Cost Recovery Implementation Statement

Annual Carrier Licence Charge for the charging period 1 July 2016 to
30 June 2017

Version 3—JUNE 2017

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# 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 2016–17 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 licensed telecommunications carriers for the period 1 July 2016 to 30 June 2017 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* (the ACMA Act) and the *Telecommunications Act 1997* (the Telco Act).

The ACLC was established by the *Telecommunications (Carrier Licence Charges) Act 1997* (the Act) to fund the activities of the ACMA, the Australian Competition and Consumer Commission (ACCC) and the Department of Communications and the Arts (DoCA) in regulating telecommunications services provided by licensed telecommunications 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 2016–17 financial year will be 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 2015–16 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 2015 and ended 30 June 2016 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 2016 and is not a non-participating person is required to pay the ACLC for the 2016–17 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.

## 1.3 Stakeholders

The key stakeholders are telecommunications carriers, telecommunications carriage service providers, telecommunications industry bodies (for example, Communications 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 Telco Act
* contributing to the budget of the International Telecommunication 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.

The cost of these activities will be recovered by the ACMA through the ACLC and is reflected in Table 13—Financial estimates by activity.

## 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 2016 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). The Direction 2013 requires the ACMA to make such determinations as are necessary under subsection 14(1) of the Act to have the effect of imposing an annual carrier licence charge of $0 on a carrier licence that is:

* in force at the beginning of a relevant financial year

held by a carrier that was a ‘non-participating person’ within the meaning of the Telecommunications (Participating Persons) Determination 2013 (No. 2) for the eligible revenue period immediately preceding that financial year.[[4]](#footnote-4)

The Direction 2013 was repealed by the Australian Communications and Media Authority (Annual Carrier Licence Charge) Direction 2017 on 19 May 2017 but still applies for the purposes of carrier licences that were in force on 1 July 2016. Accordingly, under the proposed Telecommunications (Annual Carrier Licence Charge) Determination 2017 to be made by the ACMA under subsection 14(1) of the Act, carriers who were non-participating persons for the 2015–16 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 Chapter 3 in this draft CRIS.

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) | International Telecommunication Union (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 |

The ACMA will make a determination under subsection 14(1) of the Act that sets 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 will also make a separate determination specifying the amounts under paragraphs 15(1)(a), 15(1)(c) and 15(1)(ca) of the Act.

The ACCC made a determination in relation to the costs described in paragraph 15(1)(b) of the Act. All the determinations will be 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 2016–17 financial year

| No. | Determination | Made under |
| --- | --- | --- |
| 1 | Telecommunications (Annual Carrier Licence Charge) Determination 2017*(made by the ACMA)* | Subsection 14(1) of the Act |
| 2 | Telecommunications (Specification of Costs by ACMA) Determination 2017*(made by the ACMA)* | Paragraphs 15(1)(a), (c) and (ca) of the Act |
| 3 | Determination under paragraph 15(1)(b)*(made by the ACCC)* | Paragraph 15(1)(b) of the Act  |
| 4 | *Telecommunications (Carrier Licence Charges) Act 1997* — Determination under paragraph 15(1)(d) No. 1 of 2017*(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 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 2015–16 financial year 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 Telco Act, except for functions and powers conferred on the ACMA by or under:

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

(c)  Part 6 of the Telco Act 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 Telco Act
* the Telecommunications (Consumer Protection and Service Standards) Act
* chapters 4 and 5 of the *Telecommunications (Interception and Access) Act 1979*
* Part XIC of the *Competition and Consumer Act 2010*

section 12 of the ACMA Act*.*

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 National Broadband Network (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.[[5]](#footnote-5)

### 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) system. The 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. 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 2015–16) was undertaken by Oakton. The audit confirmed:

* the ABC model has been set up in accordance with the accepted principles of activity based costing, and fairly and equitably reflects the costs of relevant activities for 2015–16
* the methodology used to determine the ACMA’s costs during 2015–16 for inclusion in the ACLC is in accordance with the Act

the activity costs produced by the ABC model for 2015–16 are based on the cost of services in accordance with the ACMA’s 2015–16 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 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, 2016–17 (based on 2015–16 costs)

| Output | Direct cost | Support cost | Total cost |
| --- | --- | --- | --- |
| Regulation development  | $2,620,883 | $4,139,942 | $6,760,825 |
| Industry monitoring and NBN | $432,686 | $512,604 | $945,290 |
| Compliance and enforcement | $1,997,682 | $2,936,856 | $4,934,538 |
| Licensing and allocation | $662,941 | $702,055 | $1,364,996 |
| Other outputs | $167,008 | $231,852 | $398,860 |
| **Total costs** | **$5,881,200** | **$8,523,309** | **$14,404,509** |

Direct costs are the costs directly incurred only by the relevant operational areas[[6]](#footnote-6)which are directly involved in service provision. As a result, the direct costs are comparatively lower than the support costs (see Table 3 above). The direct 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.

