



Senator John Cherry
Chair
Senate Environment, Communications, Information Technology and the Arts
References Committee
Department of the Senate
Parliament House
CANBERRA ACT 2600

Facsimile: 02 6277 3725

Dear Senator Cherry

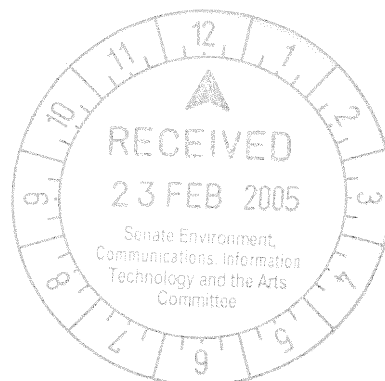
I am writing in response to a matter raised at the References Committee hearing on Friday 11 February 2005.

At the hearing, I offered to provide the References Committee with a broad indication of the proportion of the Australian Communications Authority's (ACA's) telecommunications-related resources that is devoted to its dealings with Telstra. To this end, I undertook to provide the Committee with information regarding the annual carrier licence charges (ACLCs) imposed on Telstra by the ACA.

The ACLC, which is imposed on all licenced carriers, provides a mechanism for the recovery of costs incurred by the ACA, the Department of Communications, Information Technology and the Arts (DCITA) and the Australian Competition and Consumer Commission (ACCC) in relation to the regulation of the telecommunications industry. The amount of ACLC imposed on an individual carrier is calculated by the ACA on the basis of the carrier's market share, as determined with reference to its assessed eligible revenue.

For example, if a carrier's eligible revenue comprises 10% of the total eligible revenue of all carriers, subject to adjustments in relation to a fixed minimum charge imposed on all carriers, that carrier is required to pay an ACLC equal to 10% of the total costs incurred by the ACA, DCITA and the ACCC in regulating the telecommunications industry.

In the absence of a more precise measure, the eligible revenue data used to calculate a carrier's ACLC could therefore be argued as providing an indication of the proportion of the ACA's telecommunications-related resources that are devoted to that carrier. This presumes that regulatory effort can be correlated with eligible revenue. It should also be borne in mind that the ACA regulates other entities than carriers.



The table at Attachment A sets out, for each financial year from 2001-02 to 2003-04:

- Telstra's eligible revenue as a proportion of the total eligible revenue of all carriers;
- the net cost incurred by the ACA in relation to the regulation of the telecommunications industry; and
- the amount of ACLC imposed on Telstra.

The data shows that, during that period, Telstra's eligible revenue varied between 67.5% and 71.5% of the eligible revenue of all carriers, averaging 69.4% over the three years. In addition, the ACA's costs as a proportion of the amount recovered under the ACLC were around 70%.

As discussed above, the amount of ACLC imposed on Telstra is linked directly to the company's eligible revenue.

I trust this information is of assistance to the Committee.

Yours sincerely



Dr Bob Horton
Acting Chairman

21 February 2005

cc. Simon Bryant, DCITA

Attachments:

ACLC data for Telstra: 2001-02 to 2003-04

ANNUAL CARRIER LICENCE CHARGE (ACLIC) DATA FOR TELSTRA: 2001-02 to 2003-04

	2001-02		2002-03		2003-04	
	ER %*	ACLIC (\$m)	ER %*	ACLIC (\$m)	ER %*	ACLIC (\$m)
Telstra Corporation Ltd	66.8	18.779	68.9	20.414	71.2	20.306
Telstra Multimedia Pty Ltd	0.7	0.068	0.3	0.087	0.3	0.217
<i>Telstra total</i>	<i>67.5</i>	<i>18.847</i>	<i>69.2</i>	<i>20.501</i>	<i>71.5</i>	<i>20.523</i>
Net costs incurred by ACA in the regulation of the telecommunications industry		18.604		20.954		20.971
Net costs incurred by the Government (ie. the ACA, DCITA and the ACCC) in the regulation of the telecommunications industry		26.373		29.620		30.388

* Eligible revenue as a proportion of the total eligible revenue of all carriers