Cost Recovery Implementation Statement

Annual Carrier Licence Charge for the charging period 1 July 2018 to   
30 June 2019

December 2019

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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 (ACMA), the Australian Competition and Consumer Commission (ACCC) and the Department of Communications and the Arts (DoCA) apply cost recovery principles in determining relevant amounts under the *Telecommunications (Carrier Licence Charges) Act 1997* to be recovered through the Annual Carrier Licence Charge (ACLC).

A summary of the cost recovery models used by the ACMA, ACCC and Minister for Communications, Cyber Safety and the Arts (the Minister) in calculating their relevant telecommunications costs to be in the ACLC is included in this statement. It also reports financial performance for these activities and contains financial forecasts for these costs over the 2018–19 financial year and three forward years (financial years 2019–20 to 2021–22). The ACCC and DoCA contributed the relevant information in relation to their cost recovery models. The ACMA will maintain the CRIS until the activities or cost recovery for the activities have been discontinued.

An addendum to this CRIS in Attachment B provides information on how the ACCC applies cost recovery principles in determining the costs incurred in relation to its Measuring Broadband Australia (MBA) program as part of its ACLC cost component.

The ACLC amounts payable by carrier licensees for the period from 1 July 2018 to 30 June 2019 are set out in Attachment C

## 1.2 Background and description of activity

The ACMA is a statutory authority within the Communications and the Arts Portfolio of the Australian Government. It is responsible for various telecommunications functions and powers under the *Australian Communications and Media Authority Act 2005* (ACMA Act) and the *Telecommunications Act 1997* (Telco Act).

The ACLC is established by the *Telecommunications (Carrier Licence Charges) Act 1997* (the Act) to fund the activities of the ACMA, ACCC and DoCA in regulating licensed telecommunications carriers and telecommunications services provided by carriers. This is so that those creating the need for the government activities meet the cost of those activities. The ACLC for a financial year is imposed on a carrier licence that is in force at the beginning of that financial year and is payable by the holder of the licence.

The ACMA determines the amount of ACLC payable by a licensed telecommunications carrier by making a determination under section 14 of the Act.

The total ACLC must not exceed the sum of the amount of relevant telecommunication costs of the ACMA and the ACCC, including costs incurred by DoCA for the Commonwealth’s contribution for the ITU membership and the grants made under section 593 of the Telco Act. These amounts will be determined in the legislative instruments made by the ACMA, ACCC and the Minister respectively. The costs of the ACMA and ACCC’s other regulatory activities are not included in the ACLC.

For the 2018–19 financial year, as in previous years, the ACMA proposes that the ACLC payable by each liable licenced carrier will be based on the carrier’s eligible revenue (within the meaning of the *Telecommunications (Consumer Protection and Service Standards) Act 1999*) for the 2017–18 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 2017 and ended 30 June 2018 are, in effect, exempted from paying the ACLC.[[1]](#footnote-2) The methodology for allocating the total ACLC (excluding the amount applicable to the MBA program) to liable individual carriers, has not changed from the previous year. The amount applicable to the MBA program is allocated to liable individual licenced carriers based on the number of NBN fixed-line connections operated by monitored service providers. It is appropriate that those who create the need for 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 an eligible revenue period (that is, smaller carriers) where either:

* the carrier lodges the relevant statutory declaration with the ACMA within the specified time frame

the ACMA is otherwise reasonably satisfied that their revenue is below the stated threshold.[[2]](#footnote-3)

Any carrier who held a carrier licence on 1 July 2018 and is not a non-participating person during the period 1 July 2017 to 30 June 2018 is required to pay the ACLC for the 2018–19 financial year. This is irrespective of whether they have surrendered their licence or had their licence cancelled subsequent to this date and will be liable for payment of the charge when it is due.

## 1.3 Stakeholders

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

Some stakeholders raised concerns during the 2017–18 ACLC stakeholder consultation that some non-participating service providers (such as Over The Top (OTT) service providers) should contribute to the ACLC. Under the Act, the ACLC is funded by carriers; that is, by those that are required to hold carrier licences. Under the Telco Act, the requirement to hold a carrier licence generally applies to owners of network units that are used to supply a carriage service to the public (that is outside of the network unit owner’s immediate circle). The Australian Government has no plans to change the definition of carrier at this time.

DoCA is currently undertaking a Portfolio Charging Review.[[3]](#footnote-4) Any proposed changes to the ACLC the Australian Government considers as part of the Portfolio Charging Review would be consulted upon separately during the 2019–20 financial year with the relevant stakeholders, if required.

# 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 Australian 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 (ITU)

the granting of financial assistance to consumer bodies to support consumer representation in the telecommunication sector and to relevant research bodies.

Prior to 2018–19, the Australian Government made a series of decisions[[4]](#footnote-5) determining the above activities to be the subject of cost recovery through the ACLC. These decisions are consistent with the Act which specifically includes the costs of each of these five activities as part of the amount that can be collected through the ACLC.

Consumer safeguards

As part of the 2019–20 Budget,[[5]](#footnote-6) the government directed $7.2 million over four years from 2019–20 (and $1.4 million per year ongoing from 2023­­–24) to the ACMA to improve dispute resolution for Australian telecommunications consumers by providing advice, support and oversight to the Telecommunications Industry Ombudsman (TIO). It was intended that the costs of this measure be recovered through the ACLC to be determined by the ACMA under the Act. Accordingly, the costs of performing these telecommunications functions will be recovered through the ACLC from the 2020–21 financial year.

The costs of all relevant ACLC activities are reflected in Table 18 of this CRIS and Table 5 of Attachment B—CRIS Addendum.

## 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 (commencing 1 July 2018 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.

The Australian Communications and Media Authority (Annual Carrier Licence Charge) Direction 2017[[6]](#footnote-7) (the 2017 Direction) applies to the ACMA when making this determination. The 2017 Direction 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 in the amount of $0 on each carrier licence that is:

* in force at the beginning of a relevant financial year[[7]](#footnote-8)

held by a carrier that was a non-participating person for the eligible revenue period immediately preceding that financial year.[[8]](#footnote-9)

Accordingly, under the proposed Telecommunications (Annual Carrier Licence Charge) Determination 2019 to be made by the ACMA under subsection 14(1) of the Act, carriers that were non-participating persons for the 2017–18 eligible revenue period will be 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 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[[9]](#footnote-10) |
| 15(1)(c) | A proportion of the Commonwealth’s ITU contribution |
| 15(1)(ca) | The sum of amounts paid to industry bodies for reimbursement of cost associated with developing or varying industry codes |
| 15(1)(d) | Estimated grants under section 593 of the Telco Act for consumer representation and research |

The ACMA will make a legislative instrument 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 legislative instrument, determining the relevant amounts under paragraphs 15(1)(a), 15(1)(c) and 15(1)(ca) of the Act.

The ACCC has made a determination specifying its costs as described in paragraph 15(1)(b) of the Act, showing separately the costs applicable to the MBA program.

On 6 February 2019, the Minister made the Telecommunications (Carrier Licence Charges) (Paragraph 15(1)(d)) Determination 2019 (No. 1),determiningthe estimated total amounts of grants likely to be made during the 2018–2019 financial year under section 593 of the Telco Act in accordance with paragraph 15(1)(d) of the Act.

All determinations will be registered on the Federal Register of Legislation by the respective entities and commence before the ACMA will formally determine the amount of ACLC payable by each relevant licenced carrier and issue invoice.

1. List of legislative instruments for imposition of the ACLC for the 2018–19 financial year

| Determination | Made under |
| --- | --- |
| Telecommunications (Annual Carrier Licence Charge) Determination 2019  (To be made by the ACMA, commencing after each of the determinations listed below has commenced) | Subsection 14(1) of the Act |
| Telecommunications (Specification of Costs by the ACMA) Determination 2019  (To be made by the ACMA) | Paragraphs 15(1)(a), (c) and (ca) of the Act |
| Determination under paragraph 15(1)(b)  (Made by the ACCC) | Paragraph 15(1)(b) of the Act |
| Telecommunications (Carrier Licence Charges) (Paragraph 15(1)(d)) Determination 2019[[10]](#footnote-11)  (Made by the Minister) | 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 for the ACMA’s activity

### 3.1.1 Outputs and business processes of the activity

This component (under paragraph 15(1)(a) of the Act) represents the ACMA’s costs incurred during the 2017–18 financial year that are attributable to 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:[[11]](#footnote-12)

* the *Do Not Call Register Act 2006* (DNCR Act)
* the Telco Act, to the extent to which it relates to the DNCR Act

Part 6 of the Telco Act to the extent to which it 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 1999*
* Chapters 4 and 5 of the *Telecommunications (Interception and Access) Act 1979*
* Part XIC of the *Competition and Consumer Act 2010* (Competition and Consumer Act)

section 12 of the ACMA Act, in so far as it relates to the ACMA’s telecommunications functions*.*

The outputs in relation to the ACMA’s telecommunications activities are summarised below. As reported in the CRIS for the 2017–2018 ACLC calculation, the ACMA provides activity costs for each activity in order to demonstrate transparency of costs attributable to the ACLC. The ACMA intends to commence reporting comparative costs for these activities in the next CRIS for the 2019–20 charging period.

Regulation development

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

Table 3 provides details of the activities performed under this output along with direct costs and support costs.

1. Regulation development—activities and costs for 2018–19 ACLC (based on 2017–18 costs)

| Activity | Direct cost ($) | Support cost ($) | Total  cost ($) |
| --- | --- | --- | --- |
| Assessing Integrated Public Number Database (IPND) Scheme, making authorisations, monitoring and enforcing compliance with IPND requirements | $426,249 | $359,808 | $786,057 |
| Educating industry and consumers on safeguards; ongoing consulting with stakeholders | $212,508 | $272,850 | $485,358 |
| Consultation and engagement with industry consumers and government; review and analysis of industry provided information; industry and consumer research | $117,838 | $107,923 | $225,761 |
| Coordinating deregulation agendas and reporting against the Regulator Performance Framework | $72,736 | $58,844 | $131,580 |
| Making new regulatory protections to improve the experience of consumers migrating to the NBN including consumer information standard, service continuity standard, complaints handling standard and determination | $335,386 | $307,164 | $642,550 |
| Making submissions to a range of consumer safeguards consultation processes— telecommunications consumer regulatory review and development, including development of proposals to improve the NBN consumer experience, review of the Telecommunications Consumer Protection (TCP) Code and International Mobile Roaming Standard | $721,379 | $968,404 | $1,689,783 |
| Managing telecommunications labelling notices and standards | $286,150 | $472,307 | $758,457 |
| Providing secretariat function to Emergency Call Service Advisory committee; monitoring and reporting on emergency call person compliance | $133,071 | $174,523 | $307,594 |
| Registering telecommunications operational codes | $127,270 | $215,595 | $342,865 |
| Researching market developments and telecommunications consumer experience | $417,128 | $246,936 | $664,064 |
| Researching telecommunications regulatory practice and design | $70,856 | $54,847 | $125,703 |
| Reviewing, making and registering of codes and determinations (e.g. Emergency Call Service Determination, Mobile Phone Base Stations) | $133,192 | $173,243 | $306,435 |
| **Total costs** | $3,053,763 | $3,412,444 | $6,466,207 |

Industry monitoring and NBN

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

Table 4 provides details of the activities performed under this output along with direct costs and support costs.