Table 4 outlines the drivers used for the allocation of costs in the Activity Based Costing system.

Table 4: Allocation of ACMA’s support costs

| Category | Cost driver |
| --- | --- |
| Authority | Recipient cost centre ASL |
| People and finance | Recipient cost centre ASL |
| Media | Recipient cost centre ASL |
| Information and facilities | Recipient cost centre ASL |
| Property operating expenses | Number of work stations |
| Asset usage | Percentage split based on asset usage |
| Legal | Percentage split based on resource usage |

Table 5 outlines a breakdown of expenses for the ACMA’s component for the 2015–16 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 and 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.

Table 5: The ACMA’s cost component

| Costs | 2016–17(based on 2015–16 costs) | 2015–16(based on 2014–15 costs) | % change\* |
| --- | --- | --- | --- |
| Employees | $9,799,411 | $12,208,704 | (19.7%) |
| Operating | $2,693,254 | $3,316,149 | (18.8%) |
| Depreciation and write-off | $1,995,752 | $2,190,100 | (8.9%) |
| **Total ACMA costs** | **$14,488,417** | **$17,714,953** | (18.2%) |
| Less: Revenue received from activities delivered on a fee-for-service basis (see Attachment B—Telecommunications activities not included in the ACLC) | $83,908 | $142,835 | (41.3%) |
| **Total costs for ACLC** | **$14,404,509** | **$17,572,118** | (18.0%) |

*\*increase/(decrease*)

The ACMA’s cost component has decreased by 18.0 per cent ($3.2 million) from the previous financial year. The decrease is mainly attributable to:

* funding for NBN regulatory framework, which was recovered from the industry through ACLC in the previous years, lapsed in 2015–16
* reduction of approximately 22 per cent in numbering management costs attributable to the outsourcing of the ACMA’s numbering allocation and administration functions to ZOAK Solutions Pty Ltd from 3 August 2015

reduction in the annual appropriation, which resulted in streamlining the activities including telecommunications activities.

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 2015–16 in exercising its telecommunications functions and powers.

Part XIC of the Competition and Consumer Act 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

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 Actenables 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. 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 mandatory and discretionary reporting requirements

industry monitoring, including the NBN Wholesale indicators Report, the Telstra Customer Access Network snapshot, the Telstra Economic Model reports, and Regulatory Accounting Framework.

The ACCC also has responsibilities under the Telco Act in relation to facilities access and structural reform. This includes monitoring Telstra’s compliance with its structural separation undertaking (SSU) and planning 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) in relation to content, media and application services delivered over communications networks
* considering engineering issues relevant to its statutory role in the communications sector
* 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.
* Improving marketing practices for broadband services with a view to promoting compliance with the Australian Consumer Law and encouraging more informed communications markets. In 2015–16, this included undertaking a broadband performance monitoring pilot program and consulting on retail marketing practices.
* Providing advice to the ACCC’s mergers group including in respect of the revised commercial agreements between NBN Co Limited (NBN Co) and Optus regarding its hybrid fiber-coaxial (HFC) assets.
* Providing advice to other government agencies and departments on requests concerning competition issues arising from restructuring the communications sector towards a wholesale-only access model.
* Compliance and enforcement regarding the Competition and Consumer Actand wholesale telecommunications markets (Part IV, Part XIB, NBN SAU and Telstra SSU). In 2015–16, this included investigating the commercial agreements between NBN Co and Telstra for the supply of service delivery services within the Telstra HFC footprint.
* Consultation and industry engagement on a range of regulatory matters, including variations and additions to the Telstra Migration Plan.
* Participation in a number of industry-led working groups and forums with important implications for competition and consumer outcomes.

