ACCANect 2018

Day 2 Thursday, 13 September 2018

**Session 11: 1:40 – 2:15pm**

**Affordability – Where are we now?**

**Introduction: Teresa Corbin, ACCAN CEO**

**Panellists:**

**Professor Julian Thomas, RMIT**

**Dr Heron Loban, Senior Lecturer in Law, Griffith University**

**Chris Dodds, Chair of the Low Income Measures Assessment Committee**

**Greg Ogle, South Australian Council of Social Service**

**Sue McGrath, Senior Policy Advisor, Older Australians, Benevolent Society**

**In this session, the panel revisit our 2015 Conference theme, ‘affordability now and tomorrow’. Participants will discuss a key issue from within their area of expertise. Has any progress been made and are there any new common barriers that consumers face with staying connected in 2018 and into the future? The audience will have an opportunity to contribute to the discussion during Q&A.**

**2:15 – 2:25pm Q&A**

TERESA CORBIN: If I can welcome Julian Thomas and Chris Dodds and Greg Ogle and Sue McGrath. We have an apology from Heron Loban, who's not able to join us. I'm double-checking, Richard, Julian has got some slides...? We'll be ready to go. Have a seat and if in the conversation we need to flick back to Gareth, then we will. Julian is going to kick off and tell us about the digital inclusion index, the latest report that got launched last week. Do you want to do it from there, or stand up?

PROF JULIAN THOMAS Really looking forward to this discussion, it's such an important issue. Gareth's background there I think save us quite a few significant insights, but it was clearly also a major issue in that do very quickly if I may is I suppose just give you an update on the findings coming out of the digital inclusion index work which we've been doing at RMIT and Swinburne and my colleague, I should say Chris Wilson who has done a huge amount of the work on all of this is with us here as well today, so really pleased he's here. Let me just tell you as quickly as I can what I think the sort of significant things that have come out of the more recent work on this have been, what we've found this year. I'm not going to try and cover everything. I think there's a copy of the report in your bags which is wonderful so you can look at that, peruse it at your leisure. I'm going to draw out key points about affordability, in particular. Just to remind you that we see affordability as a really critical part of digital inclusion. The index that we've been compiling and working on for some time sees affordability as one of the three critical dimensions of inclusion alongside access and digital ability. We've now working with data that goes back five years. We've released three reports, so we're starting to get a more complex understanding I think about what some of the things are that's going on. So when we talk about these three dimensions of inclusion, just very briefly perhaps for those of you who've not seen this work before, when we talk about access, we're talking about where and how people connect to the Internet and how much data they have to do so. We're thinking about the different ways in which people connect. We're talking about affordability. It is a really complex issue. We try to keep it as simple as we can. We've really got two key indicators there that we bring together when we measure affordability. We're interested in how much data people are getting for their dollar, towards this cost. So they're the two things we particularly look at. The third key element is digital ability and there what we're talking about is what people can actually do online, their degree of confidence and capabilities in engaging online. One of the reasons why I'm emphasising there's those three things we look at is because as we've gone along, one of the critical factors, things about affordability is what are the interactions between say the affordability issue and those other things? How do they affect each other? I think we're starting to get a sense of that. With this slide you can see how these things are tracking over time, over the five years we're looking at and you can see access has gone up reflecting the sorts of investments that Gareth was talking about, but that those gains have not been translated for Australians in terms of affordability or digital ability, what we're calling that and in fact, affordability has been pretty flat for the entire time. So we think that raises serious problems and challenges for digital inclusion generally, what we're looking at is whether or not we can manage an inclusive sort of Internet for Australia, with the sort of policy aspirations that were embodied in the nbn or whether we're looking at the emergence of new digital inequalities and a much more stratified Internet. I'll go through a few aspects of this just as quickly as I can and forgive me for racing through. We talked a little bit about how critical income is and it absolutely is essential. The group that we look at in the report with the lowest level of digital inclusion of all is our lowest income households. They're the ones, our lowest quintile and you can see in that chart how that plays out for affordability, especially in relation to access and ability, we're concerned about, when we think about how this has developed over the period of time that we've been looking at this is that as you can see there, this gap hasn't got any better. It's actually widened a little bit and the group which has recorded the largest gains in digital inclusion has been the top income quintile that's moved a little bit away. When you start to look at specific groups, you see that the affordability questions play out in slightly different ways. For a little while we've been particularly interested in those Australians who only access the Internet through mobile devices -and you can see there who those people are and how they are disproportionately represented among lower income and more disadvantaged Australians -and you can see how that plays out there in terms of the affordability issue. That is a huge issue for the 20 per cent of Australians who access the Internet only through mobile devices. I suppose what I'd be saying is that affordability works in different ways for different Australians. It's a different kind of issue for different groups. One thing that we did in this year's report was look at some, at some of those groups that we felt as though we haven't been able to say enough about in previous reports, so we looked in detail at one particular remote Indigenous community which is Ali Curung in the Northern Territory and you can sort of see how there's a different story at work there. The Ali Curung community is that lighter pink column there and the Indigenous population which in our data collection is primarily urban and regional is the dark purple one. And you can see there how in a remote Australian Indigenous community they're well ahead in terms of what they're doing online. Their degree of capacity and confidence is because of where they are, the kind of access they have, they're entirely dependent on mobile, affordability is a massive issue there, raising all of those questions that we've been talking about, about things like how we can restructure prepaid plans and those kind of things better. I think we see this play out in different ways for different communities. We looked in particular in this report at Australians with a disability and we were interested in particular in how that works for the hard of hearing community, where we see a different pattern again. Again, you see an extraordinary level of usage, very high levels of access, very high levels of digital ability. This is a group which is using the Internet, using mobile and fixed services to a degree that most of us never come close and because of that, in fact, affordability is a key issue. The last one I'll mention just very quickly where we did also do some further work this year where single parent families and you can see there how this plays out for that group, where people have, for example, a high degree of reliance on mobile connections. They're paying more for data and a considerably higher portion of their income is going towards the cost of connection. I hope that gives you a quick overall sense of what we think is happening with affordability.

