Australian Government

Australian Communications and Media Authority

Cost Recovery Implementation Statement

Do Not Call Register – subscription fees effective 1 July 2020

NOVEMBER 2020

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Introduction

Purpose of the Cost Recovery Implementation Statement

This Cost Recovery Implementation Statement (CRIS) provides annual information about how the Australian Communications and Media Authority (ACMA) implements cost recovery for the operation of the Do Not Call Register (DNCR). It also sets out subscription fees effective as of 1 July 2020.

The CRIS also provides monetary forecasts for the financial years 2020–21 to 2022–23. Unless otherwise stated, all figures used are GST exclusive.

In 2020–21, there will be no change to subscription fees, or the methodology used to recover costs on behalf of the Commonwealth.

Background and description of activity

The ACMA is Australia's regulator for broadcasting, radiocommunications, telecommunications and unsolicited communications, among other functions. Under Part 3 of the *Do Not Call Register Act 2006* (the Act), the ACMA must keep, or arrange for a contracted service provider to keep an electronic register to be known as the DNCR. The ACMA is also responsible for setting fees and the refund of fees for services provided to access seekers. These fees are set in accordance with the Australian Government Charging Framework and Australian Government Cost Recovery Guidelines.

To opt-out of receiving certain unsolicited telemarketing calls and marketing faxes, Australian numbers can be placed on the DNCR if they are:

- used primarily for private or domestic purposes
- used or maintained exclusively for transmitting and/or receiving faxes
- used or maintained exclusively for use by a government body
- an emergency service number.

Since 31 May 2007, non-exempt telemarketing was prohibited from being made to any number on the DNCR. On 30 May 2010, the Act was amended to allow fax, emergency service and government numbers to be listed. To avoid calling numbers on the DNCR, telemarketers and fax marketers can check, or 'wash',[1] calling lists against the numbers on the DNCR.

The operation of the DNCR is outsourced. Since the inception of the DNCR, the ACMA has entered into 2 contracts with external service providers for these register services following competitive procurement processes on AusTender. The first was with Service Stream Solutions Pty Ltd from February 2007 to September 2015, with a contract value of $24.7 million over 8 years.

The second contract was awarded to Salmat Digital Pty Ltd in September 2014. Salmat took over DNCR operations from September 2015. The contract allows for 5 years of operations (up to September 2020) with options for extensions up to September 2023.

In January 2020, Salmat Digital Pty Ltd was purchased by IVE Group Ltd and the contract was novated to IVE Group Australia Pty Ltd. In July 2020, a contract extension of one year was negotiated, taking the current contract to September 2021. The value of the contract is $17.8 million for the 6 years of operations, with options to extend the contract for up to 2 further years until September 2023.

[1] 'Washing' is a term used to describe the process where access seekers upload and check numbers against the register within the secure environment of the DNCR. Access seekers submit a list of numbers to the register and the washed list is returned with registered numbers identified for privacy reasons.

Initial cost recovery arrangements only partially recovered the DNCR's direct cost of operation. From 1 July 2008, cost recovery was expanded to cover the full direct operational costs of the DNCR through charging fees to organisations using the DNCR to wash numbers.

Stakeholders

The key stakeholders with an interest in the cost recovery arrangements underpinning this activity are individuals and businesses that engage in telemarketing and fax marketing activities. These include large telemarketing organisations that engage in telemarketing on behalf of other organisations, to telecommunications carriers, financial and banking institutions, specialist marketing list re-sellers, travel agents and small businesses that seek to increase business by telemarketing and fax marketing.

Individuals and organisations wanting to access the DNCR must create an account and purchase a DNCR subscription. The subscription provides wash credits. The access seeker can then submit lists of phone and fax numbers for washing. The quantity of numbers washed is deducted from the account's wash credit balance. Additional subscriptions can be purchased at anytime to increase the wash credit balance.

In 2019–20, the DNCR washing services were used by 649 access seeker accounts.
As at 30 June 2020, there were 702 access seeker accounts with wash credit balances.

Policy and statutory authority to recover costs

Government policy approval to cost recover

The key government policy decisions underpinning cost recovery arrangements for the DNCR are listed below.