1. Industry monitoring and NBN—activities and costs for 2018–19 ACLC (based on 2017–18 costs)

| Activity | Direct cost  ($) | Support cost ($) | Total cost ($) |
| --- | --- | --- | --- |
| Providing secretariat function to the Consumer Consultative Forum; ongoing consultation with stakeholders; conducting industry and consumer research on telecommunications consumer safeguards, focusing on the NBN | $432,688 | $580,972 | $1,013,660 |
| **Total costs** | $432,688 | $580,972 | $1,013,660 |

Compliance, enforcement and consumer safeguard

This output 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 directions to comply, and taking other enforcement actions.

Table 5 provides details of the activities performed under this output along with direct costs and support costs.

1. Compliance, enforcement and consumer safeguard—activities and costs for 2018–19 ACLC (based on 2017–18 costs)

| Activity | Direct cost | Support cost | Total  cost |
| --- | --- | --- | --- |
| Contributing submissions to a range of consumer safeguards consultation processes | $103,326 | $131,177 | $234,503 |
| Implementing cabling compliance arrangements including cabling inspections | $14,303 | $20,533 | $34,836 |
| Investigating non-compliant cabling work | $9,509 | $13,545 | $23,054 |
| Monitoring and investigating compliance with consumer safeguards such as the TCP Code and Priority Assistance regulatory obligations; taking enforcement action resulting from non-compliance with TCP Code; responding to providers’ queries about the TIO scheme; handling TIO referrals about potential non-compliance with the scheme; making preliminary enquiries and investigating compliance with the scheme; considering exemption requests; assessing compliance, approving reports and dealing with complaints about the Customer Service Guarantee, National Relay Service and provision of payphones under the Universal Services Obligation. | $892,378 | $1,140,293 | $2,032,671 |
| Providing newsletters and quarterly telecommunications facts and figures on the ACMA’s website; providing fact sheets and maintaining currency of supporting consumer material on the ACMA website and other media platforms | $103,326 | $131,177 | $234,503 |
| Revenue collection and compliance | $0 | $478,047[[12]](#footnote-13) | $478,047 |
| Undertaking investigations about the emergency call service, carrier licensing and infrastructure deployment; reporting on the number of disclosures of customer information and the costs of providing an interception capability; enforcing compliance with the requirement to submit interception capability plans; reporting on the cost of data retention and telecommunications sector security reforms | $486,603 | $653,999 | $1,140,602 |
| **Total costs** | $1,609,445 | $2,568,771 | $4,178,216 |

Licensing and number allocation

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

Table 6 provides details of the activities provided under this output along with direct costs and support costs.

1. Licensing and number allocation—activities and costs for 2018–19 ACLC (based on 2017–18 costs)

| Activity | Direct cost | Support cost | Total cost |
| --- | --- | --- | --- |
| Administering the carrier licensing regime; granting permits and considering submarine protection zone applications | $437,109 | $678,646 | $1,115,755 |
| Managing outsourced arrangements and numbering allocation | $243,259 | $103,212 | $346,471 |
| **Total costs** | $680,368 | $781,858 | $1,462,226 |

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.

Table 7 provides details of the activities provided under this output along with direct costs and support costs.

1. Other outputs—activities and costs for 2018–19 ACLC (based on 2017–18 costs)

| Activity | Direct cost | Support cost | Total cost |
| --- | --- | --- | --- |
| Administering the carrier licence charging arrangement and costing of regulatory activities associated with telecommunications | $11,127 | $207,915[[13]](#footnote-14) | $219,042 |
| Considering and implementing the potential for self-regulation of functions relating to the IPND—the ACMA review recommendation | $29,324 | $29,068 | $58,392 |
| **Total costs** | $40,451 | $236,983 | $277,434 |

Further details about the ACMA’s telecommunications activities are set out in the [*ACMA annual report 2017–18*](https://www.acma.gov.au/publications/2018-10/report/ACMA-annual-report-2017-18).

### 3.1.2 Costs of the activity

Determining the ACMA’s costs to be recovered under the ACLC is subject to a rigorous process using an Activity Based Management (ABM) system. The system tracks direct and support costs and the type of expenses incurred by the ACMA in exercising its telecommunications functions and powers. As in prior years, 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 conducts agency-wide surveys twice a year to ensure the allocation base for the ABM model remains accurate.

Table 8 summarises the direct costs and support costs of the ACMA’s components at the output level.

1. The ACMA’s components at output level for 2018–19 ACLC (based on 2017–18 costs)

| Output | Direct cost | Support cost | Total cost |
| --- | --- | --- | --- |
| Regulation development | $3,053,763 | $3,412,444 | $6,466,207 |
| Industry monitoring and NBN | $432,688 | $580,972 | $1,013,660 |
| Compliance, enforcement and consumer safeguards | $1,609,445 | $2,568,771 | $4,178,216 |
| Licensing and allocation | $680,368 | $781,858 | $1,462,226 |
| Other outputs | $40,451 | $236,983 | $277,434 |
| **Total costs** | $5,816,715 | $7,581,028 | $13,397,743 |

Direct costs are those costs that are directly attributed to outputs and activities performed by the relevant operational areas that are involved in service provision. Direct costs include staff salaries and other expenses (for example, contractors, consultants, suppliers, office consumables, travel) in relation to the operational areas carrying out telecommunications activities. These 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.

Support costs are those costs not directly attributed to any particular output or activity. They are allocated to activities performed by the relevant operational areas (including areas performing telecommunications activities) using the most suitable drivers (shown in Table 9) which can be reliably measured. The support costs relate to the cost of services provided by corporate services, which include information technology (IT), finance, human resources, facilities, legal, Authority and other costs.

The support costs not only include indirect costs (overheads) such as depreciation and occupancy expenses, but also include expenses for all support service areas (for example corporate services, legal and Authority) such as staff salaries, contractors, consultants, suppliers and other expenses. Accordingly, direct costs do not include overhead costs as they form part of the support costs. As a result, the support costs are comparatively higher than the direct costs. The review conducted by independent auditors in the previous years agreed to the categorisation of costs as disclosed.

1. Allocation of the ACMA’s support costs (cost drivers)

| Category | Cost driver |
| --- | --- |
| Authority | Average staffing level (ASL) applicable to recipient cost centre |
| People and finance | ASL applicable to recipient cost centre |
| Media | ASL applicable to recipient cost centre |
| Information and facilities | ASL applicable to recipient cost centre |
| Property operating expenses | Number of workstations |
| Asset usage | Percentage split based on asset usage |
| Legal | Percentage split based on resource usage |

Table 10 outlines a breakdown of expenses included in the ACMA’s cost components for the ACLC amount for the 2018–2019 financial year in 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 included for the purpose of determining the ACLC. These costs are subsets of both the direct and support costs shown in Table 8.

1. The ACMA’s cost component

| Costs | 2018–19  (based on 2017–18 costs) | 2017–18  (based on 2016–17 costs) | % change\* |
| --- | --- | --- | --- |
| Employees | $8,589,512 | $9,107,688 | (5.7%) |
| Operating | $2,752,521 | $3,062,674 | (10.1%) |
| Depreciation and write-off | $2,131,464 | $2,267,896 | (6.0%) |
| **Total ACMA costs** | **$13,473,497** | **$14,438,258** | **(6.7%)** |
| Less: revenue received from activities delivered on a fee-for-service basis (see Attachment A—Telecommunications activities not included in the ACLC) | $75,754 | $134,239 | (43.6%) |
| **Total costs for ACLC** | **$13,397,743** | **$14,304,019** | **(6.3%)** |

*\*Increase/(decrease).*

The ACMA’s cost component has decreased by 6.3 per cent ($0.9 million) from the previous financial year. The decrease is essentially attributable to:

* completion of a coordinated national program of cabling inspections and associated investigations into non-compliance that was a Priority Compliance Area in 2016–17
* re-prioritisation of resources in making telecommunications labelling notices and standards

reduction in workload in relation to the registration of telecommunications operational codes. Only one code was registered in 2017–18.

The ACMA’s costs 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.

During the 2017–18 financial year, an independent review of the ACMA’s cost base was undertaken by Deloitte Australia to ensure the ACMA is effectively delivering on its responsibilities and minimising costs to industry. The review included detailed corporate benchmarking, comparisons against several other regulators, international benchmarking and industry-based trend analysis of costs and performance outcomes.

The review concluded that the ACMA is operating efficiently, in accordance with the Department of Finance Cost Recovery Guidelines. In relation to costs to the industry, the review found the calculation of the ACLC to be logical and that costs are attributed appropriately. The review also reported that the ACMA has a developed cost recovery costing framework to ensure it is consistent in costing its cost recovery activities.

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

## 3.2 Determination of cost component for the ACCC’s activity

Under paragraph 15(1)(b) of the Act, the ACCC must determine the proportion of its costs incurred during 2017–18 that are attributable to its telecommunications functions and powers. Accordingly, the information in this section has been provided by the ACCC setting out the cost recovery model it has used to determine the costs.

### 3.2.1 Outputs and business processes of the activity

Part XIC of the Competition and Consumer Act contains the framework for the 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

monitoring industry, including the NBN Wholesale Indicators Report, the Telstra Customer Access Network snapshot, and the Telstra Economic Model reports.

The ACCC also has responsibilities under the Telco Act for 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:

* conducting market and competition analysis and investigations (especially under Part IV of the Competition and Consumer Act) for 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
* providing industry guidance where appropriate to improve the operation of markets

drafting speeches and public presentations for commissioners and senior managers.

The key communications outputs are outlined below.