TERESA CORBIN: People can look at that report, but also the last two years worth of reports and actually it spans five years of data now, doesn't it? It's fantastic, so it's very good that Telstra's supporting this. I want to throw to Greg who last year gave us an update about SACOSS's work on expenditure with telecommunications and interestingly, not percentage of their income on telco, but perhaps you could update us on your work in the last 12 months?

DR GREG OGLE: Thanks Teresa. We were very keen for the household expenditure survey to be released which happened last year, because what we know is that over the last significant period, the cost of telecommunications per unit has gone down. But we knew usage was going up and so it was really hard to figure out in a definitive way how that was meaning for actual household expenditure. So every six years the ABS publishes the household expenditure survey which is a sort of economic census of households in a sense and it's also good because it covers all expenditure it gives you a good context for the expenditure. Here's a wagon wheel that came out of it. I did work with ACCAN and packaged up just the telecommunications data and we used our own category of telecommunication, because the ABS one doesn't include some of the hardware like computers and tablets and stuff so we had to -what we would regard as telecommunications expenditure goes across about four categories of ABS data so we had to uncategorise them. Using that format, we get telecommunications expenditure, about 3.7 per cent of expenditure for average household so it's clearly not one of the big ones in terms of housing, food and transport, the big three always. As Julian noted there's a lot of devil in the detail. A lot of different household types will have different expenditure patterns and again if there's kids, if you've got a family with kids you're going to be spending a lot more. Basically, kids eat data, so the expenditure reflects that. together that's on the SACOSS and ACCAN website, the repackaged data, this is one of my favourite graphs partly because it emphasises why telecommunications affordability is such an issue. Households on average spend more on telecommunications than on energy or water. We've just had international agreements being trashed by a government in the name of energy prices and yet we're spending more on telecommunications affordability, or spending more on telecommunications. Now again, you could say that's not quite a like for like comparison, because the telco figure there has capital and we're not comparing the taps for water, but even if you took the capital expenditure, the computers and hand sets out of the telecommunications expenditure, it would come down just below the energy expenditure, but energy is electricity and gas put together. Just the telecommunications charges are still more than electricity charges per household on average. And when we were doing publicity around this earlier this year in the run-up to the State election, this is the stuff that grabbed political and media attention, because everybody knows energy prices are a big issue and really important and this just said "Got to pay attention to this one, as well". The other thing about affordability for households -it's been mentioned a couple of times -just the sheer regressive nature of it. Clearly, low-income households have the most problems. And this one is also interesting, because the blue line is the average of all households -that's just three separate household expenditure surveys, as I say, they're only every six years so it's not the most nuanced data Julian would have, but it goes further back -you can see on average the household expenditure as a proportion of total households. So they're spending less, but it's costing a lot more in terms of the impact on the household budget. It's telecommunications is becoming less affordable for the lowest income quintile. That's probably the highlights of the package, but there is a facts sheet package up on the website's that's just repackaging the ABS data to make it a bit more friendly than very dense spreadsheets that the ABS publishes.