2006–07 Budget paper No. 2

In the 2006–07 Budget, the government provided $33.1 million over 4 years (and ongoing for forward years) to establish and maintain a Do Not Call Register containing numbers telemarketers must not contact, with certain exceptions.

It was anticipated that approximately $15.9 million of this allocation would be recovered over 4 years (and ongoing over forward years) from the telemarketing industry through the payment of fees to access the DNCR.

Explanatory Memorandum to the Do Not Call Register Bill 2006

The Explanatory Memorandum for the Do Not Call Register Bill 2006, circulated by authority of the (then) Minister for Communications, Information Technology and the Arts, recommended the establishment of an 'opt-out' register and that ongoing funding for the register functions be partially cost-recovered from the telemarketing industry.

2008–09 Budget paper No. 2

In the 2008–09 Budget, the government agreed that the telemarketing industry would be required to fund the full operational costs of the DNCR by increasing annual subscription fees from 1 July 2008. Previously, the telemarketing industry was only required to fund part of the direct operating costs of the DNCR. This provided savings to government of $4.2 million over 4 years.

2009–10 Budget paper No. 2

In the 2009–10 Budget, the government provided a further $4.7 million over 4 years (and ongoing for forward years) to extend the DNCR and allow the registration of all Australian telephone (excluding business numbers) and fax numbers on the DNCR. Of this amount, $3.5 million over 4 years (and ongoing over forward years) was to be recovered from the telemarketing and fax marketing industries.

Statutory authority to impose cost recovery charges

The Do Not Call Register (Access Fees) Determination 2017 is made under subsection 21(1) of the Act. It sets the fees payable by access seekers to the DNCR and how those fees are to be paid. Subsection 21(5) of the Act requires that the fees 'must not be such as to amount to taxation' – that is, they must be revenue neutral. DNCR direct costs and revenue from subscription fees need to align and balance out over a reasonable period. The fees payable are consistent with the Australian Government Cost Recovery Guidelines.

Cost recovery model

Methodology

The ACMA determines the subscription fees required to recover the direct costs of operating the DNCR. In 2009, the Australian National Audit Office assessed whether the fees were appropriately set and collected to recover the costs of the DNCR in accordance with government policy. The audit confirmed that the methodology used was appropriate.

When reviewing the modelling, the ACMA considers the current cost recovery policy of promoting consistent, transparent and accountable charging for government activities and the proper use of public resources. For 2019–20, there has been no change in the methodology used as the model remains consistent with the Australian Government Cost Recovery Guidelines.

The fees payable are based on the direct operating costs of maintaining the DNCR and to service those accessing the DNCR to check numbers.

In determining the subscription fees, the likely demand for subscriptions is forecast by:

- performing a trend analysis from historical transaction data
- setting a positive or negative growth rate for each type of subscription for each month in out years.

The likely demand for subscriptions and the total cost to recover from access seekers is then inserted into the subscription fee model. In 2006, the ACMA engaged Access Economics Pty Ltd (an independent consultancy organisation) to assist with the development and maintenance of the original subscription fee model. Since 2016, ACIL Allen Consulting Pty Ltd has been providing this service.

The DNCR has 8 types of annual subscription fees as set out in Table 1 below. The type purchased entitles the access seeker to submit a specified maximum quantity of numbers – from 500 to 100 million numbers (wash credits). Subscription fees are discounted for certain types of subscriptions. The larger the subscription type purchased, the bigger the discount, meaning the cost per number washed decreases.

Additional and multiple subscriptions can be purchased at any time. Subscriptions are valid for 12 months from the date of purchase. When a subscription expires, any remaining (unused) wash credits are forfeited. However, if another subscription is purchased before the current 12-month subscription expires, any remaining wash credits (other than Type A) are added to the new subscription and have the new expiry date.