Communications markets and advocacy

* Concluding the ACCC’s communications market study with the release of a final report in April 2018 containing a number of policy recommendations and actions.
* Issuing the annual telecommunications report, *Competition and price changes in telecommunications services in Australia 2016*–*17* (Division 11 report).
* Improving marketing practices for broadband services to promote compliance with Australian Consumer Law and encourage more informed communications markets.
* Ongoing release of quarterly reports on broadband performance data (from March 2018) under the ACCC’s MBA program.
* Issuing a record-keeping rule to assist in the validation and reporting of service information for the MBA program.
* Providing advice to other government agencies and departments on request about competition issues arising from restructuring the communications sector towards a wholesale-only access model.
* Providing submissions and advice to the ACMA’s proposed measures to improve consumer experience in migration to and using the NBN.
* Undertaking compliance and enforcement activities regarding the Competition and Consumer Actand wholesale telecommunications markets (Part IV, Part XIB, NBN SAU and Telstra SSU), which included instituting Federal Court proceedings regarding misleading representations Optus made to its customers in connection with migrating customers from its HFC network to the NBN.
* Participating 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 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.
* Assessing a variation proposed by NBN Co to the SAU accepted by the ACCC in 2013 and issuing a draft decision.
* Commencing an inquiry into the continued declaration of domestic transmission capacity services.
* Issuing final determinations on the NBN Co SAU annual revenue determination (Long Term Revenue Constraint Methodology determination) for 2017–18.
* Undertaking NBN pricing and SAU financial/pricing compliance.
* Examining NBN wholesale service standards and considering whether regulatory intervention would be required to improve customer experience.
* Providing advice to other areas on matters such as mergers or authorisation applications relating to transmission markets and compliance and consumer matters relating to NBN.
* Finalising an inquiry deciding not to declare a domestic mobile roaming access service and instead identifying measures to improve regional mobile coverage in consultation with stakeholders.
* Representing the ACCC on the TCP Code review.
* Providing advice to ministers, other government agencies and departments on request (examples include advice on NBN non-commercial funding options, transmission and aggregation markets, and market developments) including on spectrum allocation limits.
* Maintaining and collecting data through the Infrastructure and Exchange Facilities Record Keeping Rules.
* Reviewing the NBN Services in Operation (SIO) Record Keeping Rules and publishing relevant extracts in quarterly reports on NBN wholesale market indicators.
* Consulting and engaging with industry on a range of regulatory matters, including telecommunications consumer issues, numbering, consumer issues about NBN migration, and mobiles and transmission markets with special attention to regional and rural areas of Australia.

Wireline markets

* Reporting annually to the Minister on Telstra’s compliance with its SSU, whilecontinuing to monitor Telstra’s compliance with the SSU for 2017–18.
* Issuing the annual telecommunications report, *Competition and price changes in telecommunications services in Australia 2016*–*17* (Division 12 report).
* Consulting and engaging with industry on a range of regulatory matters, including variations and additions to the Telstra Migration Plan.
* Reviewing 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.

Assessing agreements in relation to lodgement of quarterly reports.

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 telecommunications 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 2017–18 are based on the cost of services in accordance with the ACCC’s 2017–18 audited financial statements.

Delivery costs of the MBA program (*Cost Recovery Implementation Statement—Addendum: Measuring Broadband Australia program* is provided in the 2017-18 ACLC CRIS available on the ACMA website), which formally commenced in July 2017, are not included in the ACLC cost calculations disclosed in Table 11 below. Supplier costs and overheads for that program are tracked separately and are disclosed in Attachment B. However, the following costs are applicable to the ACLC:

* Staff working in the ACCC’s telecommunications regulation function in 2017–18 incurred costs related to the MBA program’s establishment and oversight, including the procurement process for an outsourced provider. These costs are included in the amount disclosed in Table 11.

Responsibility for any investigative and regulation work resulting from the MBA program’s findings will fall to ACCC staff as part of their business-as-usual telecommunications regulation function. These costs will not form part of the MBA program costs, instead they will be recovered through future ACLC attributable to paragraph 15(1)(b) of the Act.

Table 11 provides details for the direct and support costs that the ACCC proposes to include in its determination of costs for the purpose of paragraph 15(1)(b) of the Act.

1. The ACCC’s component at output level, 2018–19   
   (based on 2017–18 costs)

| Output activity | Direct costs | Support costs | Total  cost |
| --- | --- | --- | --- |
| Communications markets and advocacy | $3,062,941 | $1,560,763 | $4,623,704 |
| Mobiles, transmission and consumer (including NBN) | $2,554,691 | $1,301,778 | $3,856,469 |
| Wireline markets | $1,460,621 | $744,279 | $2,204,900 |
| Other outputs | $714,734 | $364,202 | $1,078,936 |
| **Total costs** | $7,792,987 | $3,971,022 | $11,764,009 |

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 for the communications function carrying out the 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:

* legal expenditure driver—allocates the in-house legal support function, based on a proportion of usage
* non-legal expenditure driver—allocates corporate costs not easily attributed to usage or headcount (for example, executive governance, assurance and strategic support)

ASL driver—allocates overhead costs that are driven more by staffing than expenditure (for example, human resources, IT support and property costs).

The output costs reported in Table 11 are the cost object captured at a lowest level by the ACCC. As an activity-based cost system is not used by the ACCC, these costs are captured at cost object level.

Table 12 sets out the allocation method to be applied by the ACCC to each of the corporate categories.

1. Allocation of the 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 costs to be determined for the purpose of the 2018–19 ACLC (excluding the MBA costs, which are discussed in Attachment B) have been calculated at $11,764,009. This represents a $1,345,164 (10.3 per cent) decrease from the previous year, largely driven by:

* Employee costs from corporate support functions being spread across more business lines in 2017–18 due to the ACCC and the Australian Energy Regulator (AER) being funded for budget measures involving new (or expanded) functions and market studies.

Telecommunications staff transferring to other areas within the ACCC and the AER to progress the urgent delivery of the new budget measures. Filling the staff vacancies was not an immediate priority as the telecommunications regulation cycle was largely in a downward phase due to many access declarations and determinations finalised in 2016–17 and early 2017–18.

The reduction in employee costs was partially offset by an increase in consultancies. The increase results from the one-off engagement of market experts to help progress the market study of the telecommunications sector and provide independent procurement advice on the tender process for the MBA program.

1. The ACCC’s cost component

| Costs | 2018–19  (based on  2017–18 costs) | 2017–18  (based on  2016–17 costs) | % change\* |
| --- | --- | --- | --- |
| Employees | $7,994,219 | $9,438,026 | (15.3%) |
| Consultancy and travel | $544,592 | $368,941 | 47.6% |
| Overheads | $3,225,198 | $3,302,206 | (2.3%) |
| **Total costs** | **$11,764,009** | **$13,109,173** | **(10.3%)** |

*\*Increase/*(*decrease)*.

## 3.3 Determination of cost component for the ITU activity

The information in this section has been provided by DoCA, setting out the cost recovery model it has used for the calculation of relevant costs to be included in the ACMA’s determination under paragraph 15(1)(c) of the Act.

### 3.3.1 Outputs and business processes of the activity

This cost component (determined by the ACMA under paragraph 15(1)(c) of the Act) represents the proportion of the Commonwealth’s annual contribution to the ITU budget associated with telecommunications for the calendar year 2018. The applicable amount is determined using calculations provided by DoCA.

The ITU is the specialised United Nations agency responsible for international cooperation for 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:

* Radiocommunication Sector (ITU-R)—manages the finite natural resources of the radiofrequency spectrum and satellite orbits
* Development Sector (ITU-D)—assists developing countries with information and communication technologies (ICTs), including promoting access to ICTs and actions that narrow the digital divide

Telecommunication Standardisation Sector (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 its engagement
* the Radio Regulations, which govern the use of radiofrequency spectrum

the International Telecommunication Regulations, which facilitate the interconnection of international telecommunication services.

### 3.3.2 Costs of the activity

The Commonwealth contributions to the ITU are paid by DoCA each year as appropriated through the budget process. The contribution for the 2018 calendar year was Swiss Francs 4,725,000 (AUD 6,594,557, using the exchange rate at the time payment was made).

The ITU has provided the following output costs for 2018 in Swiss Francs: ITU-T, 27,433,000; ITU-R, 55,024,000. To determine the telecommunication component of the Commonwealth’s 2018 contribution, the ACMA has, on the advice from DoCA, considered ITU-T’s share of the combined output costs for ITU-T and ITU-R. As outlined in Table 14, the cost component of the contribution associated with the ACLC is the ITU-T activities of AUD 2,194,009. The increase of 9.51 per cent from the previous year is partly due to an increase in the split for the ITU-T expenditure, compared to the ITU-R expenditure in 2018 and partly as a result of differences in exchange rates at the time of payment.

Table 14 provides the comparison of ITU contributions for the calendar years 2017 and 2018.

1. Costs associated with ITU-T and ITU-R activities

|  |  |  |  |
| --- | --- | --- | --- |
|  | ITU-T | ITU-R | Total |
|  | **AUD** | **AUD** | **AUD** |
| 2018 | 2,194,009 | 4,400,548 | 6,594,557 |
| 2017 | 2,003,511 | 4,438,646 | 6,442,157 |
| Increase/(decrease) | 9.51% | (0.86%) | 2.37% |
| Ratio 2018 | 33.27% | 66.73% |  |
| Ratio 2017 | 31.10% | 68.90% |  |
|  | **Swiss Francs** | **Swiss Francs** | **Swiss Francs** |
| 2018 | 1,572,008 | 3,152,992 | 4,725,000 |
| 2017 | 1,469,475 | 3,255,525 | 4,725,000 |
| Increase/(decrease) | 6.98% | (3.15%) |  |

## 3.4 Determination of cost component for the development or variation of consumer protection codes

### 3.4.1 Outputs and business processes of the activity

This component (to be determined by the ACMA under paragraph 15(1)(ca) of the Act) represents the sum of the amounts paid under section 136C of the Telco Actduring the immediately preceding financial year (the 2017–18 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 a declaration from the ACMA under section 136B of the Telco Act to be eligible to claim reimbursement of these costs 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 ACMA as a reimbursable cost in accordance with the Telco Act prior to any payment being made.

Communications Alliance Ltd (CA) is an industry body that represents the telecommunications industry and develops codes as required. An industry body is only eligible to seek reimbursement for development or variation of consumer codes (i.e. where industry codes wholly or mainly deal with matters relating to the relationship between carriage service providers and their retail customers). The industry codes are a key component of the co-regulatory approach to regulation in the telecommunications sector, which is intended to provide consumer protection in an efficient manner, with a low regulatory burden on industry. Industry codes, as a form of co-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 2016–17 and 2017–18 financial years as no claim for reimbursement was received from CA or any other eligible body.

## 3.5 Determination of cost component for government grants for consumer representation and research

The information in this section has been provided by DoCA, setting out the cost recovery model it has used to determine the costs.

### 3.5.1 Outputs and business processes of the activity

Under section 593 of the Telco Act, 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 2018–19 financial year was determined by DoCA.

Since 2009–10, a grant has been provided to the Australian Communications Consumer Action Network (ACCAN). ACCAN is provided with around $2 million per annum as part of a multi-year grant agreement until 31 May 2022. Milestone payments for completing each stage of the activity, as set out in the grant 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. ACCAN 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 Program, 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](http://www.accan.org.au/).

### 3.5.2 Costs of the activity

The Minister has made a legislative instrument determining that an amount of $2,296,000 is estimated to be paid in grants under section 593 of the Act during the 2018–19 financial year. A breakdown of the expected use of the grants by ACCAN as the likely recipient has been provided by ACCAN as shown below.

