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The Manager
Cost Recovery Review
Australian Communications and Media Authority

By email: costrecoveryteam@acma.gov.au

Dear Sir/Madam,

Communications Alliance and the Australian Mobile Telecommunications Association (the Associations) welcome the opportunity to provide comment on *Cost-recovery arrangements for services provided by the ACMA Discussion paper Nov 2011* (the Discussion Paper).

The scope of the review states that it aims to determine:

- *Whether cost recovery should be introduced to any new activities and products of the ACMA*
- *Whether cost recovery should continue for existing activities under the cost recovery arrangements¹*

However, in making this assessment, the Discussion Paper does not provide sufficient information about trends in the volume and cost of the major activities that the ACMA undertakes across telecommunications, radio-communications, broadcasting and Australian Carrier Licence Charge (ACLIC) categories. AMTA considers that there is insufficient information for the consultation process to be effective.

The Discussion Paper does not acknowledge that the ACMA and ACCC resourcing costs are a key driver of costs to industry and fails to provide an assessment of how resourcing costs have changed over time against the broad range of 'cost recovery' related activities.

The discussion paper states that:

"The majority of fees for services have changed as a direct consequence of the changes in the hourly rates and have increased by 20 per cent"²

¹ Page 3

² Page 7

This increase which amounts to, on average, four percent per annum since 2007-7 is above CPI of 3.1% for 2010-11 but there is no explanation of the justification for this increase provided in the Discussion Paper. In particular, the 7% increase in ACLC over 2010-11 to 2011-12 requires explanation as it represents over 90% of cost recovered revenue through cost recovery arrangements and the increase is much greater than the average increase in CPI over the past year. There is also no assessment of efficiencies that may have been gained in carrying out these activities where costs savings could be returned to industry. This lack of transparency makes the increase to the hourly rate appear to be an arbitrary increase.

The Associations specifically query the fee increase proposed for “fixed links” where a combination of charges will drive significant increase in costs to some members:

- Examinations (Point to Point Station) – where charges will increase by 20% from \$140 to \$493 (p7)
- Renewal of assigned licences – where charges will increase by 228% from \$3 to \$10 (p12)

The new methodology for calculating the Annual Carrier Licence Charge (ACLC) reduces the pool of contributors but does not reduce the amount collected by Government.

The Associations note that the Discussion Paper does not provide detail of any productivity gains that have been made over the past five years, although it does say that the time required to perform the majority of activities has not changed since the last review. This finding is somewhat unexpected considering that the increasing volume of on-line transactions should have been impacting the time and cost of some activities that have traditionally been manual and paper based.

The Associations believe that the Discussion Paper should include a transparent analysis of the allocation of the revenue from the ACLC and other cost recovery activity charges. Such an analysis should take a strategic view of the changing regulatory environment and make an analysis of how this will impact on the size and type of ACMA activities over the next five years. It should explore opportunities to adopt new practices and systems in order to achieve efficiencies and make productivity gains that will reduce costs. The analysis should also detail the changes in projected revenue from cost recovery charges over the next 5 years for major activities associated with the telecommunications, radiocommunications, broadcasting work categories, including disclosing the cost components that make up the ACLC. The Associations also suggest that the review should consider whether certain activities such as consumer education campaigns (for example ACMA press release 13 December 2011 “*Protect your mobile money this Christmas*”) that have economy wide impact and benefits should continue to be funded by the ACLC or, preferably, should be funded out of general revenue.

The Associations draw your attention to the ACMA’s paper “Broken Concepts” that challenges the ongoing relevance of the concept of carrier licensing in a converging environment.

“Carrier status is the model on which funding of telecommunications regulatory obligations is based (like social and national interest obligations), with potential for a narrowing of that base as other non-infrastructure-related parts of the service supply chain grow (for example, applications).”³

³ ACMA Broken Concepts - The Australian communications legislative landscape Aug 2011 p27

If you would like to discuss this submission please contact Lisa Brown, Policy Manager, AMTA on 02 6239 6555 (lisa.brown@amta.org.au) or Margaret Fleming, Program Manager, Communications Alliance on 02 9959 9118 (m.fleming@commsalliance.com.au).

Yours sincerely,

Lisa Brown

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