Table 1: Subscription types, fees past and present, and applied discounts

Type	No. of wash credits	Fees		Discount
		2010–11 to 2016–17*	2017–18 to current	Discount of cost per number washed**
Type A	500	$0	$0	0%
Type B	20,000	$79	$113	0%
Type C	100,000	$370	$525	7%
Type D	1,000,000	$3,200	$4,540	20%
Type E	10,000,000	$27,000	$38,310	32%
Type F	20,000,000	$45,000	$63,850	43%
Type G	50,000,000	$67,500	$95,775	66%
Type H	100,000,000	$90,000	$127,700	77%

**Previous fee increases occurred on 1 January 2011 and 1 July 2017.*
***Discounts apply for increasing numbers of wash credits compared to a Type B subscription*

As subscription purchases require upfront payment, an accrued revenue method is used in the modelling. This means annual subscription fees are spread equally over 12 months. For example, if 20 subscriptions were purchased in July for a total revenue of $120,000, each month in the following 12 months would be credited with $10,000. This approach has been adopted to reflect the typical usage profile of an annual list-washing subscription, where a subscription can be, and is, accessed over a 12-month period from purchase.

The subscription fee model adopts the following key charging structure characteristics based on the full direct operating cost recovery goal:

- The pricing structure assumes a fixed subscription fee, which allows the access seeker to wash a specific quantity of numbers against the DNCR during a 12-month period from purchase.
- Individuals or businesses that engage in telemarketing and/or fax marketing and would like to test the washing service before purchasing a subscription may take out a subscription Type A (maximum 500 washes) without having to pay a fee. This is a minimal cost to the DNCR operator and allows users to 'try before they buy' subscriptions.
- If an access seeker submits a contact list for washing and does not have sufficient remaining numbers available on its subscription, the list will be rejected, and they will have to buy a new subscription (other than Type A) before re-submitting the list to be washed.
- DNCR subscription fees are revenue neutral regulatory fees and therefore exempt from GST under subsection 81-5(1) of the *A New Tax System (Goods and Services Tax) Act 1999*.
- Each of the subscription fees (apart from Type A) is determined using a combination of the following factors:
  - the total number of wash credits for each paid subscription type
  - a discounted per-unit cost of washing for a user purchasing a higher level subscription type.

The model uses 3 main inputs to calculate the required subscription fees:

- the estimated demand for subscriptions by type (that is, the growth rate)
- the total direct operating costs to recover in a given financial year
- an 'economies-of-scale' adjustment applicable to higher-level subscription types (that is, applicable discounts – see Table 1).

Based on these 3 inputs, the model identifies fees that, when applied to the estimated subscription demand, gives a total subscription fee revenue amount (on an accrual basis) as close as possible to the total direct operating costs the ACMA is seeking to recover in the applicable financial year.

Based on the above charging structure, the subscription fees have been set at levels that minimise the impact on those that use telemarketing and/or fax marketing on an ad hoc basis (and so do not require regular access to the DNCR) while also catering for larger users with significant demand for list-washing services, such as specialist list re-sellers.

DNCR service activities

The DNCR is a secure database of registered numbers. As noted, the DNCR provides a service for those making unsolicited telemarketing calls or sending unsolicited marketing faxes to wash their number lists against the DNCR. The washed list is returned with numbers identified as either registered or not registered. The washed list is valid for 30 days from the date of washing.

Service activities that support the DNCR operations include:

- a call centre with IT support
- a customer management system
- a dedicated website
- a financial system for account management
- 4 types of washing channels:
  - web upload – upload list to the DNCR website
  - quick wash – manual entry of up to 10 numbers on the DNCR website
  - automated washing service via Secure File Transfer Protocol (SFTP)
  - real time access via Simple Object Access Protocol (SOAP)

Cost of the activities

The ACMA maintains separate financial records for the DNCR to identify the direct costs associated with its operation. The components of these costs are set out in Table 2 below.

Table 2: Cost components of the DNCR

Direct costs[1]	Description
Contractor	Contract fees paid to the contracted service provider
ACMA staff	> Direct costs of ACMA average staffing level (ASL) responsible for the contract management of the service provider > Project management of any changes to IT and/or DNCR operational services, development and implementation of communications, development and review of DNCR website content, management of budgets and cost recovery > Administration of access seeker accounts, invoices, payments, refunds, access/use enquiries, data analysis and washing > Oversight of financial delegations and other DNCR-related finance activities.
Consultant	The consultant costs represent subscription fee modelling services provided by ACIL Allen Consulting for the 2020-21 and 2021-22 financial year forecasts.
Other	Other costs relate primarily to the payment system, banking gateway, domain names and certificates, post office box and phone line rental.