TERESA CORBIN: I'm glad you've done the work for us, Greg! Sue, the Benevolent Society has been focusing on pensioners lately and there's evidence emerging across multiple sources that seniors are not faring very well and it's been an underlying theme through the last couple of days, really. I was just wondering if you could tell us about the real impact -both short and long-term -on seniors when it comes to this affordability challenge?

SUE MCGRATH: Thanks, Teresa. Yes, the Benevolent Society in 2016 commissioned some research on the adequacy of the pension and in that research there were only eight recommendations that came out of that report and one of them was around a broadband allowance for older Australians and that was in the context of the huge digital divide between older and younger Australians, but also the sense that there is a strong resource diversion taking place. What we heard from people in that research and then regularly when we've been out in campaign mode on this, is that people divert resources -aged pensioners divert resources from food and from electricity and from medication to be able to engage that in the research we did we asked, if you received a $50 a week, or fortnight increase in the pension, how would you spend that $50? Quite a number of people said that they would get a mobile phone or have an Internet connection, people who didn't have those items. But most people said they would spend it on food, because it's from food that they divert to pay for telecommunications or energy or other things like that. So that's one of the things I think we have to keep in perspective, is what people do with their money and how they move it around when they are very low income. While it remains unaffordable for age pensioners, the kinds of impacts immediately are isolation and loneliness is a huge and growing concern and then the resource diversion that I've just talked about and in the longer term it's the access to government services. So we know this government's committed to moving services online in seven years or something like that and increasingly older people will need to engage online, because they're huge users of government services. Also E-Health, older Australians are big users of health services and the increasing development of E-Health means a group who really need to access it won't be able to do it. I was really interested in what Cindy had to say from the nbn when she talked about the people over the age of 65 who were accessing educational services once they were on nbn. Now, that's critical because in an ageing society we will have people working much longer and we know that unemployment is a really big problem over the age of 50, let alone over the age of 65, but people have to be upskilling continuously and so self-education and maintaining your skill base will be really important for older people and if they're excluded it will have all sorts of implications as our society changes.

TERESA CORBIN: So tell us about the campaign?

SUE MCGRATH: So the pension adequacy research led to a campaign and we've been out there on a grassroots campaign particularly in northern NSW and Queensland and testing the kinds of things we found in the research and trying to raise grassroots response and this is one of the recommendations and it has been confirmed for us out there talking to people that telco costs are an issue. I just wanted to refer to what Gareth was saying earlier. He gave us the raw numbers of pensioners, age pensioners, but it's important to note that 66 per cent of people over the age of 65 receive a pension and over half of those are receiving the full pension and pension is means tested so older people whatever the issue about assets and housing asset, their liquid income available to them, they are in the bottom quintiles of income and so they are very much affected by affordability issues in this picture.

TERESA CORBIN: That leads nicely into Chris who's the chair of the Low Income Measures Assessment Committee at Telstra and the ACOSS representative on that. He's also our deputy chairperson at ACCAN. Chris, tell us about the future of access for low-income consumers for telecommunications?

