Cost Recovery Implementation Statement

Annual Carrier Licence Charge for the charging period 1 July 2015 to   
30 June 2016

Version 2.0—MAY 2016

Canberra

Red Building   
Benjamin Offices  
Chan Street   
Belconnen ACT

PO Box 78  
Belconnen ACT 2616

T +61 2 6219 5555  
F +61 2 6219 5353

Melbourne

Level 32   
Melbourne Central Tower  
360 Elizabeth Street   
Melbourne VIC

PO Box 13112  
Law Courts   
Melbourne VIC 8010

T +61 3 9963 6800  
F +61 3 9963 6899

Sydney

Level 5   
The Bay Centre  
65 Pirrama Road   
Pyrmont NSW

PO Box Q500  
Queen Victoria Building   
NSW 1230

T +61 2 9334 7700 or 1800 226 667  
F +61 2 9334 7799

Copyright notice

[Creative commons logo](http://i.creativecommons.org/l/by/3.0/88x31.png)

<http://creativecommons.org/licenses/by/3.0/au/>

With the exception of coats of arms, logos, emblems, images, other third-party material or devices protected by a trademark, this content is licensed under the Creative Commons Australia Attribution 3.0 Licence.

We request attribution as: © Commonwealth of Australia (Australian Communications and Media Authority) 2016.

All other rights are reserved.

The Australian Communications and Media Authority has undertaken reasonable enquiries to identify material owned by third parties and secure permission for its reproduction. Permission may need to be obtained from third parties to re-use their material.

Written enquiries may be sent to:

Manager, Editorial and Design  
PO Box 13112  
Law Courts  
Melbourne VIC 8010  
Tel: 03 9963 6968  
Email: [candinfo@acma.gov.au](mailto:candinfo@acma.gov.au)

1. Introduction 1

1.1 Purpose of the Cost Recovery Implementation Statement 1

1.2 Background and description of activity 1

1.3 Stakeholders 2

2. Policy and statutory authority to undertake cost recovery 3

2.1 Government policy approval to recover costs 3

2.2 Statutory authority to impose cost recovery charges 3

3. Cost recovery model 6

3.1 Determination of cost component under paragraph 15(1)(a)   
of the Act—the ACMA’s activity 6

3.1.1 Outputs and business processes of the activity 6

3.1.2 Costs of the activity 7

3.2 Determination of cost component under paragraph 15(1)(b)   
of the Act—the ACCC’s activity 9

3.2.1 Outputs and business processes of the activity 9

3.2.2 Costs of the activity 12

3.3 Determination of cost component under paragraph 15(1)(c)   
of the Act—the ITU activity 14

3.3.1 Outputs and business processes of the activity 14

3.3.2 Costs of the activity 14

3.4 Determination of cost component under paragraph 15(1)(ca)   
of the Act—Development or variation of consumer protection codes 15

3.4.1 Outputs and business processes of the activity 15

3.4.2 Costs of the activity 16

3.5 Determination of cost component under paragraph 15(1)(d)   
of the Act—government grant for consumer representation program 16

3.5.1 Outputs and business processes of the activity 16

3.5.2 Costs of the activity 16

3.6 Design of cost recovery charges 17

4. Risk assessment 19

5. Stakeholder engagement 20

6. Financial estimates 21

7A. Financial performance 23

7B. Non-financial performance 25

8. Key forward dates and events 27

9. CRIS approval and change register 28

Glossary 29

Attachment A 30

ACLC for 2015–16 30

Attachment B 32

Telecommunications activities not included in the ACLC 32

# 1. Introduction

## 1.1 Purpose of the Cost Recovery Implementation Statement

This Cost Recovery Implementation Statement (CRIS) provides information on how the Australian Communications and Media Authority (the ACMA) implements cost recovery for relevant activities funded via the Annual Carrier Licence Charge (ACLC).

A summary of the cost recovery model used by the ACMA and other participating organisations is included in this statement. It also reports financial performance for these activities and contains financial forecasts for the 2015–16 financial year and three forward years. The ACMA will maintain the CRIS until the activities or cost recovery for the activities have been discontinued.

The ACLC amounts payable by carrier licensees for the period 1 July 2015 to 30 June 2016 are set out in Attachment A.

## 1.2 Background and description of activity

The ACMA is a statutory authority within the Communications and the Arts portfolio of the Commonwealth Government. It is responsible for administering the telecommunications regulatory regime, which is established primarily through the *Australian Communications and Media Authority Act 2005* and the *Telecommunications Act 1997*.

The ACLC was established to fund the activities of the ACMA, the Australian Competition and Consumer Commission (the ACCC) and the Department of Communications and the Arts (DoCA) in regulating telecommunications services provided by licensed carriers, so that those who create the need for the government activities meet the cost of those activities.

The costs of the ACMA’s other regulatory activities, such as those related to radiocommunications, internet content and broadcasting services, are not included in the ACLC.

The ACLC for the 2015–16 financial year is allocated to licensed telecommunications carriers based on their eligible revenue within the meaning of the *Telecommunications (Consumer Protection and Service Standards) Act 1999* for the 2014–15 financial year, as assessed by the ACMA. Carriers that were ‘non-participating persons’ within the meaning of the Telecommunications (Participating Persons) Determination 2015 for the eligible revenue period that began on 1 July 2014 and ended 30 June 2015 are, in effect, exempted from paying the ACLC.[[1]](#footnote-1) It is appropriate that those who create the need for these regulatory activities meet these expenses through the ACLC. Those who are non-participating persons, while operating in the telecommunications industry, do not create any substantial regulatory burden.

Generally, non-participating persons are carriers with initial sales revenue, gross telecommunications sales revenue or eligible revenue of less than $25 million for the eligible period (that is, smaller carriers) who lodge the required statutory declaration with the ACMA within the specified time frame.[[2]](#footnote-2) Any carrier who holds a licence on 1 July 2015 and is not a non-participating person is required to pay the ACLC for the 2015–16 financial year, irrespective of whether they have surrendered or cancelled their licence subsequent to this date, and will be held liable for payment of the charge when it is due.

The DoCA conducted a Communication Portfolio Charging Review in the early part of 2015, which affirmed that activities funded via the ACLC will remain subject to the Australian Government Charging Framework.

## 1.3 Stakeholders

The key stakeholders are telecommunications carriers, telecommunications carriage service providers, telecommunications industry bodies (for example, Consumer Alliance) and telecommunications consumer bodies (for example, the Australian Communications Consumer Action Network).

# 2. Policy and statutory authority to undertake cost recovery

## 2.1 Government policy approval to recover costs

As an outcome of the Communications Portfolio Charging Review in the financial year 2014–15, the government confirmed the appropriateness of cost recovery for the following activities through the ACLC:

* the ACMA regulating telecommunications entities
* the ACCC regulating telecommunications entities
* developing industry codes by a telecommunications industry body or association under Part 6 of the *Telecommunications Act 1997*
* contributing to the budget of the International Telecommunications Union

contributing grants of financial assistance to consumer bodies to support consumer representation in the telecommunication sector.

Prior to 2014–15, the government made a series of decisions**[[3]](#footnote-3)** regarding these activities to be the subject of cost recovery through the ACLC.

## 2.2 Statutory authority to impose cost recovery charges

Section 12 of the Act imposes an annual charge on carrier licences that are in force at the beginning of a financial year (that is, 1 July 2015 for the purposes of this CRIS).