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.
* Providing advice to other areas on matters such as mergers or authorisation applications relating to transmission markets.
* Considering a variation proposed by NBN Co to the SAU accepted by the ACCC in 2013.
* Finalising and implementing access determinations setting out the access terms and conditions for the domestic transmission capacity service and the mobile terminating access service.
* Issuing annual telecommunications report, Telecommunications Competitive Safeguards for 2014–15.
* 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 2014–15.
* Providing advice to ministers, other government agencies and departments on request (on NBN non-commercial funding options, transmission and aggregation markets, 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 (POI).
* 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, local carriage service, and wholesale Asymmetric Digital Subscriber Line).
* Making of access determinations (October 2015) 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.
* Commencing a review of the guideline for Part XIC declaration provisions for telecommunications services.
* Conducting an inquiry into the Local Bitstream Access Service final access determination and extending the operation of the current final access determination for that service until a new one came into effect. (The Local Bitstream Access Service access determination inquiry was extended, in order to conduct it contemporaneously with any access determination inquiry for the superfast broadband access service.)
* Issuing annual telecommunications report, Changes in the prices paid for telecommunications services in Australia 2014–15 (Division 12 report).
* Commencing a review of the Division 12 Record Keeping Rules and methodology for determining changes in prices paid for telecommunications services.
* 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 2015–16 are based on the cost of services in accordance with the ACCC’s 2015–16 audited financial statements.

Table 6 provides details for the direct and support costs of the ACCC’s component at an output level.

Table 6: The ACCC’s component at output level, 2016–17 (based on 2015–16 costs)

| Output activity | Direct costs | Support costs | Total cost |
| --- | --- | --- | --- |
| Industry structure and compliance | $2,464,306 | $1,672,676 | **$4,136,982** |
| Mobiles, transmission and consumer (including NBN) | $2,532,608 | $1,719,036 | **$4,251,644** |
| Wireline markets | $2,407,206 | $1,633,918 | **$4,041,124** |
| Other outputs | $721,527 | $489,746 | **$1,211,273** |
| **Total costs** | **$8,125,647** | **$5,515,376** | **$13,641,023** |

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 the 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 7 sets out the allocation method applied to each of the corporate categories.

Table 7: 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 2016–17 has been calculated at $13,641,023. This represents a $1,465,639 (9.7 per cent) decrease from the previous year. The decrease is largely the result of:

* a reduction in overhead costs compared with 2014–15 from a number of one-off IT system changes

lower employee costs in 2015–16 resulting from delayed recruitment activity in response to the Average Staffing Level (ASL) restrictions imposed by government on the Australian Public Service.

Table 8: The ACCC’s cost component

| Costs | 2016–17(based on 2015–16 costs) | 2015–16(based on 2014–15 costs) | % change\* |
| --- | --- | --- | --- |
| Employees | $9,358,582 | $9,883,495 | (5.3%) |
| Consultancy and travel | $784,481 | $907,387 | (13.5%) |
| Overheads  | $3,497,960 | $4,315,780 | (18.9%) |
| **Total costs** | **$13,641,023** | **$15,106,662** | **(9.7%)** |

*\*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 2016. The applicable amount is calculated by 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. 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 Standardisation 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 are made by DoCA each year as appropriated in the budget process. The annual contribution is usually 4,725,000 Swiss Francs. The contribution for the 2016 calendar year, however, was 4,615,074 Swiss Francs because part of the contribution was affected by the government’s decision to reduce all discretionary official development assistance by 20 per cent for the financial year 2015–16. With the exchange rate at the time payment was made, the contribution for 2016 was AUD 6,784,878.

The ITU has provided the output costs in Swiss Francs for ITU-T and the ITU-R for 2016 as disclosed in Table 8. To determine the telecommunication component of the Commonwealth’s 2016 contribution, DoCA has considered ITU-T’s share of the combined output costs for ITU-T and ITU-R. As can be seen in Table 8, the component of the contribution associated with ITU-T activities is AUD 2,262,078. This is an increase of AUD 401,057 from the previous year. The increase is due to differences in exchange rates at time of payment and an increase in the ITU-T expenditure relative to ITU-R expenditure in 2016.

Table 9 provides the comparison of ITU contributions for the calendar years 2015 and 2016.