[1] See Financial Performance section for more detail of these costs

The contractor costs are based on services provided by IVE Group Australia Pty Ltd under the current contract. The direct cost components are for the operation and maintenance of DNCR access seeker services.

ACMA staff costs were based on 1.30 average staffing level (ASL). Time is used as the primary means for allocating costs to activities performed by ACMA staff. The relevant hourly rate for the calculation of staff costs is published in the Telecommunications (Charges) Determination 2012. The rate, since 1 April 2017, is $202 per hour.

Paragraph 21(1)(a) of the Act specifies that 'fees (are) payable for services provided under subsection 19(2)' – that is, access to the DNCR for washing services. In calculating the total estimated direct cost-recoverable figures over the years, the following were excluded:

- procurement of a new register operator and transition from the former operator (totalling $1.0 million incurred across 2014–15 and 2015–16)
- establishment costs for the new DNCR operator to build its register systems (totalling $3.6 million incurred across 2014–15 and 2015–16)
- ACMA staff costs incurred across 2014–15 and 2015–16 for procurement and transition to a new register operator and the establishment of a new register
- costs related to the novation of the DNCR contract to IVE Group in January 2020
- ACMA regulatory compliance and enforcement activities – for example, the costs involved in investigating complaints or taking enforcement action
- the cost of consumer education activities related to the DNCR.

The ACMA undertook a portfolio charging review in 2014–15. The costs listed above are all costs recoverable consistent with the Australian Government Charging Framework. Any costs not recoverable have been excluded from calculation of fees.

Risk assessment

The ACMA mitigates the risks associated with the management of the cost-recovery activities applicable to the DNCR by:

- analysing risks
- using risk control strategies
- reviewing processes regularly and acting because of those reviews.

In accordance with the Australian Government Charging Framework, the ACMA has undertaken a Charging Risk Assessment, resulting in a risk rating of 'medium' for 2020–21 – see Table 3 below.

Table 3: Charging risk ratings

Assessment component	Implementation risk	Risk rating
What is the proposed change in annual cost recovery revenue for the activity?	Decrease by 14%	High
What is the total proposed annual cost recovery revenue for the activity?	Less than $10m	Low
What does the policy proposal or change in the cost recovered activity involve?	No change	Low
What type of cost recovery charges will be used?	Fees	Medium
What legislative requirements are necessary for imposition of cost recovery charges?	No change	Low
Does the proposal involve working with other Commonwealth, state/territory or local government entities?	No	Low
What will be the expected impact of cost recovery on payers?	No change	Low
What consultation has occurred with payers and other stakeholders about the proposed cost recovery?	Consulted with payers - no significant issues raised	Low
Overall rating		**Medium**

Forecasting

Estimating future revenue and demand over the longer term is a key risk. The ACMA uses its data to forecast expected demand for the DNCR from telemarketers and fax marketers. To date, this has been informed by independent consultants engaged by the ACMA who have also assisted with the review and periodic updating of the subscription fee model. ACIL Allen Consulting updated the model with monthly data to the end of May 2020. The current forecast update has been undertaken in a period of enhanced economic uncertainty due to the impacts of the COVID-19 pandemic. The ACMA will continue to monitor demand.

Stakeholder engagement

The ACMA sought the views of industry users of the DNCR on this CRIS via a targeted consultation process. On 30 September 2020, a draft CRIS was issued to all active user accounts for a 2-week comment period.

Two responses were received. Both responses noted the ongoing decline in telemarketing activity. Neither raised issues with the draft CRIS.

The ACMA has an ongoing stakeholder engagement strategy. Stakeholder engagement is also one of the principles of the Australian Government Cost Recovery Guidelines. The ACMA seeks to apply best practices and will continue to consult annually on the CRIS.