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

On 26 June 2013, the then Minister for Broadband, Communications and the Digital Economy issued the Australian Communications and Media Authority (Annual Carrier Licence Charge) Direction 2013 (the Direction 2013).[[4]](#footnote-4) The Direction 2013 requires the ACMA to make such determinations as are necessary under subsection 14(1) of the Act to have the effect of imposing an annual carrier licence charge of $0 on a carrier licence that is:

* in force at the beginning of a relevant financial year

held by a carrier that was a ‘non-participating person’ within the meaning of the Telecommunications (Participating Persons) Determination 2015 for the eligible revenue period immediately preceding that financial year.[[5]](#footnote-5)

Accordingly, under the Telecommunications (Annual Carrier Licence Charge) Determination 2016, carriers who were non-participating persons for the 2014–15 eligible revenue period are, in effect, exempted from the liability to pay the ACLC.

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

1. Structural components of the ACLC

| Reference in the Act | Cost component |
| --- | --- |
| 15(1)(a) | The ACMA’s cost component |
| 15(1)(b) | The ACCC’s cost component |
| 15(1)(c) | ITU contribution |
| 15(1)(ca) | Reimbursement of cost of developing or varying consumer protection related industry codes |
| 15(1)(d) | Government grants—consumer representation and research |

In accordance with section 14(1) of the Act, the ACMA makes a determination that set out the ACLC imposed on liable individual carrier licences, and the method of ascertaining the amount of the charge. In accordance with subsection 15(1) of the Act, the ACMA makes a separate determination specifying the amounts under paragraphs 15(1)(a), 15(1)(c) and 15(1)(ca) of the Act.

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

1. List of legislative instruments for imposition of the ACLC for the 2015–16 financial year

| No. | Determination | Made under |
| --- | --- | --- |
| 1 | Telecommunications (Annual Carrier Licence Charge) Determination 2016  *(made by the ACMA)* | Section 14 of the Act |
| 2 | Telecommunications (Specification of Costs by ACMA) Determination 2016  *(made by the ACMA)* | Paragraphs 15(1)(a), (c) and (ca) of the Act |
| 3 | Determination Under Paragraph 15(1)(b) No. 1 of 2016  *(made by the ACCC)* | Paragraph 15(1)(b) of the Act |
| 4 | Determination Under Paragraph 15(1)(d) No. 1 of 2016  *(made by the Minister for Communications and the Arts)* | Paragraph 15(1)(d) of the Act |

# 3. Cost recovery model

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

## 3.1 Determination of cost component under paragraph 15(1)(a) of the Act—the ACMA’s activity

### 3.1.1 Outputs and business processes of the activity

This component represents the ACMA’s costs incurred during the financial year 2014–15 in performing its telecommunications functions set out in section 8 of the ACMA Act and in exercising its telecommunications powers as defined in section 7 of the *Telecommunications Act 1997*, except for functions and powers conferred on the ACMA by or under:

(a)  the *Do Not Call Register Act 2006*; or

(b)  the *Telecommunications Act 1997* to the extent to which that Act relates to the *Do Not Call Register Act 2006*; or

(c)  Part 6 of the *Telecommunications Act 1997* to the extent to which that Part relates to telemarketing activities (within the meaning of that Part).

As a regulator of the telecommunications industry, the ACMA exercises powers conferred by the following Acts relevant to the ACLC:

* the *Telecommunications Act 1997*
* the *Telecommunications (Consumer Protection and Service Standards) Act 1999*
* Chapter 4 or 5 of the *Telecommunications (Interception and Access) Act 1979*
* Part XIC of the *Competition and Consumer Act 2010*

section 12 of the *Australian Communications and Media Authority Act 2005.*

The outputs in relation to the ACMA’s telecommunications activities are summarised as follows:

Regulation development

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

Industry monitoring and NBN

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

Compliance and enforcement

This involves handling complaints from the telecommunications industry and consumers, compliance monitoring of devices subject to labelling arrangements and telecommunications cabling, compliance monitoring of electromagnetic activities, compliance with consumer protection codes, undertaking audit programs, issuing warning notices, and taking other related enforcement actions.

Licensing and allocation

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

Other outputs

All other outputs in relation to the ACMA’s telecommunications functions and powers are considered in this category, including dealing with the telecommunications industry on national interest issues—for example, emergency call services and disclosure of customer information.

Further details about the ACMA’s telecommunications activities are set out in the ACMA’s annual report.[[6]](#footnote-6)

### 3.1.2 Costs of the activity

The determination of the ACMA’s costs to be recovered under the ACLC is subject to a rigorous process using an Activity Based Costing (ABC) model. Although there has been no change in the methodology used for the determination of the costs from the previous financial year, the ACMA implemented new ABC software (CostPerform) during the 2014–15 financial year. The new system provides tracking of direct and support (indirect) costs and the type of expenses incurred by the ACMA in exercising its telecommunications functions and powers, with no manual intervention. As in the prior year, time is used as a primary means of allocating direct costs to activities, while support costs are allocated using an appropriate cost driver (further detail on cost drivers is provided later in this section).

The ACMA’s ABC model is reviewed by an external independent auditor for quality assurance purposes. An audit of the model for this financial year’s ACLC (the costs incurred in 2014–15) was undertaken by Oakton. The audit confirmed:

* the ABC model has been set up in accordance with the accepted principles of activity based costing, which fairly and equitably reflects the costs of relevant activities for 2014–15
* the methodology used to determine the ACMA’s costs during 2014–15 for inclusion in the ACLC is in accordance with the Act

the activity costs produced by the ABC model for 2014–15 are based on the cost of services in accordance to the ACMA’s 2014–15 audited financial statements.

In order to ensure that the allocation base for the ABC model remains accurate, the ACMA conducts agency-wide surveys twice a year.

Table 3 below provides details for the direct costs and support costs of the ACMA’s component at an output level.

1. The ACMA’s component at output level, 2015–16

| Output | Direct cost | Support cost | Total cost |
| --- | --- | --- | --- |
| Regulation development | $3,030,209 | $4,301,535 | $7,331,744 |
| Industry monitoring and NBN | $1,137,871 | $1,325,083 | $2,462,954 |
| Compliance and enforcement | $2,377,044 | $2,865,583 | $5,242,627 |
| Licensing and allocation | $1,312,464 | $1,031,325 | $2,343,789 |
| Other outputs | $90,714 | $100,290 | $191,004 |
| **Total costs** | **$7,948,302** | **$9,623,816** | **$17,572,118** |

Direct costs are the costs directly incurred by the relevant operational areas.[[7]](#footnote-7) These costs are attributed to their activities based on information provided via the agency-wide survey, which reflects the consumption of resources relevant to telecommunications functions and powers. Direct costs include direct staff salaries, and other expenses (for example, contractors, consultants, suppliers, office consumables, travel) in relation to the operational areas carrying out telecommunications activities.

The support costs are those incurred by the ACMA’s support services such as information technology (IT), finance, human resources, facilities, legal, Authority and other corporate services. As these costs cannot be directly attributed to an output, they are allocated to activities using a number of cost drivers, which include average staffing levels, the number of desks, the value of assets and an estimation of consumption of resources to reflect the appropriate support costs. The costs include all support staff salaries and other expenses, such as contractors, consultants, suppliers, depreciation, write-offs and occupancy.

The table below outlines a breakdown of expenses for the ACMA’s component for the 2014–15 financial year with comparison to the previous year. The employee costs include salaries and staff on-costs and the operating costs essentially relate to expenses incurred, including contractors, consultants, travel, supplies, occupancy. Depreciation and write-offs of non-financial assets represent the loss of service potential of assets attributable to the telecommunications services in relation to the ACLC. These costs are subsets of both the direct and indirect costs disclosed in Table 3 above. Because of the implementation of the new ABC system, the expense categories have been changed, and the previous year’s figures have been adjusted to reflect the new expense categories.