Table 9: Costs associated with Telecommunication Sector and Radiocommunication Sector activities

|  |  |  |  |
| --- | --- | --- | --- |
|  | Telecommunication sector | Radiocommunication sector | Total |
|  | **AUD** | **AUD** | **AUD** |
| 2016 | 2,262,078 | 4,522,800 | 6,784,878 |
| 2015 | 1,861,021 | 4,325,884 | 6,186,905 |
| Increase | 21.55% | 4.55% | 9.67% |
| Ratio 2016 | 33.34% | 66.66% |   |
| Ratio 2015 | 30.08% | 69.92% |   |
|  | **Swiss Francs** | **Swiss Francs** | **Swiss Francs** |
| 2016 | 1,538,666 | 3,076,408 | 4,615,074 |
| 2015 | 1,421,280 | 3,303,720 | 4,725,000 |
| Increase/(decrease)\* | 8.26% | (6.88%) |   |
| Ratio 2016 | 33.34% | 66.66% |   |
| Ratio 2015 | 30.08% | 69.92% |   |

## 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 Telco Actfor the immediately preceding financial year (that is, the 2015–16 financial year). Section 136C of the Telco Act 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 Telco Act 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.

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 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. However, for the financial year 2015–16, the ACMA paid $86,258 to CA for the development of chapters 1 to 8 and variation of Chapter 9 of the Telecommunications Consumer Protection Code: C628:2015.

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 Telco Act provides that the minister, on behalf of the Commonwealth, has 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’. The total grant likely to be made for the 2016–17 financial year was determined by DoCA.

Since 2009–10, this grant under section 593 of the Telco Act has been provided only to the 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 30 May 2017. Milestone payments for completing each stage of the activity as set out in the funding agreement are made directly by 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 form 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

DoCA estimates that for the 2016–17 financial year, the total amount of grants likely to be made under section 593 of the Telco Act will be $2.230 million as set out in Table 10.

Table 10: Consumer representation grant program

| Expense | Cost ($million) |
| --- | --- |
| Employee expenses | 1.363 |
| Administration expenses | 0.451 |
| Independent grants program research projects | 0.354 |
| Committee expenses, travel, accommodation | 0.062 |
| **Total** | **2.230** |

These cost estimates were provided by ACCAN as part of the funding agreement.

## 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 imposed under the *Telecommunications (Consumer Protection and Service Standards) Act 1999* (TCPSS Act).

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, will be used as a basis for allocating the total ACLC. There will be 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 TCPSS Act). The applicable eligible revenue amounts for the purposes of calculating the individual ACLC for 2016–17 relate to the preceding financial year (2015–16).

The following formula is used for allocating the total charge to liable individual carriers, when the applicable eligible revenue amounts become available (expected in May 2017):

$$\left(MCA-OTC\right)×\frac{ER}{TER}$$

Where:

* MCA is the maximum charge amount
* OTC is the other telecommunications charges[[7]](#footnote-7)
* 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, 3.2, 3.3, 3.4 and 3.5 in this CRIS) is provided in Table 11.

Table 11: ACLC summary by cost component

| Reference in the Act | Cost component | 2016–17 ACLCActual[[8]](#footnote-8) |
| --- | --- | --- |
| 15(1)(a) | ACMA’s cost component | $14,404,509 |
| 15(1)(b) | ACCC’s cost component | $13,641,023 |
| 15(1)(c) | ITU contribution | $2,262,078 |
| 15(1)(ca) | Development of consumer protection related industry codes  | $86,258 |
| 15(1)(d) | Government grants—consumer representation and research | $2,230,000 |
| **Total** | **$32,623,868** |

The above cost components take all productivity gains and operational savings into account, including the efficient use of resources as a result of the application of an efficiency dividend.

The ACLC amounts payable by carrier licensees for the period 1 July 2016 to 30 June 2017 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 2016–17 ACLC, resulting in an overall rating of medium, with the following individual ratings for each cost component.

Table 12: Risk ratings 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 | Low |
| **Overall rating** | **Medium** |

The above risk rating is based on assessment of the criteria in the Charging Risk Assessment.[[9]](#footnote-9)

The overall risk rating of medium was derived mainly due to the amount involved in this cost recovery arrangement, which exceeded $10 million, and because the amount to be recovered through ACLC has decreased by more than 10 per cent. 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 new legislation to be passed by the parliament, nor does it involve working with state, territory or local government entities.