1. Consumer representation grant program

| Expense | Cost (million) |
| --- | --- |
| Employee expenses | $1.432 |
| Administration expenses | $0.446 |
| Independent grants program research projects | $0.358 |
| Committee expenses, travel, accommodation | $0.060 |
| **Total** | **$2.296** |

## 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 be attributed to individual licensed carriers and therefore translated into direct fees, but can be attributed to the cost of regulation for the telecommunications industry as a group. The use of a carrier’s eligible revenue to calculate the carrier’s ACLC provides a reasonable reflection of effort and costs, and industry understands and accepts this methodology. Furthermore, the eligible revenue of licensed carriers is utilised for the calculation of the Telecommunications Industry Levy imposed under the *Telecommunications (Industry Levy) Act 2012* and assessed and collected by the ACMA in accordance with the *Telecommunications (Consumer Protection and Service Standards) Act 1999* (TCPSS Act).

The ACMA is required by the 2017 Direction to ensure that the ACLC payable by any non-participating persons, as defined in the Telecommunications (Participating Persons) Determination 2015 is zero, effectively exempting such carriers from contributing to the costs of telecommunications regulations through the ACLC. Any change to this approach would require a change to the 2017 Direction or a change to the Telecommunications (Participating Persons) Determination 2015, each made by the Minister.

In accordance with the 2017 Direction, non-participating persons (generally, the smaller carriers) are required to be exempted from the liability to pay the ACLC. While the total ACLC includes costs that may be incurred by the ACMA, ACCC and the Minister 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.

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, except the amount attributable to the MBA program.

In order to establish the individual levy amount that relates to the MBA program, a portion of the ACCC’s costs determined under s.15(1)(b) of the Act are to be allocated to individual liable carriers (that is, participating persons) is on the basis of the number of NBN fixed-line connections operated by monitored service providers. All the details including the formula for the calculation of this component of the individual levy are disclosed in section 3.2 of Attachment B—CRIS Addendum.

The following formula will be used for allocating the total charge (except the component of the overall charge applicable to the MBA program) to individual liable carriers, when the applicable eligible revenue amounts become available. The formula allocates the total ACLC to the individual carriers, in the same proportion as their assessed eligible revenue bears to the total assessed eligible revenue of all participating persons.

Where:

* MCA is the maximum charge amount
* OTC is the other telecommunications charges[[14]](#footnote-15)
* ER is the individual carrier’s eligible revenue for the 2017–18 financial year

TER is the total eligible revenue for the 2017–18 financial year.

The ‘ER/TER’ determines the individual proportion of the carrier’s assessed eligible revenue relative to the total assessed eligible revenue for those carriers that are liable to pay the ACLC.

In the instrument, the ACMA proposes to determine under subsection 14(1) of the Act, both methodologies (including the methodology for the MBA program set out in Attachment B) will be included as specified above in order to establish the total individual levy amount payable by liable licenced carriers.

The summary of all components that are determined under 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 and section 3.1 of Attachment B—CRIS Addendum) are set out in Table 16.

1. ACLC summary by cost component

| Reference in the Act | Cost component | 2018–19 ACLC  actual[[15]](#footnote-16) |
| --- | --- | --- |
| 15(1)(a) | The ACMA’s cost component | $13,397,743 |
| 15(1)(b) | ACCC’s cost component including the costs for the MBA program of $1,531,854 (see section 3.2 of Attachment B—CRIS Addendum | $13,295,863 |
| 15(1)(c) | Determination of ITU contribution | $2,194,009 |
| 15(1)(ca) | Determination of costs for reimbursements of costs for development or variation of consumer protection related industry codes | Nil |
| 15(1)(d) | Government grants—consumer representation and research | $2,296,000 |
| **Total** | | **$31,183,615** |

The ACLC amounts payable by carrier licensees for the period 1 July 2018 to 30 June 2019 are set out in Attachment C with relevant calculations.

# 4. Risk assessment

The ACMA has carried out a risk assessment for each cost component of the 2018–19 ACLC, resulting in an overall rating of medium. The individual ratings for each cost component are shown in Table 17 and are based on assessment of the criteria in the Charging Risk Assessment.[[16]](#footnote-17)

1. 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) | Commonwealth’s ITU contribution | Medium |
| 15(1)(ca) | Reimbursed costs of development or variation of consumer protection related industry codes | Low |
| 15(1)(d) | Government grants—consumer representation and research | Low |
| **Overall rating** | | **Medium** |

The overall risk rating of medium was derived mainly due to the overall amount to be subject to this cost recovery arrangement, which exceeded $10 million for paragraphs 15(1)(a) and (b) of the Act, and because the amounts to be recovered through ACLC for paragraphs 15(1)(a) and 15(1)(c) of the Act have changed by more than five 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 for the ACLC other than the distribution of the amount relating to the MBA program. 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.

For the MBA program a risk rating is provided in section 4 of the CRIS Addendum— Attachment B. A Regulation Impact Statement was not required before the implementation of the MBA program because the proposal was considered to have minor regulatory impacts.

# 5. Stakeholder engagement

The ACMA regularly consults with stakeholders about telecommunications regulatory matters. In 2017–18, the ACMA consulted on a number of matters, including:

* proposed ACLC for the 2017–18 financial year
* NBN rules—service continuity
* NBN migration—complaints handling rules
* administration of existing legislative and regulatory arrangements

remaking certain telecommunications legislative instruments.

The ACCC also advises that it has engaged with stakeholders through price-setting consultations and regulatory matters. The key areas of consultation in 2017–18 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 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.

As part of maintaining an active involvement with industry, the ACMA provided an opportunity for stakeholders to provide feedback on its ACLC proposal for 2018-19, which involves the ACMA, the ACCC and the Minister making new determinations under section 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 22 July 2019 August for public comment. Telstra provided a submission during consultation. A late submission was received from Communications Alliance Ltd on 28 August 2019. Both submissions raised queries on the need to quantify the benefits of the MBA program and the need for greater clarity of costs to further improve transparency around the determination of the ACLC.

A summary of issues or recommendations in relation to the consultation is provided in Attachment D.

# 6. Financial estimates

Financial estimates for each component of the ACLC to be determined under section 15 for the financial year 2018–19 are provided in Table 18, along with forecasts over the next three years.

1. Financial estimates by activity

| Ref. in the Act | Component | 2018–19 budget | 2018–19 revised budget | 2019–20 budget | 2020–21 budget | 2021–22 budget |
| --- | --- | --- | --- | --- | --- | --- |
| ($million) | ($million) | ($million) | ($million) | ($million) |
| 15(1)(a) | ACMA telecommunications expenses | 14.304 | 13.398 | 15.933 | 15.252 | 14.815 |
| 15(1)(b) | ACCC telecommunications expenses | 11.849 | 11.472 | 11.472 | 11.472 | 11.472 |
| 15(1)(c) | Commonwealth’s ITU contribution | 2.161 | 2.228 | 2.239 | 2.246 | 2.288 |
| 15(1)(ca) | Amounts reimbursed to industry groups for development or variation of consumer protection related industry codes | 0.300 | 0.300 | 0.300 | 0.300 | 0.300 |
| 15(1)(d) | Estimated government grants—consumer representation and research | 2.296 | 2.296 | 2.324 | 2.367 | 2.409 |
| **Total expenses** | | **30.910** | **29.694** | **32.268** | **31.637** | **31.284** |
| 15(1)(a) | ACMA telecommunications expenses | 14.304 | 13.398 | 13.398 | 15.933 | 15.252 |
| 15(1)(b) | ACCC telecommunications expenses | 11.849 | 11.764 | 11.472 | 11.472 | 11.472 |
| 15(1)(c) | Commonwealth’s ITU contribution | 2.194 | 2.194 | 2.244 | 2.246 | 2.246 |
| 15(1)(ca) | Amounts reimbursed to industry groups for development or variation of consumer protection related industry codes | 0.300 | 0 | 0.300 | 0.300 | 0.300 |
| 15(1)(d) | Estimated government grants—consumer representation and research | 2.296 | 2.296 | 2.324 | 2.367 | 2.409 |
| **Total revenue** | | **30.943** | **29.652** | **29.738** | **32.318** | **31.679** |
| **Balance** | | **0.033** | **(0.042)** | **(2.530)** | **0.681** | **0.395** |

The cost components recovered through the ACLC revenue are determined 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 ACLC is 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 the ACMA’s expenditure for the 2018–19 financial year is not expected to change significantly. However, as noted in section 2.1 of this CRIS, the government has provided $7.2 million to the ACMA to improve dispute resolution for Australian telecommunications consumers by providing advice, support and oversight to the TIO over four years from 2019–20. The estimated costs of these activities have been incorporated in the ACMA’s expected telecommunication functions costs component above.

The forecasts for the ACCC do not include any expenditure or revenues from the MBA program. These have been disclosed separately in Attachment B—CRIS Addendum. The ACCC notes there is a slight decrease in expenses for the ACCC from 2018–19 mainly due to a lower proportion of overheads being allocated to the ACLC. The ACCC has continued to receive funding for additional inquiry and priority work. The AER, which forms part of the ACCC, has also been provided additional ongoing funding to strengthen its capacity to regulate Australia’s energy markets. The result of these changes will lead to overhead allocations being absorbed by a larger base, and therefore, reduce the overheads calculated as part of the ACLC function. Information on the additional funding received by the ACCC is contained in its 2018–19 Portfolio Budget Statements[[17]](#footnote-18) and 2018–19 Portfolio Additional Estimates.[[18]](#footnote-19)

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

# 7A. Financial performance

Historical actual financial results for ACLC for 2017–18 and previous financial years are in Table 19.

1. Historical ACLC expenses and revenue

| Ref. in the Act | Component | 2017–18  ($million) | 2016-17  ($million) | 2015-16  ($million) | 2014-15  ($million) | 2013-14  ($million) |
| --- | --- | --- | --- | --- | --- | --- |
| 15(1)(a) | ACMA telecommunications expenses | 13.398 | 14.304 | 14.405 | 17.572 | 19.654 |
| 15(1)(b) | ACCC telecommunications expenses | 11.764 | 13.109 | 13.641 | 15.107 | 14.975 |
| 15(1)(c) | Commonwealth’s ITU contribution | 2.004 | 2.004 | 2.062 | 1.861 | 1.731 |
| 15(1)(ca) | Amounts reimbursed to industry groups for development or variation of consumer protection related industry codes | 0 | 0 | 0.086 | 0 | 0 |
| 15(1)(d) | Estimated government grants—consumer representation and research | 2.261 | 2.230 | 2.196 | 2.164 | 2.166 |
| **Total expenses** | | **29.427** | **31.647** | **32.390** | **36.704** | **38.526** |
| 15(1)(a) | ACMA telecommunications revenue | 14.304 | 14.405 | 17.572 | 19.654 | 19.210 |
| 15(1)(b) | ACCC telecommunications revenue | 13.109 | 13.641 | 15.107 | 14.975 | 15.005 |
| 15(1)(c) | Commonwealth’s ITU contribution | 2.004 | 2.262 | 1.861 | 1.860 | 1.601 |
| 15(1)(ca) | Amounts reimbursed to industry groups for development or variation of consumer protection related industry codes | 0 | 0.086 | 0 | 0 | 0.321 |
| 15(1)(d) | Estimated government grants—consumer representation and research | 2.261 | 2.230 | 2.196 | 2.164 | 2.166 |
| **Total revenue** | | **31.678** | **32.624** | **36.736** | **38.653** | **38.303** |
| **Balance** | | **2.251** | **0.977** | **4.346** | **1.949** | **(0.223)** |

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 appear in 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 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 the government’s deregulation policy. The ACMA’s component further decreased by 18 per cent in 2015–16, which was mainly attributable to lapsed funding for the NBN regulatory framework and a reduction in numbering management costs due to outsourcing the ACMA’s numbering allocation activities. The reduction of the ACMA’s expenditure in the 2017–18 financial year is explained in section 3.1.2 under Table 10.