Table 4: The ACMA’s cost component

| Costs | 2015–16  (based on 2014–15 costs) | 2014–15  (based on 2013–14 costs) | % change\* |
| --- | --- | --- | --- |
| Employees | $12,208,704 | $12,940,868 | (5.7%) |
| Operating | $3,316,149 | $5,084,698 | (34.8%) |
| Depreciation and write-off | $2,190,100 | $1,739,977 | 25.9% |
| **Total ACMA costs** | **$17,714,953** | **$19,765,543** | (10.4%) |
| Less: Revenue received from activities delivered on a fee-for-service basis (see Attachment B—Telecommunications activities not included in the ACLC) | $142,835 | $111,497 | 28.1% |
| **Total costs for ACLC** | **$17,572,118** | **$19,654,046** | (10.6%) |

*\*increase/(decrease*)

The ACMA’s cost component has decreased by 10.6 per cent ($2.1 million) from the previous financial year. The decrease is mainly attributable to a $3.1 million reduction in annual appropriation, which has influenced an organisational change and is now reflected in the reduction in telecommunications costs to be recovered from industry. Further, the adoption of the government’s deregulation policy has also contributed towards the reduced cost of telecommunications services.

The ACLC does not include the costs associated with the telecommunications services listed in Attachment B, as they are either budget-funded or delivered on a fee-for-service basis.

## 3.2 Determination of cost component under paragraph 15(1)(b) of the Act—the ACCC’s activity

### 3.2.1 Outputs and business processes of the activity

This component represents the ACCC’s costs incurred during 2014–15 in exercising its telecommunications functions and powers.

Part XIC of the *Competition and Consumer Act 2010* contains the framework for economic regulation of the communications industry. The ACCC is responsible for:

* conducting inquiries into which communications services should be regulated
* conducting inquiries into the making of access determinations for regulated services that will contain price (or a method of ascertaining price) and non-price terms and conditions of access
* making binding rules of conduct (if needed) to address specific competition issues
* investigating allegations of access providers failing to comply with the standard access obligations and/or non-discrimination obligations in the *Competition and Consumer Act 2010*

assessing special access undertakings (SAUs), which if accepted by the ACCC, will provide terms and conditions for access to regulated services.

Part XIB of the *Competition and Consumer Act 2010* enables a quick response to instances of anti-competitive conduct in the communications industry, and allows the ACCC to impose specific information-gathering obligations on industry participants to assist with the ACCC’s administration and enforcement of the *Competition and Consumer Act 2010*. The ACCC’s responsibilities under Part XIB include:

* investigating allegations of anti-competitive conduct
* considering exemption applications for anti-competitive conduct
* reporting as part of the Group’s mandatory and discretionary reporting requirements

industry monitoring, including the ‘Regulatory Accounting Framework’, enhanced accounting separation reporting, retail tariff filings, and bundling of residential services.

The ACCC also has responsibilities under the *Telecommunications Act 1997* in relation to facilities access and structural reform. This includes monitoring Telstra’s compliance with its structural separation undertaking (SSU) and plan for migrating services to the NBN. As well as the ACCC’s specific statutory obligations, it also has resources dedicated to:

* market and competition analysis and investigations (especially under Part IV of the *Competition and Consumer Act 2010*) in relation to content, media and application services delivered over communications networks
* providing technical engineering advice
* advising other areas of the ACCC on implications of convergent technologies in the context of mergers, adjudication and enforcement activities
* formulating briefing material and submissions to major government reviews, such as inquiries regarding the NBN, Senate estimates and other public inquiries

drafting speeches and public presentations for commissioners and senior managers.

The key communications outputs include:

**Industry structure and compliance**

* Reporting to the Minister for Communications and the Arts annually on Telstra’s compliance with its SSU whilecontinuing to monitor Telstra’s compliance with the SSU and investigating potential breaches of the SSU by Telstra.
* Reporting the test results from the broadband performance monitoring pilot program, with a view to full deployment if supported.
* Providing advice to other areas on matters such as mergers or telecommunications-related authorisation applications.
* Providing advice to other government agencies and departments on request (such as the proposed imposing of a carrier licence condition on NBN Co Limited (NBN Co) requiring it to disclose information about the rollout of its network).
* Compliance and enforcement regarding the *Competition and Consumer Act 2010* and wholesale telecommunications markets (Part IV, Part XIB, NBN SAU and Telstra SSU).
* Consultation and industry engagement on a range of regulatory matters, including potential declaration inquiries, promoting competition through regulation of the NBN and encouraging transparency and appropriate consumer safeguards in the migration to the NBN, and monitoring industry consolidation and the impact on competition within the communications market.

**Mobiles, transmission and consumer (including NBN)**

* Monitoring NBN Co’s compliance with, and performing other functions under, NBN Co’s SAU (given by NBN Co and accepted by the ACCC in late 2013), which sets out price and non-price terms of access to the NBN.
* Considering an application for revocation of the ACCC’s 2012 authorisation of arrangements between NBN Co and Optus regarding Optus’ Hybrid Fiber-Coaxial (HFC) network and considering authorisation of the non-acquisition aspects of the revised arrangements.
* Issuing final determinations on Telstra’s revised Migration Plan (which it submitted in March 2015 following a period of consultation) to reflect the multi-technology model NBN.
* Progress on making an access determination setting out the access terms and conditions for the domestic transmission capacity service and the mobile terminating access service.
* Issuing telecommunications annual report, Telecommunications Competitive Safeguards for 2013–14.
* NBN pricing and SAU financial/pricing compliance.
* Issuing final determinations on the NBN Co SAU annual revenue determination (Long Term Revenue Constraint Methodology determination) for 2013–14 (first annual report required during the first 10 years of NBN Co’s SAU)
* Providing advice to other government agencies and departments on request (on NBN non-commercial funding options, competition limits for the allocation of spectrum licenses to use 1800 MHz spectrum in regional Australia and market developments).
* Maintaining and collecting data through the Infrastructure and Exchange Facilities Record Keeping Rules.
* Progressing related issues regarding facilities access service and points of interconnection (POIs).
* Consultation and industry engagement on a range of regulatory matters, including telecommunications consumer issues, numbering, NBN migration consumer issues, mobiles and transmission markets, while transitioning to the NBN and promoting competition to ensure an efficiently functioning communications market.

**Wireline markets**

* Economic analysis, pricing structure and calculations for the fixed-line services (unconditioned local loop service, line sharing service, public switched telephone network operating access, public switched telephone network terminating access, wholesale line rental, and local carriage services).
* Progress on making an access determination setting out the access terms and conditions for fixed line services, which include price and non-price terms and conditions.
* Continuing an inquiry into whether a superfast broadband access service, such as the very-high-bit-rate digital subscriber line service, should be declared and regulated.
* Issuing telecommunications annual report, Changes in the prices paid for telecommunications services in Australia 2013–14.
* Providing advice to other government agencies and departments on request.
* Consultation and industry engagement on a range of regulatory matters, including regulating access to infrastructure to support continuing competition and efficient investment in fixed line, the Fixed Line Services Model, Building Block Model (BBM), Customer Access Network, regulatory accounting framework, BBM data analysis and Weighted Average Cost of Capital coordination.
* Maintaining and collecting data through the Regulatory Accounting Framework Record Keeping Rules.

Access Agreements quarterly report lodgement.

**Other outputs**

* All other outputs in relation to the ACCC’s telecommunications functions and powers are considered in this category, including strategic liaison and coordination of regulatory affairs.

### 3.2.2 Costs of the activity

The determination of the ACCC’s costs to be recovered under the ACLC is based on a cost allocation model. There has been no change in the methodology used to determine the costs from the previous financial year. Both direct and support (indirect) costs incurred by the ACCC in exercising its telecommunications functions and powers are captured by the model. Telecommunication activities are aligned to discrete cost centres to capture direct costs. Support costs are allocated using an appropriate cost driver (further detail on support costs is provided later in this section).