# 5. Stakeholder engagement

The ACMA regularly consults with stakeholders in relation to telecommunications regulatory matters. In 2015–16, the ACMA consulted on a number of matters, including:

* numbering reform activities
* deregulation initiatives
* varying the international mobile roaming standard
* administration of existing legislative and regulatory arrangements

remaking of certain telecommunications legal instruments

The ACCC has engaged with stakeholders through price setting consultations and regulatory matters. The key areas of consultation in 2015–16 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.

Grants made under section 593 of the Telco Act enable ACCAN to engage with its own membership, which consists of remote and rural consumers, indigenous organisations, small businesses, farmers, disability groups, financial counsellors and community legal centres from across Australia. ACCAN also engaged with stakeholders through regular meetings with industry, participation in working groups, production of educational material and submissions to government regulatory and other inquiries.

As part of maintaining an active involvement with industry, the ACMA is providing an opportunity for stakeholders to provide feedback on the ACMA’s ACLC proposal, which involves the making of new charges determinations under sections 14 and 15 of the Act.

A consultation paper and a draft version of this CRIS were published on the ACMA’s website for a four-week period from 18 April 2017 for public comment. Telstra was the only stakeholder that made a submission. In its submission of 17 May 2017, Telstra proposed more disclosure in order to improve transparency and accountability in the calculation of the ACLC.

The ACMA and the participating organisations will improve transparency and engage with stakeholders on future charging arrangements for the ACLC.

# 6. Financial estimates

Financial estimates for each component of the ACLC for the financial year 2016–17 and three forward years are provided in Table 13.

Table 13: Financial estimates by activity

| Ref. in the Act | Component | 2016–17 Budget | 2016–17 revised Budget | 2017–18 Budget | 2018–19 Budget | 2019–20 Budget |
| --- | --- | --- | --- | --- | --- | --- |
| ($million) | ($million) | ($million) | ($million) | ($million) |
| 15(1)(a) | ACMA expenses | 17.572 | 14.405 | 14.405 | 14.405 | 14.405 |
| 15(1)(b) | ACCC expenses  | 13.798 | 13.280 | 13.241 | 13.241 | 13.241 |
| 15(1)(c) | ITU contribution | 1.600 | 1.931 | 2.265 | 2.220 | 2.150 |
| 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 | 2.237 | 2.230 | 2.272 | 2.314 | 2.346 |
| **Total expenses** | **35.507** | **32.146** | **32.483** | **32.480** | **32.442** |
| 15(1)(a) | ACMA revenue | 17.572 | 14.405 | 14.405 | 14.405 | 14.405 |
| 15(1)(b) | ACCC revenue | 13.798 | 13.641 | 13.280 | 13.241 | 13.241 |
| 15(1)(c) | ITU contribution | 1.600 | 2.262 | 2.267 | 2.172 | 2.128 |
| 15(1)(ca) | Development of consumer protection related industry codes | 0.300 | 0.086 | 0.300 | 0.300 | 0.300 |
| 15(1)(d) | Government grants—consumer representation and research | 2.237 | 2.230 | 2.272 | 2.314 | 2.346 |
| **Total revenue** | **35.507** | **32.624** | **32.524** | **32.432** | **32.420** |
| **Balance** | **0** | **0.478** | **0.041** | **(0.047)** | **(0.022)** |

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 is not expected to change significantly as the expenditure has already decreased by 18 per cent from the 2014–15 financial year.

The estimated decrease for the ACCC from 2016–17 reflects a reprioritisation of funds from corporate and business services to the agency’s external legal program, which does not form part of the ACLC. As a result, the cost pool will be smaller in the budget and the forward estimates.

The increases in the grant for consumer representation and research reflect indexation movements

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 2015–16 and previous financial years are in Table 14.