# 7B. Non-financial performance

## The ACMA’s cost component

The ACMA’s performance measures for its deliverables for telecommunications services are provided in Table 20.

1. Deliverables and key performance indicators (KPIs)

| Deliverable | KPI |
| --- | --- |
| Administration of licensing and number allocation arrangements promotes efficiency, innovation and competition in the Australian telecommunications industry | Administration of numbering allocation and licensing arrangements is efficient; allocation of 90 per cent of licences is within statutory time frames and the numbering provider meets 100 per cent of contractual milestones |
| Facilitation of the efficient review of telecommunications operational codes to ensure effective operation | Decision whether to register all operational codes made within two months of receipt |
| In partnership with industry, working to improve the performance of Australia’s emergency call service, ensuring the security and reliability of critical infrastructure, and facilitating collaboration between law enforcement, industry and government stakeholders | Law enforcement, emergency and national security service providers are appropriately and reasonably supported by the ACMA and telecommunications industry  Facilitation of emergency call service obligations is efficient, with 100 per cent of investigations into compliance and other activities completed within an average of six months |
| 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 2017–18 financial year is published in Chapter 3 of the ACMA’s [*Annual report 2017–18*](https://www.acma.gov.au/publications/2019-10/report/australian-communications-and-media-authority-and-office-esafety-commissioner-annual-reports-2018-19).

## The 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 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 advises that its performance measures for these deliverables include:

* completing inquiries within statutory time frames
* 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) for 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 and policy processes, such as inquiries regarding the NBN, spectrum allocation, consumer safeguards, 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 and to persons or bodies in connection with research into the social, economic, environmental or technological implications of developments. ACCAN has been the sole recipient of the grant since 2009–10, is expected to continue to be given this financial assistance to 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 Program, 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 updated on an annual basis. The key forward events and dates for the ACLC process for the 2019–20 financial year are provided in Table 21.

1. Key forward dates and events

| Key events | Date |
| --- | --- |
| Update of forward estimates | November 2019 |
| Update of actual costs | November 2020 |

# 9. CRIS approval and change register

1. Change register

| Date | Description | Approved by | Comments |
| --- | --- | --- | --- |
| November 2019 | Approval of the 2018–19 CRIS—Version 5.1 | The Minister for Communications, Cyber Safety and the Arts |  |
| October 2019 | Certification of the 2018–19 CRIS—Version 5.1 | ACMA Chair |  |
| 22 July 2019 | Consultation for four weeks on the 2018–19 draft CRIS—Version 5.0 | ACMA Authority |  |
| 13 December 2018 | Approval of the 2017–18 CRIS—Version 4.1 | The Minister for Communications and the Arts |  |
| 8 November 2018 | Certification of the 2017–18 CRIS—Version 4.1 | ACMA Chair |  |
| 12 April 2018 | Consultation for six weeks on the 2017–18 draft CRIS—Version 4.0 | ACMA Authority |  |
| 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 for four weeks on the 2016–17 draft CRIS—Version 3.0 | 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 |  |

# Attachment A: Telecommunications activities not included in the ACLC

Smartnumbers 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, which is cost recovered on a fee basis for the use of the numbering system.

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 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 Act, the activities conducted under the DNCR 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 on consumer awareness for the matters initiated by the public. 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 or taxation:

* carrier licence applications
* nominated carrier declaration licence applications
* numbering applications for allocation of geographic numbers
* numbering applications for allocation of numbers charged under the *Telecommunications (Numbering Charges) Act 1997*
* submarine cable installation permit applications

connection permit applications.

# Attachment B: Cost Recovery Implementation Statement—Addendum: Measuring Broadband Australia program

# 1. Introduction

## 1.1 Purpose of the Cost Recovery Implementation Statement

This addendum to the Annual Carrier Licence Charge (ACLC) Cost Recovery Implementation Statement (CRIS) provides information on how the Australian Communications and Media Authority (ACMA) incorporates the portion of the Australian Competition and Consumer Commission’s (ACCC) costs, which is determined under paragraph 15(1)(b) of the Act, that relates to its Measuring Broadband Australia (MBA) program. This addendum is required as the method for recovering MBA program costs and differs from that used to recover the costs of other activities funded via the ACLC. Accordingly, the information in this CRIS Addendum has been provided by the ACCC.

This addendum reports financial performance for 2017–18 financial year and contains financial forecasts for 2018–19 financial year and three forward years (financial years 2019–20 to 2021–22).

## 1.2 Background and description of activity

Under the *Telecommunications (Carrier Licence Charges) Act 1997* (the Act), the ACLC is used to fund the exercise of the ACMA’s and ACCC’s telecommunications functions and powers, the Commonwealth’s contribution to the International Telecommunications Union (ITU) and relevant telecommunications grants made by the Minister for Communications, Cyber Safety and the Arts (the Minister). Costs associated with the MBA program are included in the ACCC’s determination of its costs under paragraph 15(1)(b) of the Act and are therefore to be recovered via the ACLC, consistent with the ACCC’s functions of monitoring the telecommunications industry and promoting competition and consumer benefits.

The MBA program monitors National Broadband Network (NBN) fixed-line services provided by carriers and carriage service providers with significant market presence, including resellers (which currently represent less than 10 per cent of NBN fixed-line access connections).

The key output of the MBA program is public reporting of objective and reliable information of the performance and reliability of fixed-line broadband services to inform consumers.

Consistent with the Australian Government Charging Framework 2015 and the Act, costs of the MBA program will be recovered in arrears from monitored carriers via the ACLC.

For more information about the MBA program, please refer to [ACCC website](https://www.accc.gov.au/consumers/internet-landline-services/monitoring-broadband-performance).

## 1.3 Stakeholders

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

# 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 2014–15 financial year, the government confirmed the appropriateness of cost recovery through the ACLC for the exercise of the ACCC’s telecommunications functions and powers. The activities undertaken under the MBA program form part of the ACCC’s statutory responsibilities of monitoring industry and the providing information to consumers.

In April 2017, the government announced the introduction of the MBA program, to be administered by the ACCC.[[19]](#footnote-20) Funding of $7.0 million over four years (to 2020–21) was provided to the ACCC to establish the MBA program as part of the 2017–18 Budget.[[20]](#footnote-21) The ACMA’s role is to administer the cost recovery for the MBA program as part of the existing ACLC cost-recovery process from the financial year 2018–19.

## 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 (1 July 2017 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.

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).

The ACCC’s determination in relation to the costs described in paragraph 15(1)(b) of the Act, relates to the ACCC’s telecommunications powers and functions. The ACCC will incorporate the relevant costs applicable to the MBA program. Further information on the contribution of the MBA program to these cost components is provided in Section 3.1 (below).

All determinations will be registered on the Federal Register of Legislative Instruments and commence before the invoices for the ACLC are forwarded by the ACMA to the licensed carriers.

1. Structural components of the ACLC applicable to MBA program

| Reference in the Act | Cost component |
| --- | --- |
| 15(1)(a) | Not applicable—ACMA’s cost component |
| 15(1)(b) | The ACCC’s cost component—this is to incorporate relevant costs applicable to the MBA program |
| 15(1)(c) | Not applicable—Commonwealth’s contribution to the International Telecommunication Union (ITU) |
| 15(1)(ca) | Not applicable—reimbursement of cost of developing or varying consumer protection-related industry codes |
| 15(1)(d) | Not applicable—government grants—consumer representation and research |

# 3. Cost recovery model

There are five distinct activities (cost components) that are included in the total amount of the ACLC and levied on carrier licences on an annual basis. The ACCC’s cost component under paragraph 15(1)(b) of the Act (see below) will include an additional cost for its telecommunications functions relating to the administration of the MBA program for the period 2018–19 to 2021–22.

## 3.1 Determination of cost component under paragraph 15(1)(b) of the Act—the ACCC’s MBA-related activities

### 3.1.1 Outputs and business processes of the activity

This component represents the ACCC’s costs incurred during 2017–18 in delivering the MBA program that are attributable to its telecommunications functions and powers. While the ACCC has a range of telecommunications functions and powers, any outputs of business processes that do not map directly to the MBA program delivery are not included in determining this cost component.

The delivery of the MBA program is underpinned by a number of key business processes, the cost of which is to be charged to industry. These processes include:

* recruitment of potential participants and selection of participants receiving broadband services matching those the ACCC has chosen to include in its reporting (for example, certain combinations of broadband technology, retail service providers and speed tier[[21]](#footnote-22))
* distribution and management of monitoring devices
* collection of NBN fixed-line speed and reliability data from approximately 4,000 volunteers across different service providers and different retail offerings
* analysis of test results to determine speed and reliability, and identify causes of performance issues

regular publication of detailed real-world performance (speed/reliability) data.

The cost of these charges to industry will be calculated annually by the ACCC and is included in its paragraph 15(1)(b) determination so that it can be recovered through the existing ACLC charging framework.

The MBA program will undergo an evaluation after three years of operation. Any proposal for an extension of its four-year term will require a new policy proposal in the budget context and will need to comply with the applicable Budget Process Operational Rules and Charging Framework.

### 3.1.2 Costs of the activity

The primary cost drivers for the MBA are:

* purchase and distribution of monitoring devices (one per monitored service)
* maintenance of test servers
* ongoing maintenance and/or replacement of testing devices as needed
* recruitment and maintenance of volunteer base
* establishment and operation of testing servers and system, including software, hosting and bandwidth charges

production of quarterly and other reports based on the MBA program data.

Table 2 provides details of the ACCC’s anticipated program expenses by financial year. The estimated total cost of the program over four years is $6.974 million.

1. The ACCC’s anticipated program expenses

| Expense | Budget  2017–18  million | Budget  2018–19  million | Budget  2019–20  million | Budget  2020–21  million |
| --- | --- | --- | --- | --- |
| MBA budgeted program expenses | $1.997 | $1.684 | $1.642 | $1.651 |

Costs associated with ACCC project and contract management, and publishing of results is not cost recovered under the MBA program. Instead these costs will be recovered through the ACLC component attributable to paragraph 15(1)(b) of the Act.

The ACCC’s paragraph 15(1)(b) component for the MBA program 2018–19, representing the costs incurred during 2017–18, has been calculated at $1,531,854 as disclosed in Table 3 below. The budget for 2017–18 was $1,997,000 (as reflected in the table above) and therefore the cost of providing MBA services was $465,146 lower than expected. The variance resulted from timing issues with the start-up phase which meant the ACCC would not become liable for costs until later in the year. The ACCC still expects to finish budget neutral at the end of the program, meaning the future financial years will have expenditure slightly greater than originally profiled in Table 2. The revised budget profile has been presented in Table 5.

