within brackets.

The details of the columns used in the above table are as follows:

- Column A the amount applicable for the current financial year (2010-11);
- Column B the amount charged for the previous financial year (2009-10);
- Column C the amount of increase or decrease from the previous financial year;
- Column D the percentage of increase or decrease from the previous financial year;