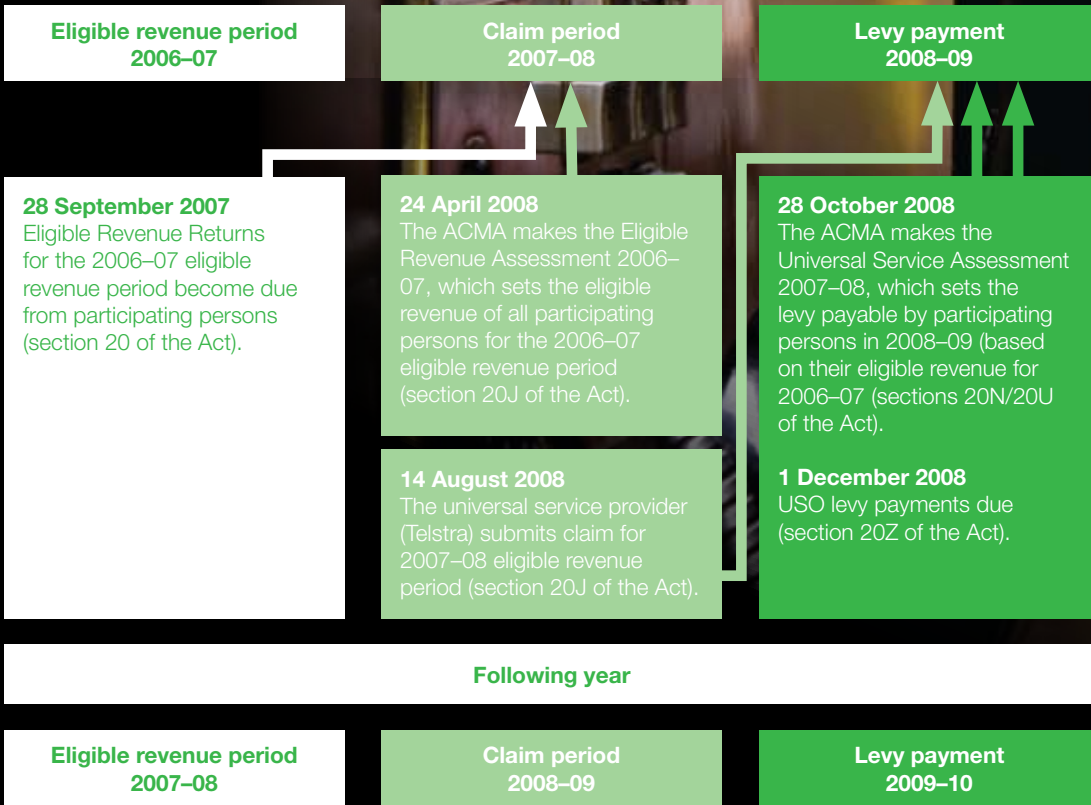


Funding the Universal Service Obligation

The universal service obligation (USO) is a safety net designed to ensure that standard telephone services and payphones are reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business. Universal services are provided by universal service providers (USPs). Presently, Telstra is the only USP.

Universal Service Obligation Funding cycle (Example: 2007–08 claim period)



The USP is paid a subsidy for its provision of universal services. The Minister set the 2008–09 USO subsidy at approximately \$145 million.

A central aim of the USO scheme is to share the cost of providing universal services among participating carriers so that the financial burden is distributed widely and the provision of universal services is sustainable. Accordingly, the USO subsidy is funded by an industry levy imposed under the *Telecommunications (Universal Service Levy) Act 1997* (the USO Act).

Eligible Revenue Returns

The ACMA determines each carrier's contribution to the USO levy from its eligible revenue. Eligible revenue is defined as a carrier's telecommunications sales revenue for the applicable financial year, less certain deductions (some of which are listed below). People with carrier licences contribute to the USO levy based on their share of total industry eligible revenue.

To enable the ACMA to calculate contributions, each carrier is required to submit an eligible revenue return (Return) each year. In 2008–09, more than 180 participating persons held a carrier licence for at least part of the year. These participating persons will need to lodge a Return by 28 September 2009. Penalties may be applied for late submission.

So that contribution factors are available to calculate contributions, eligible revenue is assessed for the financial year before the USO claim period. That is, contributions for the 2009–10 USO levy will be based on eligible revenue for 2008–09 and will be invoiced and due in 2010–11. The figure opposite shows the 2008–09 universal service funding cycle.

Practical matters

Guidance on preparing Returns is available on the ACMA Eligible Revenue Portal (see below for the web details). These web pages offer important information, including background information, assistance with completing the Return spreadsheet, frequently asked questions and specific guidance notes for each page of the Return.

In addition, staff of the ACMA are happy to answer questions (see below for contact details).

Audit report

A Return is required to be accompanied by an audit report. However, the ACMA is aware that this may impose a disproportionate expense on smaller carriers. These carriers may apply for an audit report exemption.

Each person that has held a carrier licence for all or part of the 2008–09 financial year is required to submit an eligible revenue return by 28 September 2009.

In assessing Returns for the 2007–08 financial year, the ACMA granted 61 audit report exemptions.

Allowable deductions

Allowable deductions include telecommunications sales revenue earned from:

- > overseas activities
- > selling, renting, installing, insuring or maintaining customer equipment
- > providing the content of a content service
- > constructing, installing, maintaining, or managing the construction or installation or maintenance, of the infrastructure of a telecommunications network
- > inter-carrier input payments (for example, interconnection payments).

Further information on allowable deductions may be found at the Eligible Revenue Portal.

Consolidated accounting

Where a number of carriers are part of a consolidated group, they may submit their Returns individually or collectively (based on the consolidated financial statement).

Declared related parties

Where a parent body controls more than one entity earning telecommunications revenue—and one of those entities holds a carrier licence—a proportion of the telecommunications sales revenue of the related entities must be included in the carrier's Return. The proportion depends on the percentages of the carrier and other telecommunications revenue-earning entities in the group owned by the parent body.

This is necessary to prevent carriers avoiding their universal service

levy obligations by transferring telecommunications revenue to non-carriers in a related group of entities.

Other uses of eligible revenue data

In addition to calculating contributions to the USO levy, the ACMA uses eligible revenue data to calculate carriers' contribution to the National Relay Service levy and the variable component of the Annual Carrier Licence Charge. ☎

Guidance for completing the Return is available on the ACMA website www.acma.gov.au at the Eligible Revenue Portal (www.acma.gov.au/WEB/STANDARD/pc=PC_2428 or go to For licensees & industry: Licensing and regulation > Telecommunications: Telecommunications regulation > Universal service regime: Universal Service Obligation > Further USO information > Forms: Eligible Revenue Portal 2008–09).

Staff of the ACMA are also happy to help, and may be contacted by email at uso.err@acma.gov.au and by telephone on 03 9963 6800.