1. The ACCC’s cost component for the MBA program

| Costs | 2018–19  (based on  2017–18 costs) | 2017–18  (based on  2016–17 costs) | % change\* |
| --- | --- | --- | --- |
| MBA program expenses | $1,531,854 | Not applicable | Not applicable |

## 3.2 Design of cost recovery charges

The portion of the efficient costs of the program to be cost recovered (as opposed to the proportion of costs which are being absorbed) are to be levied on the carriers whose services are subject to testing via the program (that is, they are the recipients of the activity), through the ACLC calculation, for the duration of that testing. Note that this includes levying both retail carriers whose own retail services are being monitored, and wholesale carriers where their reseller’s retail services are being monitored. In accordance with the calculation of the ACLC levy, non-participating persons (that is, the smaller carriers) within the meaning of the Telecommunications (Participating Persons) Determination 2015 must be exempted from the liability to any ACLC associated with the MBA program or any other telecommunication costs.

The costs imposed on a carrier via the ACLC for the MBA program is calculated according to the following formula:

Where:

* APC is the MBA annual program costs, incurred by the ACCC, during the financial year as determined by the ACCC as part of its paragraph 15(1)(b) determination.
* FLC is the total number of NBN fixed-line connections operated by the monitored service provider in a test segment during the financial year.

TFLC is the total number of NBN fixed-line connections operated by all monitored service providers who are also participating persons (excluding non-participating persons defined under the Telecommunications (Participating Persons) Determination 2015as requiredunder the 2017 Direction).

The MBA program provides information about a variety of monitored ‘test segments’, namely fixed-line NBN connection classes each comprising an access technology and/or by speed tier. Annual MBA program costs are allocated to each carrier based upon the volume of fixed-line NBN connections that they acquired in the relevant period within these ‘test segments’ expressed as a proportion of the total number of such connections acquired by all monitored service providers who are also participating persons.

The number of NBN fixed-line connections in any financial year will be established based on NBN’s quarterly reporting to the ACCC on the number of fixed-line NBN connections.

Partial year participation in the MBA program will be charged on a pro-rata basis on the number of quarters in which monitoring occurs. It is not anticipated that monitoring of providers will change within a given financial year, however, this methodology accommodates new NBN service provider entrants.

Invoicing for the charging activity will occur in accordance with existing ACLC arrangements. The activities funded by the ACLC may be subject to future Communications Portfolio Charging Reviews.

# 4. Risk assessment

A risk assessment has been completed for each component of the MBA program cost recovery, resulting in an overall risk rating of medium, with the following individual ratings for each cost component.

1. Risk ratings for MBA cost recovery

| Risk factor | Rationale for risk rating | Risk rating |
| --- | --- | --- |
| What is the change in annual cost-recovery revenue for the activity? | Resulting change to total ACLC of less than five per cent | Low |
| What is the total annual cost-recovery revenue for the activity? | Total annual cost recover of less than $10 million | Low |
| What does the policy proposal or change in the cost-recovered activity involve? | Introduction of cost recovery for a new activity or for an existing activity (or its components) that has not been cost recovered previously | High |
| What type of cost-recovery charges will be used? | Fees only or fees and levies | Medium |
| What legislative requirements are necessary for the imposition of cost-recovery charges? | Does not involve an Act of Parliament | Low |
| Does the proposal involve working with other Commonwealth, state/territory and/or local government entities? | Involves only Commonwealth entities | Low |
| What will be the expected impact of cost recovery on payers? | The additional cost imposed by the program is low | Low |
| What consultation has occurred with payers and other stakeholders about the cost recovery? | Consulted for a four-week period from 22 July 2019 | Not applicable |
| **Overall rating** | | **Medium** |

The above risk rating is based on assessment of the criteria in the [Charging Risk Assessment template](http://www.finance.gov.au/resource-management/charging-framework/risk-assessment-template). Due to an overall risk rating of medium[[22]](#footnote-23), the CRIS addendum can be approved by the responsible minister for release to commence charging and does not require approval from the Finance Minister.

# 5. Stakeholder engagement

In August 2013, the ACCC released a consultation paper, *Broadband Performance Monitoring and Reporting in the Australian Context*. The paper outlined the policy rationale for the MBA program, noted similar international examples and sought views on questions of methodology and the reporting approach.

The consultation produced a range of views from stakeholders. Support for the development of measurement tools and other technologies to better inform the consumer was expressed by ACCAN, Choice, Google and NBN Co Limited (NBN Co).

A number of stakeholders, including Telstra, Optus and AAPT indicated that they would like greater clarity on the ACCC policy objectives and raised concerns around certain features of the proposed program. In particular, Communications Alliance expressed strong doubts that consumers want or would benefit from the information that the program would produce.

All submitters expressed a strong preference to remain engaged with the ACCC over the further development of the program. The ACCC provided an open letter in response to submissions in October 2013, expanding on its policy objectives and responding to issues raised in the stakeholder submissions.

Following the release of the open letter, the ACCC conducted a ‘closed’ consultation process from December 2013 through March 2014. This gave key industry stakeholders the chance to discuss their views with the ACCC in more detail and to provide further input on specific issues associated with the design and implementation of the proposed MBA program.

The ACCC subsequently released a [position paper](https://www.accc.gov.au/regulated-infrastructure/communications/monitoring-reporting/measuring-broadband-australia-program/position-paper) in June 2014 that outlined the proposed program specifications taking into account previous consultations and introduced the pilot MBA program. The pilot was conducted over a period of three months from March to May 2015.

In September 2015, the ACCC released a [report](https://www.accc.gov.au/regulated-infrastructure/communications/monitoring-reporting/measuring-broadband-australia-program/pilot-program) on the results from the pilot program and noted that further consideration and consultation was needed to determine which funding model would receive support and cooperation.

Following the government’s decision to proceed with the MBA program in April 2017, the ACCC published a request for tender on AusTender on 30 May 2017. The competitive open tender to appoint a testing provider closed on 26 June 2017. The tender was conducted in accordance with Commonwealth government procurement policy and rules.

DoCA has since consulted with both industry and government bodies and informed these parties that it is proposed that funding will be recovered through the ACLC.

A consultation paper and a draft version of this CRIS addendum were published on the ACMA’s website for a six-week period from 16 April 2018 for public comment. Telstra was the only stakeholder that made a submission in relation to this CRIS addendum

On 7 and 8 December 2017, the ACCC hosted two briefings delivered by the successful testing provider, SamKnows for industry participants including key retail service providers and their representative bodies. During the workshop SamKnows’ representatives delivered detailed presentations covering the technical aspects of the program and the testing methodologies.

The ACCC published its first MBA report in March 2018. The release of the report was preceded by an industry briefing involving carriers covered by the report as well as other stakeholders.

# 6. Financial estimates

Financial estimates for the cost of providing the MBA program for the financial year 2018–19 and three forward years are provided in Table 5.

1. Financial performance and estimates by activity

| Component | 2017–18  actual | 2018–19  budget | 2019–20 budget | 2020–21 budget | 2021–22 budget |
| --- | --- | --- | --- | --- | --- |
| ($million) | ($million) | ($million) | ($million) | ($million) |
| MBA program expenses | 1.532 | 1.784 | 1.822 | 1.836 | 0.0 |
| ACLC revenue | 0 | 1.532 | 1.784 | 1.822 | 1.836 |
| **Balance** | **(1.532)** | **(0.252)** | **(0.038)** | **(0.014)** | **1.836** |
| **Cumulative balance** | **(1.532)** | **(1.784)** | **(1.822)** | **(1.836)** | **0.0** |

These costs will be recouped through the ACLC, to be determined by the ACMA under the Act. These charges are levied in the financial year after the financial year in which the costs are incurred, resulting in a deficit equal to the previous financial year’s expenses being carried forward.

Overall, the MBA program is expected to finish budget neutral. The administrative costs associated with implementing the MBA program will not be cost recovered using the formula set out at section 3.2, but instead will be captured in the component of the ACLC determined under paragraph 15(1)(b) of the Act, using the formula based on the eligible revenue set out at section 3.6 of the CRIS.

# 7A. Financial performance

The 2017–18 financial results for the MBA program are reported in Table 5 (above).

Following the approach for all the cost components recovered through the ACLC, the MBA program expenses are also set on an annual basis. This means 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.

# 7B. Non-financial performance

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 standard access undertaking (SAU) from NBN Co
* assessing and enforcing Telstra’s structural separation undertaking (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, protecting competition and opening 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, spectrum, consumer safeguards, Senate Estimates and other public inquiries.

Table 6 provides comparisons between forecast and actual monitoring device deployment. The device deployments lagged in 2017–18 because of the longer than expected start-up phase of the MBA program and delays in the NBN rollout. If devices were deployed as forecast, the program would be overweight in early NBN access technologies and localities, and therefore have fewer left to achieve a representative sample on the newer access technologies and later release localities.

1. The ACCC’s device deployment profile

| Details | 2017–18 | 2018–19 | 2019–20 | 2020–21 |
| --- | --- | --- | --- | --- |
| Original forecast of total number of measurement devices deployed | 2,500 | 3,300 | 3,800 | >=4,000 |
| Actual total number of measurement devices deployed | 1,200 | To be reported | To be reported | To be reported |
| **Variation** | **(1,300)** | **To be reported** | **To be reported** | **To be reported** |

The ACCC publishes reports of MBA program results on its websites, [Measuring Broadband Australia program](https://www.accc.gov.au/regulated-infrastructure/communications/monitoring-reporting/measuring-broadband-australia-program/pilot-program) and [Broadband performance data](https://www.accc.gov.au/consumers/internet-landline-services/broadband-performance-data). Further non-financial performance data will be included in future CRIS documentation.

# 8. Key forward dates and events

Reflecting the annual nature of the ACLC, the CRIS relating to the MBA program costs will also be updated on an annual basis. The key forward events and dates for the ACLC process for the 2018–19 financial year are provided below in Table 7.