The activity costs produced by the ACCC’s cost allocation model for 2014–15 are based on the cost of services in accordance with the ACCC’s 2014–15 audited financial statements.

Table 5 below provides details for the direct costs and support costs of the ACCC’s component at an output level.

Table 5: The ACCC’s component at output level, 2015–16

| Output activity | Direct cost | Support cost | Total  cost |
| --- | --- | --- | --- |
| Industry structure and compliance | $2,446,829 | $1,865,871 | $4,312,700 |
| Mobiles, transmission and consumer (including NBN) | $2,667,278 | $2,033,977 | $4,701,255 |
| Wireline markets | $2,535,947 | $1,933,829 | $4,469,776 |
| Other outputs | $920,777 | $702,154 | $1,622,931 |
| **Total costs** | **$8,570,831** | **$6,535,831** | **$15,106,662** |

Direct costs are the costs incurred directly by the ACCC’s communications function housed within the ACCC’s Infrastructure Regulation Division. These costs are attributed to discrete cost centres aligned with the telecommunication output activities. They include staff salaries and other expenses in relation to the communications function carrying out their activities (for example, contractors, consultants, suppliers, travel and office consumables). An annual review of executive effort related to the telecommunication function provides a consistent approach for capturing costs into allocation model.

The support costs are the costs incurred by the ACCC’s corporate divisions including finance, human resources, legal, property, IT, and regulatory. The costs include all support staff salaries and other expenses in relation to corporate support services (for example, consultancies, suppliers, depreciation and property/accommodation). These costs are allocated to activities using three cost drivers: non-legal expenditure, legal expenditure and average staff levels (ASL):

* The non-legal expenditure driver is used to allocate corporate costs not easily attributed to usage or headcount (for example, executive governance, assurance and strategic support).
* The ASL driver is used to allocate overhead costs that are driven more by staffing than expenditure (for example, human resources, IT support and property costs).

The legal driver is used to allocate the in-house legal support function based on a proportion of usage.

Table 6 below sets out the allocation method applied to each of the corporate categories.

Table 6: Allocation of ACCC’s support costs

| Category | Cost driver | Allocation method |
| --- | --- | --- |
| Executive | Non-legal costs | Percentage allocation based on the proportion of the communications function component to the ACCC’s operational divisions\* component. |
| Corporate management |
| Corporate services |
| Finance |
| Strategic communications |
| Information and technology | ASL |
| Human resources |
| Property |
| Asset usage |
| Legal | Legal costs |

*\*ACCC’s operational divisions perform consumer and competition regulatory and enforcement functions.*

The ACCC’s component for 2015–16 has been calculated at $15,106,662. This represents a $131,986 (0.9 per cent) increase from the previous year.

Table 7: The ACCC’s cost component

| Costs | 2015–16  (based on  2014–15 costs) | 2014–15  (based on  2013–14 costs) | % change\* |
| --- | --- | --- | --- |
| Employees | $9,883,495 | $10,615,246 | (6.9%) |
| Consultancy and travel | $907,387 | $219,177 | 314.0% |
| Overheads | $4,315,780 | $4,140,253 | 4.2% |
| **Total costs** | **$15,106,662** | **$14,974,676** | 0.9% |

*\*increase/(decrease)*

## 3.3 Determination of cost component under paragraph 15(1)(c) of the Act—the ITU activity

### 3.3.1 Outputs and business processes of the activity

This cost component relates to the Commonwealth’s annual contribution to the budget of the ITU associated with telecommunications for the calendar year 2015. The amount prescribed in the determination is calculated by the DoCA.

The ITU is the specialised United Nations agency responsible for international cooperation in the use of telecommunications and the radiofrequency spectrum. It establishes treaty agreements and recommends standards for telecommunications and radiocommunications (including satellite) services. There are 193 member states of the ITU and more than 700 non-government members. The DoCA manages Australia's membership and engagement in the ITU. Australian organisations, both government and private, engage with the ITU. As the ITU forms part of the regulatory framework, it is appropriate to attribute ITU costs to the licensed carriers through the ACLC.

The ITU’s work is carried out by three sectors—the Radiocommunication Sector (ITU-R), the Development Sector (ITU-D) and the Telecommunication Standardization Sector (ITU-T). ITU-R has an important role in managing the finite natural resources of radiofrequency spectrum and satellite orbits. ITU-D assists developing countries in the field of information and communication technologies (ICTs), including promoting access to ICTs and actions that narrow the digital divide. ITU-T develops voluntary standards called ITU-T Recommendations.

The ITU is responsible for a number of treaties, including

* the ITU Constitution and Convention, which governs the organisation and engagement in it
* the Radio Regulations, governing the use of radiofrequency spectrum

the International Telecommunication Regulations, facilitating the interconnection of international telecommunication services.

### 3.3.2 Costs of the activity

The Commonwealth contributions to the ITU, amounting to 4,725,000 Swiss Francs annually, are made by the DoCA each year as appropriated in the budget process, covering both the telecommunication and radiocommunication sectors. The same level of contribution is expected to be made each year. However, the equivalent amount in Australian dollars varies depending on the exchange rate at the time of payment. For the 2015 calendar year, it was AUD 6,186,905.

The ITU has provided the actual output costs in Swiss Francs by sector for the years 2014 and 2015 as disclosed in the Table 8 below. The output costs were ascertained from the ITU’s activity-based costing model. In order to separate the costs in AUD that are relevant to the telecommunications sector, the DoCA has applied the ratio established for the split between each sector in Swiss Francs for 2015.

Table 8 provides the comparison of ITU contributions for the calendar years 2014 and 2015.

Table 8: ITU component

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Telecommunication sector** | **Radiocommunication sector** | **Total** |
|  | **AUD** | **AUD** | **AUD** |
| 2015 | 1,861,021 | 4,325,884 | 6,186,905 |
| 2014 | 1,860,447 | 4,040,113 | 5,900,560 |
| Increase | 0.03% | 7.07% | 4.85% |
| Ratio 2015 | 30.08% | 69.92% |  |
| Ratio 2014 | 31.53% | 68.47% |  |
|  | **SWISS FRANCS** | **SWISS FRANCS** | **SWISS FRANCS** |
| 2015 | 1,421,280 | 3,303,720 | 4,725,000 |
| 2014 | 1,489,793 | 3,235,207 | 4,725,000 |
| Increase/(decrease)\* | (4.60)% | 2.1% |  |
| Ratio 2015 | 30.08% | 69.92% |  |
| Ratio 2014 | 31.53% | 68.47% |  |

*\*increase/(decrease)*

Although the expense for the telecommunications sector has decreased by 4.6 per cent in Swiss Francs, the AUD amount has increased by 0.03 per cent from the previous year due to the exchange rate at the time of payment.

## 3.4 Determination of cost component under paragraph 15(1)(ca) of the Act—Development or variation of consumer protection codes

### 3.4.1 Outputs and business processes of the activity

This component represents the sum of the amounts paid under section 136C of the *Telecommunications Act 1997* for the immediately preceding financial year (that is, the 2014–15 financial year). Section 136C of the *Telecommunications Act 1997* requires the ACMA, providing certain statutory preconditions are met, to make a payment on behalf of the Commonwealth to reimburse the costs incurred by a telecommunications industry body or association for the development or variation of an industry code (the output of this activity). The industry body or association must first have obtained declaration from the ACMA under section 136B of the *Telecommunications Act 1997* to be eligible for a cost claim and, within two years, provide a detailed claim in relation to the code development or variation costs. The cost of the development or variation of an industry code is required to be verified by an independent auditor at the time the code or variation is submitted to the ACMA, and must be assessed by the ACMA as a refundable cost prior to any payment being made.