Table 14: Historical ACLC expenses and revenue

| Ref. in the Act | Component | 2015–16 | 2014–15 | 2013–14 | 2012–13 | 2011–12 |
| --- | --- | --- | --- | --- | --- | --- |
| ($million) | ($million) | ($million) | ($million) | ($million) |
| 15(1)(a) | ACMA expenses | 14.405 | 17.572 | 19.654 | 19.210 | 21.053 |
| 15(1)(b) | ACCC expenses | 13.641 | 15.107 | 14.975 | 15.005 | 13.815 |
| 15(1)(c) | ITU contribution | 2.062 | 1.861 | 1.731 | 1.641 | 1.596 |
| 15(1)(ca) | Development of consumer protection related industry codes | 0.086 | 0 | 0 | 0.321 | 0.210 |
| 15(1)(d) | Government grants—consumer representation and research | 2.196 | 2.164 | 2.166 | 2.127 | 2.077 |
| **Total expenses** | **32.390** | **36.704** | **38.526** | **38.304** | **38.751** |
| 15(1)(a) | ACMA revenue | 17.572 | 19.654 | 19.210 | 21.053 | 21.519 |
| 15(1)(b) | ACCC revenue | 15.107 | 14.975 | 15.005 | 13.815 | 12.947 |
| 15(1)(c) | ITU contribution | 1.861 | 1.860 | 1.601 | 1.680 | 1.511 |
| 15(1)(ca) | Development of consumer protection related industry codes | 0 | 0 | 0.321 | 0.210 | 0 |
| 15(1)(d) | Government grants—consumer representation and research | 2.196 | 2.164 | 2.166 | 2.127 | 2.077 |
| **Total revenue** | **36.736** | **38.653** | **38.303** | **38.885** | **38.504** |
| **Balance** | **4.346** | **1.949** | **(0.223)** | **0.581** | **(0.247)** |

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 in Chapter 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 Chapter 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.[[10]](#footnote-10) In 2014–15 the ACMA’s component decreased by 10.6 per cent largely due to the reduction in budget for the ACMA’s telecommunications activities and the adoption of government’s deregulation policy. As explained in 3.1 in this draft CRIS, the ACMA’s component further decreased by 18 per cent in 2015–16.

The increase in the ACCC’s costs of 8.6 per cent from 2011–12 to 2012–13 resulted 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 15.

Table 15: Deliverables and key performance indicators (KPIs)

| Deliverable | KPI |
| --- | --- |
| Administration of licensing and number allocation arrangements for telecommunications services | Administrative costs on industry and citizens are minimised  |
| Promotion of competition, efficiency and innovation in the Australian telecommunications industry | This is maximised, resulting in a simple and flexible numbering scheme |
| 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 2015–16 financial year is published in the ACMA’s *Annual report 2015–16*.[[11]](#footnote-11)

ACCC’s cost component

The ACCC is responsible for the economic regulation of the communications sector, which 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 consumer 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) 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

Section 593 of the Telco Actenables the minister to make grants of financial assistance to consumer bodies to support consumer representation in the telecommunications sector. ACCAN, the sole recipient of the grant since 2009–10, 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.

# 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 2017–18 financial year are provided in Table 16.

Table 16: Key forward dates and events

| Key events | Date |
| --- | --- |
| Update of forward estimates | December 2017  |
| Update of actual costs | May 2018 |

# 9. CRIS approval and change register

Table 17: Change register

| Date | Description | Approved by | Comments |
| --- | --- | --- | --- |
| 17 July 2017 | Approval of the 2016-17 CRIS—Version 3.1 | The Minister for Communications and the Arts |  |
| 29 June 2017 | Certification of the 2016-17 CRIS—Version 3.1 | ACMA Acting Chair |  |
| 18 April 2017 | Consultation of the 2016-17 draft CRIS—Version 3.0 for a period of four weeks | ACMA Authority |  |
| 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

ACCAN Australian Communications Consumer Action Network

ACCC Australian Competition and Consumer Commission

ACLC Annual Carrier Licence Charge

ACMA Australian Communications and Media Authority

ACMA Act *Australian Communications and Media Authority Act 2005*

*ASL Average Staffing Level*

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

ICT information and communication technology

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

TCPSS Act *Telecommunications (Consumer Protection and Service Standards) Act 1999*

