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ACCAN thanks Infrastructure Australia for the opportunity to contribute to its Australian Infrastructure Audit. ACCAN agrees with the broader findings of the report and the five specific findings in relation to the telecommunications market. We would like to present evidence to reinforce some of the issues found in the report and make a number of suggestions to solve the challenges raised.

- No. 38; *'Dealing equitably with the affordability of infrastructure services is an important consideration, as a matter of social policy. Unless affordability concerns are addressed, the necessary shift to greater application of user charging will struggle to gain community and political support.'*

A recent study comparing broadband tariff pricing internationally ranked Australia 72nd in terms of entry level pricing, 39th for average pricing and 45th for median pricing.¹ Affordability of telecommunications products in Australia is a concern. There is evidence to suggest that affordability will become a greater issue for consumers on the NBN. A recent ACCC report showed a real price increase of 4.6% for NBN products, while the cost of telecommunication services over other networks decreased.² A number of industry commentators have argued that the pricing construct of NBN is not designed to provide affordable entry level broadband or affordable capacity (data) for consumers.³ Telecommunications economist John de Ridder has argued that without entry level retail pricing "there will be 250,000 fewer broadband customers".⁴ A report by the U.S. Federal Communications Commission (FCC) on non-subscribers estimated that a decrease in price of 15% would result in a 10% increase in broadband subscribership.⁵ The pricing model over the NBN needs to be re-examined, with the potential to establish an entry level plan. If telecommunication products are not affordable, the use will be below optimal levels to realise benefits.

¹ <http://point-topic.com/free-analysis/broadband-tariff-country-scorecard-q2-2015/>

² ACCC, 2013-2014 Changes in the Prices Paid for Telecommunications Services https://www.accc.gov.au/system/files/906_ACCC%20Telecommunications%20reports%202013%E2%80%9314_web_2-June-2015.pdf

³ See Bevan Slattery and iiNet comments <http://www.afr.com/business/telecommunications/nbn-internet-prices-may-be-worlds-most-expensive-20150421-1mpxu9>
<http://www.smh.com.au/business/media-and-marketing/netflix-popularity-requires-nbn-price-rethink-says-iinet-boss-david-buckingham-20150705-gi4ve6.html>

⁴ John de Ridder, 2013, Entry Level Pricing for Fixed Broadband <http://www.deridder.com.au/files/Entry%20Level%20Pricing%20for%20Fixed%20Broadband-FINAL.pdf>

⁵ Carare et al 2014, The willingness to pay for broadband of non-adopters in the US: estimates from a multi-state survey. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2375867

- No. 39; *'Households with incomes in the lowest 20 per cent are the most exposed in the monetary costs of inefficient economic infrastructure. Public policy settings need to assist Australians on low incomes to access the infrastructure services they need, in an equitable manner.'*

In Australia, take up of services is especially low among lower income households. Nationally the rate of households with internet is currently 83%, with access falling to just 59% for households with incomes in the lowest 20 per cent.⁶ Low income consumers should be assisted further in addressing affordability barriers. Assistance through the tax and welfare system is likely to be efficient and effective.

- No.69; *'The quality of telecommunication service across Australia is mixed, with generally good services in cities and with lower quality services in rural areas and some outer urban areas. The NBN is expected to reduce service disparities within the next five years.'*

The availability and quality of telecommunication services is of concern for many of our members, but it can be difficult to ascertain the extent of problems. The Broadband Availability and Quality Report by the Department of Communications, utilised in the audit, was very useful and shed light on the infrastructure gaps. Unfortunately this is not a regular exercise. Often the availability of mobile service relies on self-reporting by the telecommunication providers. Furthermore there are many incidences where consumers are unable to obtain services, for example when there is full capacity at exchanges⁷ or where a premise is in a 'black spot'. A regular review of the availability of services would be one possible solution to this problem. Such regular data would support discussions on any gaps and measures needed to ensure quality telecommunication networks are available.

NBN, through providing everyone with the option of a broadband network connection, will reduce some of the disparities that currently exist. However, there will remain issues with backhaul impeding the coverage of mobile services. Further examination of the potential to have additional programs to increase backhaul would be welcome.

Furthermore, the quality of telecommunications service across Australia is impacted by the lack of consumer protections in the delivery of mobile and broadband services. The lack of protection impacts on the variety and level of quality of service delivered to consumers. Normally consumers would have basic guarantees over service under the Australian Consumer Law (ACL). However telecommunications services, along with energy, are specifically exempt from the consumer guarantee provisions of the ACL.⁸ This exemption has created a gap in protection for mobile and internet consumers. While some voice services are protected under the Customer Service Guarantee, this does not extend to mobile and broadband services. Guarantees should be established for all communication services.

⁶ ABS, 2014, 'Household Use of Information Technology, Australia, 2012-13', available at: <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/8146.0Chapter12012-13>

⁷ See <http://www.adsl2exchanges.com.au/cappedexchanges.php> for a list of capped exchanges.

⁸ Section 65 of the ACL specifically carves out telecommunications and electricity networks from the consumer guarantee provisions.

- No. 71; *'A key challenge will be the efficient rolling-out of an open access, wholesale only fixed-line broadband network.'*

The NBN is a significant project that will take years to complete. For many consumers there are no interim solutions or possibilities, while for others their service may be of poor quality with the prospect of improvement being unlikely. The key priority should be ensuring that the NBN reaches consumers quickly and in a cost efficient way.

- No. 72; *'Government and the private sector will need to focus on making the best use of the NBN, thereby delivering the expected economic and social benefits to the country.'*

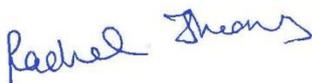
The premise and rationale of the NBN is based on a number of assumed benefits that will accrue. However, building the network is only one step in realising these benefits. The network has to provide appropriate and affordable services before consumers will get connected. This needs to be combined with effective digital literacy programs to build consumer confidence, especially among those groups experiencing low uptake levels. The Digital Transformation Office was established to transform the delivery of government services. Further work needs to be done in, in collaboration with the bodies currently researching and delivering digital literacy projects, to establish what further measures are required to ensure the best use of the NBN.

- No. 73; *'The telecommunications sector's economic contribution will be best served by continuing support for effective competition.'*

A competitive telecommunications market will provide benefits to consumers and the economy. This is delivered through informed consumers being able to make choices in their products. Currently consumers are not able to make informed choices on the differing levels of quality and there is little competition on quality standards. If independent measurable benchmarks existed on retail providers, competition and quality of services would improve. The appropriate regulator should provide comparable benchmarks on quality standards to address the information asymmetry that exists in the retail market.

Furthermore, quality obligations should apply at the wholesale level. In most areas nbn will have a wholesale monopoly as the sole provider of access networks. In these situations competition alone is unlikely to drive improved service delivery. In the ACCC's submission to the Regional Telecommunications Review they considered that "wholesale service level standards will be increasingly important with the introduction of the NBN".⁹ A new standard at the wholesale level of telecommunications needs to be examined.

Sincerely



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<https://communications.govcms.gov.au/sites/g/files/net301/f/Australian%20Competition%20and%20Consumer%20Commission%20-%20Public%20Submission%20RTIRC%202015.pdf>