CHRIS DODDS: Well, to me at this point in time, the future looks fairly apparent continue on, then we will talk that in 2018 there was a digital ditch, because we haven't really hit the divide yet. The reality of the income differentials, particularly for people on Newstart is horrific, to the point in the ACOSS kit which I'll hand out -I'll be at the back at the start of afternoon tea -Raise the Rate. At the back of this campaign kit around the level of payment for Newstart, even John Howard says that it's too low now, even John Howard. Along with the head of the Business Council of Australia, KPMG's chief economist and, of course, this quotes from a number of people who are actually unemployed and trying to live on Newstart. But it's not just that. It's the level of pension which is significantly higher than the level of Newstart. So we've just heard from the Benevolent Society that the level of pension isn't good enough to help avoid the digital divide. It is also the level of wages for low-income, partially employed, the casual workforce. As more and more services move online, you need that access. If you walk the streets today, you'll see people on the street who are homeless, who need to have a mobile phone and they need a Smartphone to access what limited income support they've got, to try and find a bed for the night. If any of you have renewed a passport in recent times, you can't walk into a post office like you used to. When you walk into a post office you get sent back to a computer to fill the form in. If you're an older person requiring home care, your account is online and certainly in my family's situation we had to go down to Narooma to navigate the online access to ensure that my partner's mother who had just broken her leg got access to respite care. So for all of us, no matter what our income, our engagement with society access. Yet at the same time, the level of incomes for the lowest people, the lowest quintile to use the statistical term, is actually dropping or being maintained at a level despite prices going up and I know the industry's argument of "Well, prices have come down", but as Greg's statistics show, yes -I mean, you don't even pay for a local phone call now unless you're stuck on an old plan that the company you're with hasn't upgraded. But the amount you need to do online is greater and it's only going to become greater. And we heard Mark Pesce talk about before broadband there weren't a whole lot of things like Facebook, YouTube, but there weren't government services online. So when the newest technologies come in, the 5G, when the nbn is ubiquitous, that is going to be another jump point where a whole lot of interactions in society, that connection with society will have a transformation. Yet, those people that won't be able to afford the new technology or only afford the smallest part of it will be again excluded from that involvement in society, and that's the critical aspect that if we're going to have a society, then all members of it need to be connected. We only need to look at countries in terrible economic crisis and one of the common things across the world is where everyone, where people feel excluded from their society. They get angry, they get frustrated, they get desperate and we really in this country haven't experienced that, except for that group Indigenous people that have been excluded continuously since colonisation.

TERESA CORBIN: Chris, what specific initiatives do you think we need to address this affordability?

CHRIS DODDS: I'll do the ACOSS thing first. Raise the Rate, do something about income inequality in society and that's not just something the welfare sector needs to be involved in. At the Telstra CEO round table, which I am one of the consumers that attend, I argued to a Telstra CEO that he has a social responsibility as do all other businesses to argue that the society needs to look after its poorest. But he didn't just have a social responsibility, he's got an economic responsibility to his own corporation as do the utility companies and all of the other companies because people on Newstart are ones who are disproportionately represented in the company's hardship programmes. They're disproportionately represented in the bad debt books. They're disproportionately represented in the credit listing area. So that's a fundamental part and it's difficult and it's in some ways addressing poverty as long-term poverty. I refuse to believe the cliche that poverty is always with us. I refuse to believe that. It is a matter of social decision whether poverty remains. However, having said that, there are things that need to be done specifically around telecommunications. Number one, nbn needs to wake up to the fact that putting a connection in every home isn't making nbn universally available. They have to have a wholesale product that retailers like Southern Phone, Vodafone, like Telstra can then build to meet the financial ability of the lowest, the people with the lowest income. If the wholesale price is $50 a month and you're on a Newstart level of $450 a week that's a really significant cost. You're going to have to balance not having different things. So that's one, get nbn to realise that they have a corporate responsibility and appropriate support around. Number two is income support specifically around telecommunications and I don't care whether it's called a communications allowance or whether as in energy it's actually a telecommunications concession that's provided for all pension and health care cardholders, but there needs to be adequate government support that's linked to the cost of necessary usage. And the final part is something that I'm really proud to have been involved in and that we need to get more companies involved in and that's corporate social responsibility. The area that I'm proud about is that Telstra through its low-income measures committee and its access for everyone program and through its disability program has -I was talking with Robert Morsilo last night and he indicated to me that over the last 20 years there has been $3 billion of corporate money made available to support vulnerable customers. There's no other corporation in Australia that provides products and services in such a way and the final bit -so it's a 3-fold thing... well, it's a 4-fold thing. It's fixing the rate of Newstart, providing economic security for all citizens. Then, in the telecommunications area, it's getting nbn to have an appropriate wholesale product. It's getting the government to provide an appropriate level of support just as they do in energy. So something that matches the energy concession in terms of its value. And finally, getting more companies involved in real corporate social responsibility, that is designing and providing products to meet the needs of vulnerable customers.