The then Department of Communications and the Arts conducted its 5-yearly Portfolio Charging Review (PCR) in 2019, with high-level findings reported to government through the 2020–21 Budget process. The PCR reviewed the ACMA's existing and potential charging activities, evaluated the performance of charging activities, identified opportunities to amend or discontinue specific charging activities, and assessed the effectiveness of stakeholder engagement strategies and opportunities for improvement, including the DNCR. Should any changes be proposed to the DNCR arrangements arising from the PCR, the ACMA will consult with industry prior to implementation.

Financial estimates

Financial results for the financial year 2019–20 and the forecasts of annual growth rates over the next 3 years are shown in Table 4 below.

The subscription forecasts were prepared using monthly data to 31 May 2020. The subscription and financial outcomes for 2019–20 were updated with the June 2020 actuals.

The forecasts are based on recent trends in subscription purchases. COVID-19 has been a key influence on subscriptions over the first half of 2020, and there is increased uncertainty around the economic and market conditions that will drive subscription purchasing behaviour into the future.

As a result, the forecasting approach has focused on establishing a reasonable range of estimates, while noting that an examination of trends and model updates is expected to be undertaken in the future when there is greater certainty.

The forecasts also noted recent washing trends – that is, the count of numbers washed by month. The washing trends broadly reflect the subscription purchasing behaviours. The washing trend analysis observed the following:

- Washing increased throughout the first half of 2019 reaching 70 million numbers per month.
- Washing activity then decreased to become stable at 53 million numbers per month.
- Washing activity has decreased again since January 2020 to 47 million numbers per month in June 2020.

These trends signal that although the longer-term trend may be more stable, there has been a recent decrease in demand that may persist while the impacts of COVID-19 are felt.

As shown in Table 4 below, the demand for smaller subscription types (Types A to D) began to stabilise in 2019–20, before decreasing substantially following the implementation of COVID-19-related restrictions in March 2020. Larger subscriptions increased over 2019–20 and have remained steady. The analysis below provides more detail on recent trends and possible scenarios for subscriptions in the future.

Forecasting annual change rate to 30 June 2023

The forecasting model used data since commencement in 2007 to 31 May 2020 to review overall trends and seasonality (monthly variations) for each subscription type. Regression analysis[2] was then used to forecast the initial 6-month period from 1 July 2020 to 31 December 2020. Then from 1 January 2021, the model considered 2 scenarios, both with simple annual change rates and monthly seasonality. Two demand scenarios considered were:

Scenario 1: Demand continues to decline by 20% per annum for subscriptions type B, C and D from January 2021.

Scenario 2: Demand stabilises from January 2021 and there is no further decline.

[2] Regression analysis is a statistical method to examine independent variables (e.g. new registrations per month) and the relative impact each one has on demand (dependent variable).

Table 4: Historical change and forecasted change rates

Subscription type	Historical annual change Jan 2019 to Dec 2019	Forecast annual change Jan 2020 to Dec 2020	Scenario 1 Forecast annual change rate Jan 2021 to June 2023	Scenario 2 Forecast annual change rate Jan 2021 to June 2023
Type A (500 Nos.)	-9%	-32%	0%*	0%*
Type B (20,000 Nos.)	-8%	-46%	-20%	0%
Type C (100,000 Nos.)	-21%	-18%	-20%	0%
Type D (1 million Nos.)	-11%	-29%	-20%	0%
Type E (10 million Nos.)	223%	-20%	0%	0%
Type F (20 million Nos.)	0%	0%**	0%**	0%**
Type G (50 million Nos.)	100%	0%**	0%**	0%**
Type H (100 million Nos.)	-50%	50%	0%	0%

** 0 per cent change rate applied as no charges are currently applied for Type A subscriptions.*
*** Implicit assumption is that there will be no further purchases of Type F or increase in purchases of Type G subscriptions*
Source: ACIL Allen Consulting (forecast updated in May 2020)

The change rates for future periods have been forecast based on the long term decline in the number of type B, C and D subscriptions purchased between July 2015 and May 2019.

Only 2 type G subscriptions, and no type F subscriptions, have been purchased since October 2018, leading to the assumption that change rates for these subscription types are unlikely to increase in the future.

The higher discount for type H subscriptions, and the ability of businesses to ‘roll over’ any unused wash credits to the following year is likely a contributing reason for few purchases of F and G type subscriptions.