The Communications Alliance Limited (CA) is an industry body that represents the telecommunications industry and develops codes as required. The codes CA develops for the purpose of reimbursement must deal with one or more matters relating to the relationship between carriage service providers and their retail customers. The industry codes are a key component of the self-regulatory approach to regulation in the telecommunications sector and provide consumer protection in an efficient manner with a low regulatory burden on the industry. Industry codes, as a form of self regulation, form part of the telecommunications regulatory framework and it is appropriate to attribute these costs to the licensed carriers through the ACLC.

### 3.4.2 Costs of the activity

No payment was made by the ACMA for the 2014–15 financial year, as no claim for reimbursement was received from CA. The funding for this activity is provided through a special budget appropriation, which does not exceed $300,000 per annum.

## 3.5 Determination of cost component under paragraph 15(1)(d) of the Act—government grant for consumer representation program

### 3.5.1 Outputs and business processes of the activity

Section 593 of the *Telecommunications Act 1997* provides that the minister, on behalf of the Commonwealth, the power to ‘make a grant of financial assistance to a consumer body for purposes in connection with the representation of the interests of consumers in relation to telecommunications issues’. This grant relates to the 2015–16 financial year.

Since 2009–10, this grant has been provided to Australian Communications Consumer Action Network (ACCAN) as the peak body representing consumers of telecommunications services. ACCAN is provided with around $2 million per annum as part of a second multi-year funding agreement until 2017. Milestone payments under this agreement are made directly by the DoCA as the Commonwealth delegate.

ACCAN represents consumer interests in telecommunications, conducts research on current and emerging issues and disseminates educational material to consumers through the internet and publications. ACCAN also engages and trains volunteer consumer advocates, coordinates responses to government-initiated processes, and conducts conferences and workshops. Consumer education and advocacy forms part of the telecommunications regulatory framework and it is appropriate to attribute these costs to the licensed carriers through the ACLC.

ACCAN operates a competitive Independent Grants Scheme, which allows individuals and organisations to undertake research or representation projects in the interest of the telecommunications consumer. Further information can be obtained from ACCAN’s website at [www.accan.org.au](http://www.accan.org.au).

### 3.5.2 Costs of the activity

The DoCA estimates that for the 2015–16 financial year, the total amount of grants likely to be made under section 593 of the *Telecommunications Act 1997* will be $2.196 million as set out in Table 9 below.

Table 9: Consumer representation grant program

| Expense | Cost ($million) |
| --- | --- |
| Employee | 1.310 |
| Administration expenses | 0.462 |
| Independent Grants Program Research Projects | 0.360 |
| Committee expenses, travel, accommodation | 0.064 |
| **Total** | **2.196** |

These cost estimates were provided by ACCAN as part of the funding agreement. These amounts have been independently verified.

## 3.6 Design of cost recovery charges

The ACLC is imposed as a levy, which is considered appropriate as it encompasses a number of regulatory and other activities that may not be easily or cost effectively attributed to individual licensed carriers and hence translated into direct fees, but can be attributed to the telecommunications industry as a group. Eligible revenue provides a reasonable reflection of effort and costs, and industry understands and accepts this methodology. Furthermore, eligible revenue of licensed carriers is utilised for the calculation of the Telecommunications Industry Levy.

Establishment of individual levy amounts

For the purpose of ascertaining the levy for liable individual licensed carriers, their ‘eligible revenue’, as assessed by the ACMA, is used as a basis for allocating the total ACLC. There has been no change in the method for the calculation of individual charges from Determination of the ACLC made by the ACMA in the previous year.

In accordance with the Direction 2013, non-participating persons (that is, the smaller carriers) are exempted from the liability to pay the ACLC. This, in effect, removes unnecessary red tape in telecommunications regulation. While the total ACLC includes costs that may be incurred by the ACMA in regulating non-participating persons, the ACMA estimates that the financial impact of exempting non-participating persons from the liability to pay the ACLC is insignificant.

The ACMA collects financial information from the telecommunications industry annually in the form of a written eligible revenue return to assess the eligible revenue of each participating person (as defined in the *Telecommunications (Consumer Protection and Service Standards) Act 1999[[8]](#footnote-8)*). The applicable eligible revenue amounts for the purposes of calculating the ACLC for 2015–16 relate to the preceding financial year (2014–15).

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

Where:

* MCA is the maximum charge amount
* OTC is the other telecommunications charges[[9]](#footnote-9)
* ER is the individual carrier’s eligible revenue

TER is the total eligible revenue.

The ‘ER/TER’ determines the individual proportion of the carrier’s assessed eligible revenue relative to the total assessed eligible revenue for those carriers who are liable to pay the ACLC. In summary, the formula allocates the total ACLC to the individual carriers, in the same proportion as their assessed eligible revenue relates to the total assessed eligible revenue.

The summary of all components identified in paragraphs 15(1)(a) to 15(1)(d) of the Act (that is, sections 3.1.2, 3.2.2, 3.3.2, 3.4.2 and 3.5.2 in this CRIS) is provided in Table 10.

Table 10: ACLC summary by cost component

| Reference in the Act | Cost component | 2015–16 ACLC  Actual[[10]](#footnote-10) |
| --- | --- | --- |
| 15(1)(a) | ACMA’s cost component | $17,572,118 |
| 15(1)(b) | ACCC’s cost component | $15,106,662 |
| 15(1)(c) | ITU contribution | $1,861,021 |
| 15(1)(ca) | Development of consumer protection related industry codes | $0 |
| 15(1)(d) | Government grants—consumer representation and research | $2,196,000 |
| **Total** | | **$36,735,801** |

The ACLC amounts payable by carrier licensees for the period 1 July 2015 to 30 June 2016 are set out in Attachment A with relevant calculations.

# 4. Risk assessment

The ACMA has carried out a risk assessment for each component of the 2015–16 ACLC, resulting in an overall rating of medium risk, with the following individual rating for each cost component.

Table 11: Risk rating for ACLC components

| Reference in the Act | Cost component | Risk rating |
| --- | --- | --- |
| 15(1)(a) | ACMA’s cost component | Medium |
| 15(1)(b) | ACCC’s cost component | Medium |
| 15(1)(c) | ITU contribution | Medium |
| 15(1)(ca) | Development of consumer protection related industry codes | Medium |
| 15(1)(d) | Government grants—consumer representation and research | Medium |
| **Overall rating** | | **Medium** |

The above risk rating is based on assessment of the criteria in the Charging Risk Assessment.[[11]](#footnote-11)

The overall risk rating of medium was derived mainly due to the amount involved in this cost recovery arrangement, which exceeded $10 million and no specific consultation occurred with stakeholders for the 2015–16 ACLC amount. However, there are no complexities associated with this charging regime, as there are no changes to the existing cost recovery arrangement from the previous year. The ACLC is being charged as a levy and does not require any legislation to be passed by the parliament, nor does it involve working with state, territory or local government entities.

# 5. Stakeholder engagement

The ACMA considered that consultation about the Telecommunications (Annual Carrier Licence Charge) Determination 2016 was unnecessary on the basis that the methodology used by the ACMA to calculate the ACLC payable by each carrier has not changed.