1. Key forward dates and events

| Key events | Date |
| --- | --- |
| Update of forward estimates | November 2019 |
| Update of actual costs | November 2020 |

# Attachment C

## ACLC for 2018–19

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Item** | **Carrier** | **Eligible revenue**  **2017–18** | **ACLC**  **2018–19 (excl. MBA)** | **Fixed line connections 2017–18** | **ACLC MBA 2018–19** | **Total ACLC 2018–19** |
| 1 | AARNet Pty Ltd | $52,440,563 | $56,520 |  |  | $56,520 |
| 2 | Allegro Networks Pty Ltd | $3,308,574 | $3,566 |  |  | $3,566 |
| 3 | BigAir Cloud Managed Services Pty Ltd | $2,291,262 | $2,470 |  |  | $2,470 |
| 4 | BigAir Group Pty Limited | $18,031,536 | $19,434 |  |  | $19,434 |
| 5 | Caprock Communications (Australia) Pty Ltd | $3,720,122 | $4,010 |  |  | $4,010 |
| 6 | Chime Communications Pty Ltd | $460,971,006 | $496,833 | 316,416 | $132,512 | $629,345 |
| 7 | Integrated Data Labs Pty Ltd | $657,288 | $708 |  |  | $708 |
| 8 | Intelligent IP Communications Pty Ltd | $4,506,737 | $4,857 |  |  | $4,857 |
| 9 | Macquarie Telecom Pty Limited | $73,527,484 | $79,248 |  |  | $79,248 |
| 10 | nbn co Limited | $1,167,918,916 | $1,258,778 |  |  | $1,258,778 |
| 11 | New Skies Satellites Australia Pty Ltd | $16,592,420 | $17,883 |  |  | $17,883 |
| 12 | Nextgen Networks Pty Limited | $130,307,636 | $140,445 |  |  | $140,445 |
| 13 | NuSkope Pty Ltd | $6,047,292 | $6,518 |  |  | $6,518 |
| 14 | O3B Teleport Services (Australia) Pty Ltd | $37,054,101 | $39,937 |  |  | $39,937 |
| 15 | Optus Fixed Infrastructure Pty Limited (formerly XYZed Pty Ltd) | $21,034,886 | $22,671 |  |  | $22,671 |
| 16 | Optus Mobile Pty Limited | $4,336,262,691 | $4,673,606 | 535,525 | $224,273 | $4,897,879 |
| 17 | Optus Networks Pty Limited | $1,027,310,147 | $1,107,231 |  |  | $1,107,231 |
| 18 | Optus Satellite Network Pty Limited | $166,785,565 | $179,761 |  |  | $179,761 |
| 19 | Pivotel Group Pty Limited | $28,894,512 | $31,142 |  |  | $31,142 |
| 20 | Primus Telecommunications Pty Limited | $229,552,318 | $247,411 |  |  | $247,411 |
| 21 | Soul Pattinson Telecommunications Pty Limited | $787,800,578 | $849,088 | 540,755 | $226,463 | $1,075,551 |
| 22 | Speedcast Australia Pty Limited | $24,350,579 | $26,245 |  |  | $26,245 |
| 23 | Superloop (Australia) Pty Ltd | $6,575,515 | $7,087 |  |  | $7,087 |
| 24 | Telstra Corporation Limited | $16,458,916,721 | $17,739,354 | 1,918,061 | $803,265 | $18,542,619 |
| 25 | Telstra Multimedia Pty Limited | $69,018,857 | $74,388 |  |  | $74,388 |
| 26 | Uecomm Pty Limited | $66,224,168 | $71,376 |  |  | $71,376 |
| 27 | Verizon Australia Pty Limited | $25,793,185 | $27,800 |  |  | $27,800 |
| 28 | Victorian Rail Track | $35,879,217 | $38,670 |  |  | $38,670 |
| 29 | Vividwireless Pty Ltd | $44,132,676 | $47,566 |  |  | $47,566 |
| 30 | Vocus Fibre Pty Ltd | $181,985,801 | $196,144 | 337,956 | $141,533 | $337,676 |
| 31 | Vodafone Australia Pty Limited | $2,023,587,336 | $2,181,014 | 9,094 | $3,808 | $2,184,823 |
| **Totals** | | **$27,511,479,689** | **$29,651,761** | **3,657,807** | **$1,531,854** | **$31,183,615** |

Note: Fixed line connections for TPG Group have been distributed to Chime communications Pty Ltd and Soul Pattinson Telecommunications Pty Ltd based on their eligible revenue for the 2017-18 financial year.

# Attachment D

## Summary of issues raised in industry consultation—ACLC 2018–19

| **Recommendation / issue** | **Response** |
| --- | --- |
| **Telstra** | |
| 1. The ACMA’s support costs display significant variation, ranging from 29.8% to 94.9%, depending on activity. In contrast, support costs for the ACCC component of the ACLC comprise a flat 33.8% of total costs across different activities. The CRIS provide more clarity in the rationale underlying the attribution of support costs, especially for activities that have a high proportion of support costs. | As outlined in the CRIS (see page 10 and 12—section 3.1.2) the ACMA’s costs are subject to a rigorous process using an Activity Based Management (ABM) system that applies multiple cost drivers to determine direct and support costs.  As a result, supports cost are comparatively higher than the relevant direct costs. As noted in the CRIS, the 29.8% variation results from a direct cost component relating to outsourced arrangements, with less involvement from ACMA staff and thereby less support costs being driven to the activity. The 94.9% variation relates to the administering of the carrier licence charging arrangements and costing of regulatory activities associated with telecommunications. This activity is by nature predominantly conducted by support line areas with minimal input from direct line areas. Therefore, the support costs and direct costs split would vary depending on the usage of ASL and other cost drivers.  The categorisation of costs as disclosed in the CRIS (see page 12—Table 9) have been independently reviewed and agreed by auditors in prior years and have confirmed that the application of cost drivers used for the allocation of costs was appropriate. |
| 1. More information from the ACMA and the ACCC on how a reduction in inputs or resources has been achieved for a given set of outputs or outcome to help industry understand the degree to which cost reductions are driven by efficiency gains, in contrast to reduced workloads (both short- or long-term). | As outlined in the CRIS (see page 14) the ACMA’s costs take all productivity gains and operational savings into account, including the efficient use of resources as a result of the application of an annual efficiency dividend. Therefore, it is not practical for the ACMA to split the cost allocations by efficiency gains any further. The ACMA aims to provide financial comparisons to commence next year, which should help better understand the cost drivers and any efficiencies gained.  **ACCC response:** The 10.3% decrease of the ACCC’s cost component mainly reflects a temporary reprioritisation of resources during a downward period of the regulation cycle. This was an even distribution across our key outputs.  As stated in the CRIS:  The ACCC’s component for 2018-19 has been calculated at $11,764,009. This represents a $1,345,164 (10.3%) decrease from the previous year, largely driven by a reduction in employee costs. The employee cost reduction has arisen mainly from:   * Telecommunications staff transferred to other areas within the ACCC and the AER to progress the urgent delivery of the new budget measures. Filling the staff vacancies was not an immediate priority due to the telecommunications regulation cycle being largely in a downward phase due to many access declarations and determinations finalised in 2016–17 and early 2017–18. * Employee costs from corporate support functions were spread across more business lines in 2017–18 due to the ACCC and the AER being funded for budget measures involving new (or expanded) functions and market studies. |
| 1. Make available to Industry the study of Deloitte’s cost-efficiency analysis of the ACMA’s costs. | The independent Cost Base Review (the Review) completed in 2017–18 focused on whether the ACMA is operating at minimum efficient cost with benchmarking undertaken through the analysis of economic efficiency, productivity, technical efficiency, effectiveness and allocative efficiency.  The Review found the ACMA is operating at, or better than benchmark levels, while improving productivity, outputs and maintaining compliance with performance targets against a backdrop of decreasing funding and staffing levels.  The Review also concluded that the ACMA is operating efficiently, in accordance with the Department of Finance Cost Recovery Guidelines and noted it had developed a cost recovery costing framework that will help ensure it is consistent in costing its cost recovery activities into the future.  The review was prepared for the consideration of government and will not be released publicly. |
| 1. The ACLC is only imposed on carriers with annual revenue in excess of $25 million. We believe all carriers, or at least a larger percentage of carriers, should contribute to the ACLC, as all carriers operate in the same industry, create the need for regulation, and benefit from regulation. | This would require amendments to the Telecommunications (Participating Persons) Determination 2015, and the revocation of the Australian Communications and Media Authority (Annual Carrier Licence Charge) Direction 2017 which provides exemption for carriers with revenues less than $25 million from the requirement of lodging an eligible revenue return to the ACMA, and consequently exempting from paying the ACLC.  Any proposed changes to the ACLC arising from the Portfolio Charging Review currently undertaken by DoCA would be consulted upon separately during the 2019–20 financial year with the relevant stakeholders, if required. |
| 1. That the MBA program was established without development of a Regulation Impact Statement. | A Regulation Impact Statement was not prepared because the proposal was considered to have minor regulatory impacts. The Office of Best Practice Regulation has confirmed that the regulatory impacts of the MBA scheme met its requirements (decision 22444 refers). |
| 1. Telstra is not aware of any attempt to quantify the benefits the program purports to provide. In particular: 2. The number of volunteers enlisted is 1,095 (in the August 2019 survey), well short of the 4,000 households that were originally planned to be signed up. 3. A key objective of the program was to assist consumers to make informed decisions when selecting an RSP to deliver the fastest speeds. However, the reports show that the speeds delivered to individual consumers is largely determined by their NBN access technology, rather than the performance of individual RSPs, as there is little variation between RSP download speeds which are typically between 5% and 10%. | **ACCC response:**   1. The forecast deployment of devices in 2017–18 was 2,500 with an actual deployment of 1,200. The variance resulted from timing issues with the start-up phase. The MBA Program forecasts deploying 4,000 in its fourth year, 2020–21. See Table 6 of Attachment B for details. 2. The MBA program provides valuable information concerning the overall performance of NBN services, with a breakdown for the eight largest retail service providers, as demonstrated by the continuing engagement by media, consumers and ISPs with the published results. The program also provides a catalyst for network operators and ISPs to improve their services and thereby achieve a higher score. The value of the program is not diminished by the extent of variation between ISP level results or the NBN access technology results. |
| 1. Based on the reporting in Table 11 and Table 13, the exact sum of the MBA’s one-off costs is unclear. To provide clarity over all MBA related costs, in addition to the delivery costs, the ‘one-off’ costs due to the program’s establishments and oversight, including the procurement process for an outsourced provider, be disclosed separately. | **ACCC response:** Expert procurement advice for the MBA Program totalled $0.083 million of the $0.351 million incurred in consultancies in 2017–18.  The management and oversight for program establishment was not tracked separately and was undertaken as part of broader management of the telecommunications function.  As stated in the CRIS:   * Table 11 shows the ACCC’s cost for 2017–18 of $11,764,009 * Table 13 shows the ACCC’s forecast expense budgets and revenue. |
| **Communications Alliance (CA)** | |
| 1. As provided by Telstra in their feedback (see issue 5 above), CA members also do not support the $7 million cost of the MBA or its inclusion in the ACLC due to the lack of a regulatory impact statement and the ‘potential market impacts of the publicised data having more than a minor regulatory impact’. | **ACCC response:** See Issues 5 and 9. |
| 1. CA are not aware of any attempt to build a benefits analysis into the program, any ongoing attempts to quantify those benefits, or any examination of how the program performs against the ACCC deliverables enumerated in the CRIS. This is particularly important in light of a range of viable commercial alternatives, including the testing program run by CHOICE and the Netflix ISP Speed Index. | **ACCC response:** The benefits of the MBA program were stated by the government when the program was announced on 7 April 2017 as follows:  ‘By collecting and publishing information about the speed and reliability of broadband packages, consumers will be better placed to choose a plan that is right for them. It will also encourage retailers to compete on the quality of their broadband plans’.  The MBA program has collected and published this information each quarter for a range of broadband packages supplied by the eight leading NBN RSPs. RSPs now differentiate their NBN service offerings and compete over busy hour speeds, including through periodic updates to their speed claims to better align with MBA results. Other speed testing programs are not directly comparable the MBA program due to limited scope of reporting and/or differences in methodology. |
| 1. With the existence of commercial alternatives, we are concerned that the MBA could be considered a commercial program. | **ACCC response:** The MBA program is a regulatory program, forming an important part of an overall regulatory strategy to boost competition and consumer outcomes in the supply of broadband services in the Australian market. |
| 1. CA recommends direct consultation with participants on the raw data collected on actual broadband speeds should be publicised. Given that industry is already paying for the program, access to the raw dataset would increase transparency in the reported speed measures and allow insights to be drawn from the data. | **ACCC response:** The MBA program is being further developed and additional data is released with each report, including the provision of a metric requested by industry that compares own claims against observed download speeds. The release of raw data can be considered as part of future enhancements to the program. |
| 1. As Industry was not previously consulted on the development of the CRIS, CA would appreciate clarity on the proposed next steps, including on further consultation while developing the final CRIS. | The ACMA consults each year with the industry prior to the finalisation of the CRIS and accordingly the charging arrangement for the MBA program was consulted on in the 2017–18 financial year. All issues, where appropriate, are considered for inclusion in both the current or future CRIS’s depending on the availability or ability to capture and report on the requested information. |
| 1. That the CRIS does not appropriately reflect, ‘a summary of the most recent consultation and stakeholder views’ on the MBA, in particular stakeholder engagement views expressed by industry in August 2013, in the subsequent six years raised through consultative processes, including with the selection of provider, methodology, and reporting. | **ACCC response:** As disclosed in the CRIS (see page 44— section 5) a broad consultation process was undertaken with a range of stakeholders, prior to the Australian Government’s decision to proceed with the MBA program in April 2017. Further details of this consultation process and the views expressed, can be found on the [ACCC website](https://www.accc.gov.au/regulated-infrastructure/communications/monitoring-reporting/measuring-broadband-australia-program/pilot-program).  The 2018–19 CRIS has, however, been updated to include further information on the selection of the provider. |
| 1. The Cost Recovery Guidelines (the Guidelines) also recommend the inclusion of benchmarking as good practice. As there is a current program which offers a clear opportunity for comparison, it would be appropriate to include benchmarking against the CHOICE program earlier referenced. | **ACCC response:** The MBA program comprises a suite of specialised services and is therefore a more appropriate benchmark, given the differing scope, outputs and methodology of the CHOICE program. |
| 1. We also note that the Guidelines recommend internal control systems to manage any under or over-recovery and considering the variability in a volunteer-based program, it would be appropriate for the CRIS to contain a section on these mechanisms. | **ACCC response:** The ACCC cost component is based on actual costs incurred by the MBA program which are captured in a discrete cost centre and are therefore easily identifiable. The indirect costs are allocated using well-established drivers and robustness of the model is reviewed annually. Refer to Table 7 in section 3 of the ACLC CRIS. |
| 1. The Guidelines call for clarity on sensitivity, ‘to changes in assumptions—the changed in the assumed value of a variable’, and explain that, ‘the entity should indicate the level of sensitivity in the CRIS’. The first year’s numbers vary significantly from the original forecasts. The sensitivity to changes—and thus the ability for industry to understand the potential changes in costs if the forecast number of volunteers is not reached—should be included. | **ACCC response:** Timing issues with the start-up phase delayed rollout of devices to volunteer households. However, the MBA program is expected to finish budget neutral by the conclusion of the program. |
| 1. A key concern: ‘Industry has not been directly engaged with on this model, and even the current step of consultation was an Addendum to a much larger consultation.’ | **ACCC response:** See issue 5 and 8.  This was also consulted on in the 2017–18 CRIS, however no submissions or concerns were received on the MBA Model. |
| 1. CA are concerned that it is arguably inequitable that the costs of this program should be borne by carriers alone. The program does not just monitor NBN fixed-line services provided by carriers, but those also provided by carriage service providers, and as the ACCC is inviting in additional participants via volunteer participation, it could continue to grow. | **ACCC response:** MBA program costs are allocated to carrier groups by share of the wholesale NBN access market not the share of monitored services and so cost allocations are not affected by mix of participating volunteers. All significant NBN RSPs by market share are members of a carrier group, and many of those that are not purchase wholesale services via a member of a carrier group. |