Estimated subscription demand

The estimated subscription demand applies the forecast annual change rates (Table 4) to the 2 scenarios – see the tables below – Scenario 1 (Table 5) and Scenario 2 (Table 6)[3].

The tables below also compare the 2019–20 subscription demand estimates used within the previous CRIS to the actual demand in 2019–20.

Table 5: Scenario 1: Estimated subscription demand by number of subscriptions (demand continues to decline by 20% p.a. for subscriptions type B, C and D from January 2021)

Type	No. of washes	2019–20 (estimate in previous CRIS)	2019–20 (actual)	2020–21 (estimate)	2021–22 (estimate)	2022–23 (estimate)
Type A	500	459	385	305	305	305
Type B	20,000	507	490	303	243	195
Type C	100,000	565	545	438	351	281
Type D	1,000,000	248	192	146	117	94
Type E	10,000,000	2	8	8	8	8
Type F	20,000,000	0	0	0	0	0
Type G	50,000,000	0	1	1	1	1
Type H	100,000,000	4	3	3	3	3
Total		1,784	1,624	1,204	1,028	887
Total less Type A		1,325	1,239	899	723	582

Table 6: Scenario 2: Estimated subscription demand by number of subscriptions (demand stabilises at post-COVID-19 level from January 2021 and there is no further decline)

Type	No. of washes	2019–20 (estimate in previous CRIS)	2019–20 (actual)	2020–21 (estimate)	2021–22 (estimate)	*2022–23 (estimate)*
Type A	500	459	385	305	305	305
Type B	20,000	507	490	339	339	339
Type C	100,000	565	545	490	490	490
Type D	1,000,000	248	192	164	164	164
Type E	10,000,000	2	8	8	8	8
Type F	20,000,000	0	0	0	0	0
Type G	50,000,000	0	1	1	1	1
Type H	100,000,000	4	3	3	3	3
Total		1,784	1,624	1,311	1,311	1,311
Total less Type A		1,325	1,239	1,006	1,006	1,006

[3] Regression analysis was used to forecast the initial six-month period 1 July 2020 to 31 December 2020.

Expense and revenue estimates

Expense and revenue estimates for DNCR operations for the financial year 2020–21 and 2 forward years are provided in Table 7 (Scenario 1) and Table 8 (Scenario 2) below.

Any over- or under-recovery of costs from previous periods are also considered when determining the subscription fees. The Australian Government Cost Recovery Guidelines require expenses and revenue to balance either annually or over a reasonable period of time (business cycle). The DNCR maintains and reports on the cumulative balance in the annual CRIS. The forecast cumulative balances are shown below and discussed in the next section.

Annual subscription fees are paid upfront so, as previously noted, revenue is accounted for on a 12-month accrual basis. This moderates the immediate impact of actual revenue on any cumulative under or over recovery.

Table 7: Scenario 1: Expenses and Revenue estimates (demand continues to decline by 20% p.a. for subscriptions type B, C and D from January 2021)

Sums may not add due to rounding	2019–20 actual ($m)	2020–21 estimate ($m)	2021–22 estimate ($m)	2022–23 estimate ($m)
Opening cumulative balance	0.34	0.31	-0.01	-0.55
Expenses = X	2.17	2.13	2.14	2.18
Revenue = Y	2.14	1.82	1.61	1.45
Balance = Y - X	-0.03	-0.32	-0.53	-0.73
Closing cumulative balance	0.31	-0.01	-0.55	-1.27

Table 8: Scenario 2: Expenses and Revenue estimates (demand stabilises at post-COVID-19 level from January 2021 and there is no further decline)

Sums may not add due to rounding	2019–20 actual ($m)	2020–21 estimate ($m)	2021–22 estimate ($m)	2022–23 estimate ($m)
Opening cumulative balance	0.34	0.31	0.03	-0.29
Expenses = X	2.17	2.13	2.14	2.18
Revenue = Y	2.14	1.85	1.83	1.83
Balance = Y - X	-0.03	-0.29	-0.32	-0.35
Closing cumulative balance	0.31	0.03	-0.29	-0.64

Both the above scenarios forecast an under-recovery of DNCR direct costs. Subscription fee revenue is expected to continue to fall below expenses for the next 3 financial years. The expenses are reasonably constant with a moderate reduction in 2020–21, following the negotiation of a one-year contract extension. The impact on the cumulative recovery position is considered in the next section.