The Determination imposes an ACLC of $0 on certain carrier licences in accordance with the Direction 2013. The Determination also sets out a method for ascertaining the amount of ACLC imposed on other carrier licences. This is substantially the same as the method set out in the Telecommunications (Annual Carrier Licence Charge) Determination 2012 (that applied to carrier licences in force at the beginning of the 2011–12 financial year) and the Telecommunications (Annual Carrier Licence Charge) Determination 2013 (that applied to carrier licences in force at the beginning of the 2012–13 financial year). The method was the subject of consultation as part of a review of the ACMA’s cost recovery arrangements undertaken in late 2011. However, a stakeholder consultation is expected to be conducted in the 2016–17 financial year with a view to incorporate any matters relating to the ACLC once the DoCA completes its review[[12]](#footnote-12) of the ACMA. This CRIS will be updated on an ongoing basis with any changes that occur before imposing the ACLC for the next financial year.

The ACMA regularly consults with stakeholders in relation to telecommunications regulatory matters. In 2014–15 the ACMA consulted on a number of matters, including:

* numbering reform activities
* deregulation initiatives
* administration of existing legislative and regulatory arrangements
* remaking of a number of telecommunications legal instruments

identity verification for prepaid mobile services

The consultation that was conducted as part of the numbering reform activities in April 2015 in relation to legal instruments that set charges for numbering services, included the ACLC and its impact on future years.

The ACCC has engaged with stakeholders through price setting consultations and regulatory matters. The key areas of consultation in 2014–15 included:

* promoting competition to ensure an efficiently functioning communications market
* regulating access to infrastructure to support continuing competition and efficient investment in fixed line, mobiles and transmission markets while transitioning to the NBN
* promoting competition through our regulation of the NBN and encouraging transparency and appropriate consumer safeguards in the migration to the NBN

monitoring industry consolidation and the impact on competition within the communications market.

# 6. Financial estimates

Financial estimates for each component of the ACLC for the financial year 2015–16 and three forward years are provided in Table 12 below.

Table 12: Financial estimates by activity

| Ref. in the Act | Component | 2015–16 Budget | 2015–16 revised Budget | 2016–17 Budget | 2017–18 Budget | 2018–19 Budget |
| --- | --- | --- | --- | --- | --- | --- |
| ($million) | ($million) | ($million) | ($million) | ($million) |
| 15(1)(a) | ACMA expenses | 19.654 | 17.572 | 17.572 | 17.572 | 17.572 |
| 15(1)(b) | ACCC expenses | 14.953 | 13.798 | 13.798 | 13.798 | 13.798 |
| 15(1)(c) | ITU contribution | 1.600 | 1.731 | 1.600 | 1.600 | 1.600 |
| 15(1)(ca) | Development of consumer protection related industry codes | 0.300 | 0.300 | 0.300 | 0.300 | 0.300 |
| 15(1)(d) | Government grants—consumer representation and research | 2.164 | 2.196 | 2.237 | 2.278 | 2.318 |
| **Total expenses** | | 38.671 | 35.597 | 35.507 | 35.548 | 35.588 |
| 15(1)(a) | ACMA revenue | 19.654 | 17.572 | 17.572 | 17.572 | 17.572 |
| 15(1)(b) | ACCC revenue | 14.953 | 15.107 | 13.798 | 13.798 | 13.798 |
| 15(1)(c) | ITU contribution | 1.600 | 1.861 | 1.600 | 1.600 | 1.600 |
| 15(1)(ca) | Development of consumer protection related industry codes | 0.300 | 0.300 | 0.300 | 0.300 | 0.300 |
| 15(1)(d) | Government grants—consumer representation and research | 2.164 | 2.196 | 2.237 | 2.278 | 2.318 |
| **Total revenue** | | 38.671 | 36.736 | 35.507 | 35.548 | 35.588 |
| **Balance** | | 0.000 | 1.140 | 0.000 | 0.000 | 0.000 |

The revenues have been calculated in accordance with the Act. The Act requires the components under paragraph 15(1)(a), 15(1)(b) and 15(1)(ca) to be calculated on the costs that are incurred in the financial year immediately preceding the financial year for which the charges are imposed. As a result, the revenues for 15(1)(a), 15(1)(b) and 15(1)(ca) are based on the previous year’s expenditure. Under the Act, the cost component under paragraph 15(1)(c) relates to the calendar year in which the beginning of the financial year for imposing the ACLC occurs. In order to translate the expenditure incurred in the calendar year to the respective fiscal year, an average expenditure of two consecutive calendar years is used. This creates a lag in recognising the revenue, which has resulted in a surplus or deficit balance (that is, a timing difference) for each financial year.

The level of expenditure for the ACMA in future years is expected to remain at the 2014-15 financial year level. This has already decreased by 10.6 per cent from the 2013-14 financial year. The estimated decrease for the ACCC from 2015–16 reflects a reprioritisation of funds from corporate support services to the agency’s operational divisions. As a result, the overhead pool will be smaller in the budget and the forward estimates. As disclosed in the 2015–16 Portfolio Additional Estimates Statements for the DoCA, the grant for consumer representation and research will be subject to increase in accordance with the indexation, as the indexation pause was lifted in June 2015.

The ACMA and other participating organisations have not budgeted for any additional activities that relate to telecommunications functions and powers for the forward financial years.

# 7A. Financial performance

Historical actual financial results for ACLC for 2014–15 and previous financial years are in Table 13.

Table 13: Historical ACLC expenses and revenue

| **Ref. in the Act** | **Component** | **2014–15** | **2013–14** | **2012–13** | **2011–12** | **2010–11** |
| --- | --- | --- | --- | --- | --- | --- |
| **($million)** | **($million)** | **($million)** | **($million)** | **($million)** |
| 15(1)(a) | ACMA expenses | 17.572 | 19.654 | 19.210 | 21.053 | 21.519 |
| 15(1)(b) | ACCC expenses | 15.107 | 14.975 | 15.005 | 13.815 | 12.947 |
| 15(1)(c) | ITU contribution | 1.861 | 1.731 | 1.641 | 1.596 | 1.558 |
| 15(1)(ca) | Development of consumer protection related industry codes | 0.0 | 0.0 | 0.321 | 0.210 | 0.0 |
| 15(1)(d) | Government grants—consumer representation and research | 2.164 | 2.166 | 2.127 | 2.077 | 2.032 |
| **Total expenses** | | **36.704** | **38.526** | **38.304** | **38.751** | **38.056** |
| 15(1)(a) | ACMA revenue | 19.654 | 19.210 | 21.053 | 21.519 | 21.839 |
| 15(1)(b) | ACCC revenue | 14.975 | 15.005 | 13.815 | 12.947 | 12.223 |
| 15(1)(c) | ITU contribution | 1.860 | 1.601 | 1.680 | 1.511 | 1.604 |
| 15(1)(ca) | Development of consumer protection related industry codes | 0.000 | 0.321 | 0.210 | 0.000 | 0.000 |
| 15(1)(d) | Government grants—consumer representation and research | 2.164 | 2.166 | 2.127 | 2.077 | 2.032 |
| **Total revenue** | | **38.653** | **38.303** | **38.885** | **38.054** | **37.698** |
| **Balance** | | **1.949** | **(0.223)** | **0.581** | **(0.697)** | **(0.358)** |

Note: the revenues for 15(1)(a), 15(1)(b) and 15(1)(ca) are based on the previous year’s expenditure. The revenue for 15(1)(c) is derived by averaging the expenditure for the year in which the charges are made and the previous year. The revenue for 15(1)(d) is based on the same year’s expenditure. Further details can be obtained from section 6.

As the ACLC is set on an annual basis, the actual costs of activities are ascertained before they translate into the charges for the applicable period. This reduces the risk of over or under recovery from the telecommunications industry. The balance reflects the surplus or deficit that occurred due to the lag between the actual expenses incurred and the recognition of the corresponding revenue, as noted in section 6 above.