Telco Act *Telecommunications Act 1997*

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 2016–17

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Participating Person Name** |  **Carriers' Contribution Factor**  |  **ACLC 2016-17 ($)**  |
| 1 | AAPT Ltd | 0.7421129489% | $242,106 |
| 2 | AARNet Pty Ltd | 0.1439955117% | $46,977 |
| 3 | Adam Internet Pty Ltd | 0.1501991651% | $49,001 |
| 4 | Agile Pty Ltd | 0.4626004171% | $150,918 |
| 5 | Allegro Networks Pty Ltd | 0.0110539212% | $3,606 |
| 6 | Amcom Pty Ltd | 0.3044120057% | $99,311 |
| 7 | BigAir Cloud Managed Services Pty Ltd | 0.0137654583% | $4,491 |
| 8 | BigAir Group Limited | 0.0715211170% | $23,333 |
| 9 | Chime Communications Pty Ltd | 0.7830615808% | $255,465 |
| 10 | FirstPath Pty Ltd  | 0.0022994871% | $750 |
| 11 | Integrated Data Labs Pty Ltd | 0.0056769813% | $1,852 |
| 12 | Intelligent IP Communications Pty Ltd | 0.0153034028% | $4,993 |
| 13 | iPSTAR Australia Pty Ltd | 0.1511573519% | $49,313 |
| 14 | Macquarie Telecom Pty Ltd | 0.2604964338% | $84,984 |
| 15 | Nextgen Networks Pty Ltd | 0.5325429783% | $173,736 |
| 16 | Nextgen Telecom (WA) Pty Ltd | 0.0000333744% | $11 |
| 17 | Nextgen Telecom Pty Ltd | 0.0019130427% | $624 |
| 18 | Optus Fixed Infrastructure Pty Ltd  | 0.0211459068% | $6,899 |
| 19 | Optus Mobile Pty Ltd | 15.8484915724% | $5,170,391 |
| 20 | Optus Networks Pty Ltd | 3.4144621805% | $1,113,930 |
| 21 | Optus Satellite Network Pty Ltd | 0.9977142193% | $325,493 |
| 22 | Orion Satellite Systems Pty Ltd | 0.0087086781% | $2,841 |
| 23 | Pipe Networks Pty Ltd | 0.2964923752% | $96,727 |
| 24 | Primus Telecommunications Pty Ltd | 0.9694785765% | $316,281 |
| 25 | Satellite Communications Australia Pty Ltd | 0.1322101520% | $43,132 |
| 26 | Soul Pattinson Telecommunications Pty Ltd | 1.3409697826% | $437,476 |
| 27 | Telstra Corporation Ltd | 65.4940009563% | $21,366,676 |
| 28 | Telstra Multimedia Pty Ltd | 0.3929089996% | $128,182 |
| 29 | TransACT Capital Communications Pty Ltd | 0.1639192316% | $53,477 |
| 30 | Uecomm Pty Ltd | 0.3045271026% | $99,349 |
| 31 | Verizon Australia Pty Ltd | 0.1033622376% | $33,721 |
| 32 | Victorian Rail Track | 0.1104965371% | $36,048 |
| 33 | Vividwireless Pty Ltd | 0.1004989732% | $32,787 |
| 34 | Vocus Fibre Pty Ltd | 0.1556726152% | $50,786 |
| 35 | Vodafone Australia Pty Ltd | 5.9499322059% | $1,941,098 |
| 36 | Vodafone Hutchinson Australia Pty Ltd | 0.5428625191% | $177,103 |
| **Total** | **100.0000000000%** | **$32,623,868** |

# Attachment B

## Telecommunications activities not included in the ACLC

Smartnumber allocation activities

The costs associated with the allocation of smartnumbers in the numbering system are not recovered from industry on the basis that costs would be offset by allocation proceeds, except for a registration charge to use the numbering system 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 and the Telco Act, 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 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 2013directed 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%3A%5CUsers%5Cjjeyalin%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CTemporary%20Internet%20Files%5CContent.Outlook%5CPBL3VPYI%5Cwww.communications.gov.au%5Cdocuments%5C2015-16-dept-comms-and-arts-paes) [↑](#footnote-ref-3)
4. The Direction 2013 defines relevant financial year as the financial year that begins on 1 July 2013 and each later financial year. [↑](#footnote-ref-4)
5. ACMA *Annual report 2015–16*, 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-5)
6. Relates to the Communications Infrastructure Division; Content, Consumer and Citizen Division and Strategy and Research Branch of the ACMA. [↑](#footnote-ref-6)
7. 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-7)
8. 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, the 2015–16 financial year) for which the charges are imposed. The cost component under paragraph 15(1)(c) relates to the calendar year (that is, the 2016 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 2016–17 financial year. [↑](#footnote-ref-8)
9. This is available on <http://www.finance.gov.au/resource-management/charging-framework/risk-assessment-template/>. [↑](#footnote-ref-9)
10. The Telecommunications Universal Service Management Agency (TUSMA) was abolished on 1 July 2015 and its functions transferred to DoCA. [↑](#footnote-ref-10)
11. 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-11)