Impact on cumulative recovery position

In 2019–20, the ACMA under-recovered direct DNCR operational costs by $0.03m. However, despite the decrease in recovered costs for 2019–20, as of 1 July 2020, the cumulative balance remains in over-recovery, with a surplus of $0.31m. The cumulative balance effectively provides a smoothing mechanism that reduces the need for frequent changes to subscription fees.

In 2020–21, the DNCR costs are estimated to be under-recovered by between $0.29m (Scenario 2) and $0.31m (Scenario 1).

The 1 July 2020 cumulative balance surplus effectively matches the expected DNCR cost under-recovery for 2020-21. The cumulative balance surplus shall therefore be used to absorb this year's expected cost under-recovery. Consequently, no change to subscription fees is proposed at this time.

Current modelling suggests that if demand for subscriptions continues to decline in forward years, the DNCR may be under-recovered by the end of 2022–23, with a cumulative under-recovery of between $1.27m (Scenario 1) and $0.64m (Scenario 2).[4]

The level of subscription demand and wash volumes has fluctuated and overall has been declining over time. This trend is likely to continue over the long term forward estimates, with implications for the sustainability of the cost-recovery mechanisms.

The ACMA continues to closely monitor revenue trends each month to manage potential under- or over-recoveries. Any need for adjustment to the fees to address the potential under-recoveries, noted above under Scenario 1 and Scenario 2, will be reviewed and assessed in the CRIS review process leading up to 2021–22. Consultation will be undertaken at this time.

[4] The contract with the register operator currently concludes in September 2021. The contract provides options for extensions up to September 2023.

Financial performance

Historical financial information relevant to cost recovery for the DNCR is presented below.

Table 9: Historical demand from 2015–16 to 2019–20

Type	No. of washes	2015–16	2016–17	2017–18	2018–19	2019-20
Type A	500	413	2,409*	1,168*	507	385
Type B	20,000	997	1,029	850	667	490
Type C	100,000	1,203	1,117	779	630	545
Type D	1,000,000	286	261	231	246	192
Type E	10,000,000	8	9	4	5	8
Type F	20,000,000	1	1	–	0	0
Type G	50,000,000	2	2	–	1	1
Type H	100,000,000	3	2	4	2	3
Total		2,913	4,830	3,036	2,058	1,625
Total less Type A		2,500	2,421	1,868	1,551	1,250

** A sharp increase in the number of Type A subscriptions activated occurred between December 2016 and August 2017 due to a user or users activating multiple Type A subscriptions within 12 months. A system change and new review process significantly reduced this activity.*

An ACMA-conducted industry survey and consultations in 2016–17 identified several aspects of the way the DNCR operates that have an impact on demand, including:

- the increasing quantity of numbers on the DNCR – now 12 million as at 30 June 2020
- permanent registration of numbers that came into effect on 27 April 2015
- reduced number churn – that is, numbers on the DNCR were unlikely to have been removed after the enactment of permanent registration in 2015.

Table 10 shows the direct costs of operating the DNCR, compared to the associated accrued subscription fee revenue since the commencement of the DNCR.

Table 10: Historical expenses and revenue

	2007–14 ($m)	2014–15 ($m)	2015–16 ($m)	2016–17 ($m)	2017–18 ($m)	2018–19 ($m)	2019–20 ($m)
Expenses = X	18.21	2.54	2.34	2.32	2.10	2.14	2.17
Revenue = Y	18.85	2.73	2.23	2.01	1.95	2.22	2.14
Balance = Y - X	0.64	0.18	–0.11	–0.31	–0.15	0.08	-0.03
Cumulative balance	**0.64**	**0.82**	**0.71**	**0.40**	**0.25**	**0.34**	**0.31**

Revenue

The reduction in revenue trends prior to 2019–20 reflect several drivers with complex intersecting impacts, including:

- movement from telemarketing and fax marketing to other forms of marketing
- increased use of consent-based calls that are not required to be washed
- high labour costs in call centres
- mobile phones replacing fixed-line phones. There is no public directory of mobile phones, which makes it more difficult for telemarketers to generate calling lists
- increased costs of washing numbers against the DNCR from July 2017.