In 2012–13, the ACMA’s costs decreased by 8.8 per cent from the previous financial year. This was due to the streamlining of activities aligned to ACMA’s priorities, along with a review of resource requirements within the agency following the transfer of telecommunications functions in relation to universal service obligations and national relay services to the TUSMA[[13]](#footnote-13), and the reduction in budget for the ACMA’s telecommunications activities. As explained in section 3.1 of this CRIS, the ACMA’s component decreased by 10.6 per cent in 2014–15.

The increase in the ACCC’s costs from 2010–11 to 2011–12 was a result of additional staff costs incurred due to new activities in relation to the ACCC’s telecommunications functions and powers. In 2012–13, its component increased by 8.6 per cent, from the introduction of a new costing model recognising the consumption of overhead resources and accrual expenses relating to employees and depreciation.

# 7B. Non-financial performance

ACMA’s cost component

The ACMA is responsible for the regulation of broadcasting, the internet, radiocommunications and telecommunications. The ACMA’s performance measures for its deliverables in relation to telecommunications services are provided in Table 14.

Table 14: Deliverables and key performance indicators (KPIs)

| Deliverable | KPI |
| --- | --- |
| Promotion of competition, efficiency and innovation in the Australian Telecommunications industry | This is maximised, resulting in a simple and flexible numbering scheme |
| Administration of licensing and number allocation arrangements for telecommunications services | Administrative costs on industry and citizens are minimised |
| Provision of appropriate and reasonable support to law enforcement, emergency services and national security | Law enforcement, emergency and national security service providers are appropriately and reasonably supported by the ACMA and telecommunications industry |
| Future transition to the national broadband environment | Business and consumers confidently transition to a national broadband environment |
| Maintain effective telecommunications safeguards | Consumer interests are protected and promoted when telecommunications services are purchased and used |
| Develop and maintain appropriate regulatory settings for an information economy and network society | Industry and business have sufficient confidence in regulatory settings to continue development of innovative communications |

The actual performance for the ACMA’s deliverables for the 2014–15 financial year is published in the ACMA’s *Annual report 2014–15*.[[14]](#footnote-14)

ACCC’s cost component

The ACCC is responsible for the economic regulation of the communications sector, this work includes:

* assessing and enforcing terms of access to the NBN in a SAU from NBN Co
* assessing and enforcing Telstra’s SSU and plan to migrate its customers to the NBN
* setting wholesale prices and wholesale terms of access for declared services
* monitoring and reporting on prices and competition in the communications sector

investigating claims of anti-competitive conduct in the communications sector.

The ACCC’s performance measures for these deliverables include:

* completing inquiries within statutory timeframes
* providing outcomes that improve consume welfare, are in the long term interests of telecommunications end users, protect competition and open markets to competition
* contributing to market and competition analysis and investigations (especially under Part IV of the *Competition and Consumer Act 2010*) in relation to content, media and application services delivered over telecommunications networks
* advising other areas of the ACCC on implications of convergent technologies in the context of mergers, adjudication and enforcement activities

formulating briefing material and submissions to major government reviews, such as inquiries regarding the NBN, Senate estimates and other public inquiries.

ITU contribution

As the ITU is responsible for the International Telecommunication Regulations, its main deliverables are to promote international cooperation, collaboration and regulation as appropriate and to support domestic priorities in the telecommunications industry, so that industry, business and government can effectively engage in the international telecommunications landscape

Government grants—consumer representation and research

The section 593 grants of financial assistance to consumer bodies to support consumer representation in the telecommunications sector has been provided to ACCAN since 2009–10. ACCAN will continue to be resourced to a level that will enable it to conduct activities necessary for an effective peak communications consumer advocate, including representation, research, consumer education and participation in self-regulatory activities. ACCAN also operates a competitive Independent Grants Scheme, which allows individuals and organisations to undertake research or representation projects in the interest of the telecommunications consumer. ACCAN is measured on the delivery of these outcomes.

The mid-term review of ACCAN, undertaken in 2015, concluded that ACCAN has met all key performance indicators and is an effective organisation in representing the interests of consumers in the telecommunications sector.

# 8. Key forward dates and events

Reflecting the annual nature of the ACLC, the CRIS is also updated on an annual basis. The key forward events and dates for the ACLC process for the 2015–16 financial year are provided in Table 15 below.

Table 15: Key forward dates and events

| Key events | Date |
| --- | --- |
| Update of forward financial estimates (section 6) | December 2016 |
| Update of actual costs | May 2017 |

# 9. CRIS approval and change register

Table 16: Change register

| Date | Description | Approved by | Comments |
| --- | --- | --- | --- |
| 30 May 2016 | Approval of the 2015-16 CRIS—Version 2.0 | The Minister for Communications and the Arts |  |
| 18 May 2016 | Certification of the 2015-16 CRIS—Version 2.0 | ACMA Acting Chair |  |
| 24 June 2015 | Approval of the 2014-15 CRIS—Version 1.0 | The Minister for Communications |  |
| 29 May 2015 | Certification of the 2014-15 CRIS—Version 1.0 | ACMA Chair |  |

# Glossary

ABC Activity Based Costing

ACCC Australian Competition and Consumer Commission

ACCAN Australian Communications Consumer Action Network

ACLC Annual Carrier Licence Charge

ACMA Australian Communications and Media Authority

ACMA Act *Australian Communications and Media Authority Act 2005*

CA Communications Alliance Ltd.

CRIS Cost Recovery Implementation Statement

Direction 2013 Australian Communications and Media Authority (Annual Carrier Licence Charge) Direction 2013

DoCA Department of Communications and the Arts

ER eligible revenue

Guidelines Australian Government Cost Recovery Guidelines July 2014

HFC Hybrid fiber-coaxial

IT Information technology

ITU International Telecommunication Union

ITU-D International Telecommunication Union – Development Sector

ITU-R International Telecommunication Union – Radiocommunication Sector

ITU-T International Telecommunication Union – Telecommunication Standardization Sector