# Glossary

2017 Direction Australian Communications and Media Authority (Annual Carrier Licence Charge) Direction 2017

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*

AER Australian Energy Regulator

APC Annual program costs by financial year

ASL Average Staffing Level

CA Communications Alliance Ltd

CCF Consumer Consultative Forum

CRIS Cost Recovery Implementation Statement

DoCA Department of Communications and the Arts

ER Eligible revenue

FLC The total number of NBN fixed-line connections operated by the monitored service provider in a test segment

FTTN Fibre-to-the-node

Guidelines Australian Government Cost Recovery Guidelines July 2014

ICT Information and communication technology

IPND Integrated Public Number Database

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

MBA Measuring Broadband Australia

MCA Maximum charge amount

NBN National Broadband Network

NBN Co NBN Co Limited

OTC Other telecommunications charges

POI Point of Interconnection

RSP Retail service provider

SAU Special access undertaking

SIO Services in operation

SSU Structural separation undertaking

TCP Telecommunications Consumer Protections Code

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

Telco Act *Telecommunications Act 1997*

TER Total eligible revenue

TFLC The total number of NBN fixed-line connections operated by all monitored service provider.

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

TIO Telecommunications Industry Ombudsman

1. The Minister for Communications, Cyber Safety and the Arts made the Australian Communications and Media Authority (Annual Carrier Licence Charge) Direction 2017, whichdirects the ACMA to determine the ACLC of non-participating persons to be $0 for the financial year commencing 1 July 2017 and subsequent years. [↑](#footnote-ref-2)
2. See the Telecommunications (Participating Persons) Determination 2015*.* More information can be obtained from the [ACMA website](https://www.acma.gov.au/eligible-revenue-portal-2018-19). [↑](#footnote-ref-3)
3. More information is available on the [Department of Finance website](https://www.finance.gov.au/government/managing-commonwealth-resources/australian-government-charging-framework/portfolio-charging-reviews). [↑](#footnote-ref-4)
4. <https://archive.budget.gov.au/1996-97/statement4/bst04.pdf>

   <https://archive.budget.gov.au/2005-06/myefo/myefo_2005-06.pdf>

   <https://archive.budget.gov.au/2009-10/bp2/bp2_consolidated.pdf>

   <https://archive.budget.gov.au/2009-10/myefo/MYEFO_2009-10.pdf>

   <https://archive.budget.gov.au/2010-11/bp2/bp2.pdf>

   <https://archive.budget.gov.au/2011-12/bp2/bp2.pdf>

   <https://archive.budget.gov.au/2013-14/bp2/BP2_consolidated.pdf>

   <https://archive.budget.gov.au/2014-15/bp2/BP2_consolidated.pdf>

   [www.communications.gov.au/documents/2015-16-dept-comms-and-arts-paes](http://www.communications.gov.au/documents/2015-16-dept-comms-and-arts-paes). [↑](#footnote-ref-5)
5. <https://www.budget.gov.au/2019-20/content/bp2/index.htm>. [↑](#footnote-ref-6)
6. This can be accessed from: <https://www.legislation.gov.au/Details/F2017L00542>. [↑](#footnote-ref-7)
7. The 2017 Direction defines relevant financial year as the financial year that begins on 1 July 2017 and each later financial year. [↑](#footnote-ref-8)
8. Non-participating person for the purpose of the 2017 Direction has the same meaning as in subsection 4(3) of the Telecommunications (Participating Persons) Determination 2015*.* [↑](#footnote-ref-9)
9. This component may incorporate costs indirectly related to the MBA program (for example administration costs, contract management and publishing of results costs) associated more generally with the ACLC. However, costs which directly relate to the MBA Program are not included in Table 1, but these are disclosed in Attachment B—CRIS Addendum. [↑](#footnote-ref-10)
10. This can be accessed from: <https://www.legislation.gov.au/Details/F2019L00135>. [↑](#footnote-ref-11)
11. Subsection 15(4) of the Act defines the terms ‘ACMA’s telecommunications functions’ and ‘ACMA’s telecommunications powers’ for the purposes of the Act. [↑](#footnote-ref-12)
12. These costs relate to activities involved with the assessment of eligible revenue with the 2017 Direction and the administration of revenue collection. [↑](#footnote-ref-13)
13. These costs relate to activities essentially involved with the administration of cost recovery arrangements. [↑](#footnote-ref-14)
14. This is the amount of the ACMA’s costs for the immediately preceding financial year that is attributable to its telecommunications functions and powers but has been met from telecommunications charges other than the ACLC (see Attachment A). This amount excludes the costs of activities prescribed under subsection 15(4) of the Act in relation to the Do Not Call Register and telemarketing activities. [↑](#footnote-ref-15)
15. 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 (the 2017–18 financial year) for which the charges are imposed. The cost component under paragraph 15(1)(c) relates to the calendar year (the 2018 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 2018–19 financial year. [↑](#footnote-ref-16)
16. This is available on <https://www.finance.gov.au/sites/default/files/2019-11/RMG-302%20Australian%20Government%20Charging%20Framework_0.pdf> [↑](#footnote-ref-17)
17. ACCC 2018–19 Portfolio Budget Statements, <https://treasury.gov.au/sites/default/files/2019-03/01_Portfolio-Budget-Statements-2017-18-1.pdf>—p.73. [↑](#footnote-ref-18)
18. ACCC 2018-19 Portfolio Additional Estimates Statements, <https://static.treasury.gov.au/uploads/sites/1/2019/02/2018-19PAES-p2019-359570-v2.pdf>—p.55. [↑](#footnote-ref-19)
19. Australian Competition and Consumer Commission (2017), *ACCC to monitor Australia's broadband performance*, <https://www.accc.gov.au/media-release/accc-to-monitor-australias-broadband-performance>;  
    Senator the Hon Mitch Fifield (2017). [↑](#footnote-ref-20)
20. Portfolio Budget Statements 2017–18 Budget Related Paper No. 1.16 Treasury Portfolio, <https://static.treasury.gov.au/uploads/sites/1/2017/06/PBS-2.pdf>, p. 83. [↑](#footnote-ref-21)
21. Speed tier refers to the NBN speed option being used to provide the volunteer’s broadband service (for example, 12/1 Mbps, 25/5 Mbps), being a speed tier that the ACCC has chosen to include in its reporting. [↑](#footnote-ref-22)
22. Overall risk rating is determined according to the formula published at <https://www.finance.gov.au/government/managing-commonwealth-resources/managing-money-property/managing-money/australian-government-charging-framework/charging-activities>. [↑](#footnote-ref-23)