In 2018–19, revenue increased from the previous year due to demand for subscription types B, D and G. The numbers are volatile, noting that there are relatively large subscriptions purchased by a limited number of subscribers in any year. Submissions from industry to the ACMA indicate subscription and washing demand is heavily driven by uncertainty and volatility about the take-up of telemarketing campaigns by third-party entities.

Expenses

Table 11 below summarises the actual direct costs associated with operating the DNCR between 2015–16 and 2019–20, as well as estimated costs for 2020–21.

Table 11: Direct operating costs of the DNCR

Direct costs	Actual 2015–16 ($m)	Actual 2016–17 ($m)	Actual 2017–18 ($m)	Actual 2018–19 ($m)	Actual 2019–20 ($m)	Estimate 2020–21 ($m)
Contractors	1.75	1.70	1.69	1.73	1.77	1.73[†]
ACMA Staff	0.55	0.58	0.37	0.38	0.38	0.38
Consultants	0.01	0.02	0.01	0.01	0.01	0.01
Other	0.03	0.02	0.03	0.02	0.02	0.02
Total	2.34	2.32	2.10	2.14	2.17	2.13

[†] Contract costs decrease from September 2020 following efficiency gains and negotiation of contract extension.

Calculation of costs

The contractor's direct costs for 2019–20 of $1.77m is an increase of 2.3%. The increase is above annual CPI (1.67% September 2019) as some contract items had pre-set annual increases that were negotiated in 2014. The contractor's direct costs decrease in 2020–21 following the negotiation of an optional extension to the contract term. The cost decrease is due to the maturity of the DNCR system and there being some reduction in service demand.

In 2019–20, staff costs were based on 1.30 ASL and were consistent with 2018–19 costs. The hourly rate remains unchanged at $202 per hour.

The ASL associated with contract management, administrative, financial and communication functions is required year-on-year as these are ongoing ACMA requirements. Staff costs were higher for the initial 2 years (2015–16 and 2016–17) of the new contractor's operations due to post-transition activities, including post-deployment system changes and process improvements. Staff costs decreased by approximately 34% compared to 2016–17 as DNCR operations have matured and less staff oversight has been required.

The consultant costs represent subscription fee modelling services provided by ACIL Allen Consulting for the 2019–20 financial year and have remained constant. There have been no fluctuations to other costs which relate primarily to the payment system, banking gateway, domain names and certificates, post office box and phone line rental.

Non-financial performance

ACMA's non-financial performance is available through published annual reports, Portfolio Budget Statements, the Regulatory Performance Framework and the *Corporate plan 2020–21*.

A range of performance indicators were used in 2019–20 to measure the ACMA's performance in regulating unsolicited communications. These include:

- DNCR services being available for at least 99% of the scheduled hours
- unsolicited communications investigations being completed within 8 months or sooner
- relevant investigation outcomes being published on the ACMA's website.

CRIS approval and change register

Certification

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

Nerida O'Loughlin PSM

Chair and Agency Head

Table 12: Change register

Date of CRIS change	Description of CRIS change	Approver	Basis for change
24 November 2020	Certification of the CRIS Version 6.0	Chair and Agency Head	Annual CRIS update
13 December 2019	Certification of the CRIS Version 5.0	Chair and Agency Head	Annual CRIS update
9 July 2018	Certification of the CRIS Version 4.0	Acting ACMA Chair and Agency Head	Annual CRIS update
26 June 2017	Approval to the CRIS Version 3.0	The Minister for Communications	Annual CRIS update
15 May 2017	Certification of the CRIS Version 3.0	ACMA Chairman	Annual CRIS update
18 August 2016	Certification of the CRIS Version 2.0	ACMA Chairman	Annual CRIS update
30 July 2014	Agreement to the CRIS Version 1.0	The Minister for Communications	Annual CRIS update
27 June 2014	Certification of the CRIS Version 1.0	ACMA CEO	Annual CRIS update