MCA maximum charge amount

NBN National Broadband Network

NBN Co NBN Co Limited

OTC other telecommunications charges

POI Point of Interconnection

SAU special access undertaking

SSU structural separation undertaking

TER total eligible revenue

the Act *Telecommunications (Carrier Licence Charges) Act 1997*

TUSMA Act *Telecommunications Universal Service Management Agency Act 2012*

# Attachment A

## ACLC for 2015–16

| No. | Carrier licence in force at 1 July 2015 | ER/TER (%) | ACLC ($) |
| --- | --- | --- | --- |
| 1 | A.C.N 088 889 230 Ltd | 0.0341983124 | 12,563 |
| 2 | AAPT Ltd | 0.6809450687 | 250,151 |
| 3 | AARNet Pty Ltd | 0.1588987219 | 58,373 |
| 4 | Adam Internet Pty Ltd | 0.1484692677 | 54,541 |
| 5 | Agile Pty Ltd | 0.4572724939 | 167,983 |
| 6 | Allegro Networks Pty Ltd | 0.0098310632 | 3,612 |
| 7 | Amcom Pty Ltd | 0.2687373644 | 98,723 |
| 8 | BigAir Cloud Managed Services Pty Ltd | 0.0208057496 | 7,643 |
| 9 | BigAir Group Ltd | 0.0741958508 | 27,256 |
| 10 | Chime Communications Pty Ltd | 0.7740427995 | 284,351 |
| 11 | Integrated Data Labs Pty Ltd | 0.0052068061 | 1,913 |
| 12 | Intelligent IP Communications Pty Ltd | 0.0137871800 | 5,065 |
| 13 | iPSTAR Australia Pty Ltd | 0.1451462471 | 53,321 |
| 14 | Macquarie Telecom Pty Ltd | 0.2492185867 | 91,552 |
| 15 | New Skies Satellites Australia Pty Ltd | 0.1243193335 | 45,670 |
| 16 | Nextgen Networks Pty Ltd | 0.5648903533 | 207,517 |
| 17 | Nextgen Telecom (WA) Pty Ltd | 0.000032990 | 12 |
| 18 | Nextgen Telecom Pty Ltd | 0.0018654695 | 685 |
| 19 | Office des Postes et Telecommunications | 0.108103629 | 39,713 |
| 20 | Optus Fixed Infrastructure Pty Ltd (formerly XYZed Pty Ltd) | 0.0290353061 | 10,666 |
| 21 | Optus Mobile Pty Ltd | 15.3376522311 | 5,634,409 |
| 22 | Optus Networks Pty Ltd | 4.6490883817 | 1,707,880 |
| 23 | Orion Satellite Systems Pty Ltd | 0.0095584647 | 3,511 |
| 24 | Pipe International (Australia) Pty Ltd | 0.0618066506 | 22,705 |
| 25 | Pipe Networks Pty Ltd | 0.3236173538 | 118,883 |
| 26 | Primus Telecommunications Pty Ltd | 0.9844619499 | 361,650 |
| 27 | Soul Pattinson Telecommunications Pty Ltd | 1.3065714277 | 479,979 |
| 28 | Telstra Corporation Ltd | 65.0705252261 | 23,904,179 |
| 29 | Telstra Multimedia Pty Ltd | 1.1923561264 | 438,022 |
| 30 | Transact Capital Communications Pty Ltd | 0.1620313192 | 59,524 |
| 31 | Uecomm Pty Ltd | 0.3591933573 | 131,953 |
| 32 | Verizon Australia Pty Ltd | 0.1168563793 | 42,928 |
| 33 | Victorian Rail Track | 0.1064364571 | 39,100 |
| 34 | VIVIDWIRELESS Pty Ltd | 0.1005884767 | 36,952 |
| 35 | Vocus Fibre Pty Ltd | 0.1179107374 | 43,315 |
| 36 | Vodafone Australia Pty Ltd | 6.2323428669 | 2,289,501 |
| **Total** | | | **36,735,801** |

# Attachment B

## Telecommunications activities not included in the ACLC

Smartnumbers auction activities

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

Spam and e-security activities

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

Do Not Call Register and telemarketing related activities

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

Public information activities

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

Other telecommunications activities

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

* carrier licence applications
* nominated carrier declaration licence applications
* numbering applications
* smartnumber registrations
* submarine cable installation permit applications
  + connection permit applications.

1. The *Australian Communications and Media Authority (Annual Carrier Licence Charge) Direction 2013* directs the ACMA to determine the ACLC of non-participating persons to be $0. [↑](#footnote-ref-1)
2. More information can be obtained from: [www.acma.gov.au/Industry/Telco/Carriers-and-service-providers/Licence-fees-annual-levies-and-charges/eligible-revenue-portal-current-year](http://www.acma.gov.au/Industry/Telco/Carriers-and-service-providers/Licence-fees-annual-levies-and-charges/eligible-revenue-portal-current-year). [↑](#footnote-ref-2)
3. [www.budget.gov.au/1996-97/STATE4/STATE4.asp](http://www.budget.gov.au/1996-97/STATE4/STATE4.asp)

   [www.budget.gov.au/2005-06/myefo/html/11\_appendix\_a-08.htm](http://www.budget.gov.au/2005-06/myefo/html/11_appendix_a-08.htm)

   [www.budget.gov.au/2009-10/content/bp2/html/bp2\_expense-07.htm](http://www.budget.gov.au/2009-10/content/bp2/html/bp2_expense-07.htm)

   [www.budget.gov.au/2009-10/content/myefo/html/appendix\_a\_07.htm](http://www.budget.gov.au/2009-10/content/myefo/html/appendix_a_07.htm)

   [www.budget.gov.au/2010-11/content/bp2/html/bp2\_expense-04.htm](http://www.budget.gov.au/2010-11/content/bp2/html/bp2_expense-04.htm)

   [www.budget.gov.au/2011-12/content/bp2/html/bp2\_expense-04.htm](http://www.budget.gov.au/2011-12/content/bp2/html/bp2_expense-04.htm)

   [www.budget.gov.au/2013-14/content/bp2/html/bp2\_expense-23.htm](http://www.budget.gov.au/2013-14/content/bp2/html/bp2_expense-23.htm)

   [www.budget.gov.au/2014-15/content/bp2/download/BP2\_consolidated.pdf](http://www.budget.gov.au/2014-15/content/bp2/download/BP2_consolidated.pdf)

   [www.communications.gov.au/documents/2015-16-dept-comms-and-arts-paes](file:///C:\Users\jjeyalin\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\Content.Outlook\PBL3VPYI\www.communications.gov.au\documents\2015-16-dept-comms-and-arts-paes) [↑](#footnote-ref-3)
4. Available at [www.comlaw.gov.au/Details/F2013L01300](http://www.comlaw.gov.au/Details/F2013L01300). The Direction 2013 is in similar terms to an earlier direction made in 2011 by the then Minister for Broadband, Communications and the Digital Economy (see the Australian Communications and Media Authority (Annual Carrier Licence Charge) Direction 2011), which required the ACMA to make determinations under subsection 14(1) of the Act that, in effect, exempted carriers who were ‘USO non-participating persons’ within the meaning of the *Telecommunications (Consumer Protection and Service Standards) Act 1999*, for the eligible revenue period immediately preceding the relevant financial year, from the liability to pay the ACLC. [↑](#footnote-ref-4)
5. The Direction 2013 defines relevant financial year as the financial year that begins on 1 July 2013 and each later financial year. [↑](#footnote-ref-5)
6. ACMA *Annual report 2014–15*, can be accessed from: [www.acma.gov.au/theACMA/Library/Corporate-library/Corporate-publications/annual-report](http://www.acma.gov.au/theACMA/Library/Corporate-library/Corporate-publications/annual-report). [↑](#footnote-ref-6)
7. Relates to the Communications Infrastructure Division; Content, Consumer and Citizen Division and Strategy and Research Branch of the ACMA. [↑](#footnote-ref-7)
8. The *Telecommunications (Consumer Protection and Service Standards) Act 1999* was amended in 2015, following the abolition of the Telecommunications Universal Service Management Agency. [↑](#footnote-ref-8)
9. This is the amount of the ACMA’s costs for the immediately preceding financial year that is attributable to the ACMA’s telecommunications functions and powers, but has been met from telecommunications charges other than the ACLC (see Attachment B). [↑](#footnote-ref-9)
10. The Act requires the components under paragraph 15(1)(a), 15(1)(b) and 15(1)(ca) to be calculated on the costs that are incurred in the financial year immediately preceding the financial year (that is 2014–15 financial year) for which the charges are imposed. The cost component under paragraph 15(1)(c) relates to the calendar year (that is 2015 calendar year) in which the beginning of the financial year for imposing the ACLC occurs. The component under paragraph 15(1)(d) relates to the 2015–16 financial year. [↑](#footnote-ref-10)
11. This is available on <http://www.finance.gov.au/resource-management/charging-framework/risk-assessment-template/> [↑](#footnote-ref-11)
12. The DoCA has been conducting a review into the ACMA during the 2015–16 financial year. A report will be made available once the review has been completed. [↑](#footnote-ref-12)
13. The Telecommunications Universal Service Management Agency (TUSMA) was abolished on 1 July 2015 and its functions transferred to the DoCA. [↑](#footnote-ref-13)
14. ACMA *Annual report 2014–15*, can be accessed from: [www.acma.gov.au/theACMA/Library/Corporate-library/Corporate-publications/annual-report](http://www.acma.gov.au/theACMA/Library/Corporate-library/Corporate-publications/annual-report). [↑](#footnote-ref-14)