

## No Australian Left Offline: affordable broadband for Regional, Rural and Remote Australians

### ***What is affordable broadband?***

Affordable broadband is an internet service that enables all Australians to be online regardless of their personal circumstances or where they live without putting them into financial stress.

Without affordable home broadband, it is harder for school-age children to do their homework and keep up at school both academically and socially; it is harder for young people to prepare for the post-school world of further training, education or employment. For adults, it is virtually impossible to find opportunities and gain employment in order to lift themselves and their families out of poverty. For frail, less mobile consumers, it is harder to reduce social isolation and access important support services.

For Australia, the absence of affordable broadband means our aspirations of better economic and social outcomes won't be attained, as the digital divide further entrenches existing disadvantage and stifles our productive potential for decades to come.

### ***How do we achieve affordable broadband for the regions?***

The most effective way to achieve affordable broadband for regional, rural and remote Australians is for the NBN to offer a reduction of \$20 per month on a specific service to households receiving financial support from government.

For households with access to fixed wireless, the service would be the NBN Fixed Wireless MAX service. This is the most robust offering available to consumers over the fixed wireless network. It is likely to become the standard fixed wireless service in the future.

For households with access to satellite, the service would be the NBN Sky Muster Plus service, to ensure that these households have continuous access to connectivity.

Regional, rural and remote Australia is home to many families and individuals on income support. Affordable broadband directly benefits these households by reducing cost of living pressure. It also has the potential to support individuals and families to economically participate and support stronger regions and sustain communities.

A subsidy to the wholesale price will give retail service providers the opportunity to sell low-priced (but high quality) services to consumers on income support. Retail service providers can also offer

different benefits to attract customers (such as frequent flyer points, or longer call centre hours). However, safeguards must be put in place so that it is only sold to those that need it and that the full value of the reduction is in the price.

### ***How do we know broadband is currently unaffordable?***

The story we hear from households on income support is that they are financially stressed, with the cost of communications, particularly broadband, being a significant source of this stress. The statistics from the census and on household expenditure illustrate these circumstances, with low income consumers spending a far higher proportion of their income on communications than their wealthier counterparts.

The average household spends approximately 3.5% of disposable income on communications, whereas:<sup>1</sup>

- The bottom 10% of households spend just under 10%;
- The bottom 20% of households spend around 6%; and
- 15.6% of consumers in the lowest income quintile indicated they had been unable to pay their utility bills on time in the year prior to the census - an indicator of financial stress.<sup>2</sup>

Economic modelling shows that the higher a household's communication spending as a proportion of income means the higher the likelihood that these households are experiencing financial stress.<sup>3</sup> Households where individuals identify as Indigenous, where members are receiving income support and regional households (which face typically face higher communication costs) are at particular risk of financial stress.

Another indicator that broadband is unaffordable, is that households on income support are not buying it. ACCAN's own estimates indicate that the cost of services may mean that approximately a million households are at risk of not switching over to NBN. Support for families on income support, such as those on Family Tax Benefit A and the Farm Household Allowance, is necessary to ensure that all Australians can afford to access the services they need.

ACCAN's concerns over the cost of services has been shared by others, with the ACCC expressing concern over the effect of NBN's pricing and its impact on price sensitive users, and the reduction in the number of lower cost plans in the market.<sup>4</sup>

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<sup>1</sup>. Bureau of Communications and Arts Research, *Trends and drivers in the affordability of communications services for Australian Households*, Working Paper, 10 July 2017.

<sup>2</sup>. Australian Bureau of Statistics, *Government Benefits, Taxes and Household Income, Australia: Summary of Results 2015-16*, 20 June 2018.

<sup>3</sup>. Breunig, R. & McCarthy, O. 2018, *Telecommunications Expenditure in Australia*.

<sup>4</sup>. Australian Competition and Consumer Commission, *Update on ACCC assessment of NBN Co's SAU variation*, 2 November 2018.

### **What are the benefits of affordable broadband in Australia?**

Affordable broadband has the potential to reduce many of the barriers to regional, rural and remote Australians remaining within their communities. Equitable access to broadband services will allow regional, rural and remote Australians to access educational, employment and health services. ACCAN believes that affordable broadband services will strengthen regional communities through:

- greater access to tertiary training and education opportunities via distance and online education, particularly for young Australians in the regions who face markedly higher unemployment rates than their metropolitan counterparts;
- productivity gains through upskilling of regional, rural and remote young Australians to support their active participation in regional economies;
- improved life-expectancy and reduced morbidity, through better access to tele-medicine and health care services;
- significant savings through easier access to government services online, combatting the cost of commuting to government service centres as these reduce over time.

Affordable broadband means that consumers will use the infrastructure available to them and access the multitude of services that broadband enables. The take-up of broadband services has been demonstrated to improve economic outcomes through:

- increases in average incomes of 0.85% GDP per capita;<sup>5</sup>
- creation of new businesses, with 1900 to 5400 businesses formed and an additional 3400 to 6400 individuals to create new employment opportunities for themselves in areas with high NBN rollout;<sup>6</sup>
- increased tax revenues through higher economic activity, and reduced unemployment;
- potential cost savings for government in the order of \$20.5 billion;<sup>7</sup> and
- reduced costs for individuals and households when accessing essential services, particularly for Australians in regional and remote areas who face significant barriers when accessing services.

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<sup>5</sup>. Greenstein, S. & McDevitt, R. *Measuring the Broadband Bonus in Thirty OECD Countries*, OECD Digital Economy Papers, 19 April 2012.

<sup>6</sup>. NBN Co, *Connecting Australia: A report by AlphaBeta Consulting*, 2018.

<sup>7</sup>. Deloitte Access Economics, *Digital government transformation*, 2015.