TERESA CORBIN: Sue, do you want to add to any of those goals and

SUE MCGRATH: I'll just pick up the current telephone allowance as an issue which is one of the things that Robert mentioned. Why I think a revamp entirely, a redesign of the telephone allowance that goes to income support recipients is a really high priority is both the sheer dollars associated with it to increase that so it goes to everybody. It's currently received by age pensioners not directly, but through the pension supplement. It's one of the allowances that's wrapped together in the pension supplement and obviously we want to see that continue on and see an increase in it, and the reason that I think it would be very good for pensioners and older people is that it's not tied to data usage. It's an additional amount of money and given the level of exclusion of older people which is to do with affordability and to do with ability and to do with the complexity of systems and products and services, it enables choice and control in the hands of those older people. They might need to spend it on hardware, they might need to spend it on data and connectivity. They might also need to spend it on support for themselves. Technical support in an ongoing way and so it's flexibility. Because they're so excluded at the moment then they make the choices. And so that's where I think for the particular group that I'm concerned with at the moment, that would make the biggest difference as long as we ensure that any change to the telephone allowance does continue to flow through into the pension supplement.

TERESA CORBIN: So we build on what we've got rather than go sorry Greg.

DR GREG OGLE: Pretty much echoing, but I just did on the Newstart stuff, because that's I think core because they are the most disadvantaged group in some senses and I did a back of envelope calculation quite literally. So people on government payments or households whose main source of income is a government payment which includes pensions in this case spend on average 4.4 per cent of their income on telecommunications which is about 25 per cent above the average household. But if you extrapolate that -because we don't have more nuanced figures unfortunately -if you extrapolate that to someone living on a single Newstart payment of $277 a week and then you think, what difference would a $75 a week increase which is the ask from the Raise the Rate campaign makes, it would mean that the percentage of, if they kept the same telecommunications expenditure, that percentage of income would come down to 3.4, closer to the national average. It's still above the national average which is still why we need a concession or a telephone allowance that's telecommunication-specific. But the figures and the difference that would make, that $75 a week makes in terms of telecommunications affordability is clear by how much that goes down and they're conservative figures. If I had higher figures you'd see an even bigger difference. So it's crucial and just pragmatically, politically in the run-up to this election, now is the moment that we've probably got a better chance now than we've had in 10 years to get a Newstart increase. There is momentum behind it, grassroots campaign, the priority for the moment and it would make a very big difference to people struggling with telecommunication affordability and all sorts of other affordabilities.

TERESA CORBIN: We only have a couple of minutes left which is frustrating, but I know there's people from ACOSS here, but maybe they'd want to make additional comment. There's someone from the back. It doesn't have to be a question, it could just be a comment.

>> This is Justine Humphrey from the University of Sydney. I've got a question for anyone on the panel. I'm interested for you to comment on how you think that the low-income consumers are being disadvantaged by the way in which telecommunication products are packaged and priced. So obviously looking at how to raise the rate for consumers on government benefits is a really important measure to address affordability, but we also know that a lot of people who are on low incomes are also paying more for products that are designed in such a way for them to be more expensive at the lower end. So that if you don't have the option for home broadband or other forms of Internet access in the home or you don't have a home, then you're forced to use mobile phones and mobile data, which costs more than home broadband or other kinds of connectivity and likewise, the cost of data per unit ends up being more of a prepaid account than post-accounts.

TERESA CORBIN: The poverty premium.

>> This question of the way in which consumers are disadvantaged by the actual structure of the market is something I'd be interested for you to comment on.

CHRIS DODDS: I think you outlined some of the structural disadvantages yourself and I don't disagree. Obviously we've seen some particularly bad cases of very expensive plans being sold to people in remote communities that are just completely unsuitable and live alongside cheaper plans, live alongside cheaper plans. But I'm actually more concerned about -and it's not just in telecommunications -the structural changes that are coming about in terms of payment methods for example. If you look at energy and your pay on time discounts. Fantastic, you can go to three or four companies and get a 38, 40 per cent discount as longs as you've got a direct-debit on a bank account or a credit card. That doesn't happen for people on low income. They're not going to be able to go 12 months without a default if there's a direct-debit on their account. That move to subscription base, the equivalent of Skype or a range of things suits me. I bloody love it. I've got a credit card with a $3,000 limit. I'll put my direct-debit on that credit card, no problem. But for someone who has a debit card and a bank account that on a fortnightly basis goes up and down because they have to spend everything that comes in and there's a crisis with the car or with the teeth and they've got to pay a dentist or a mechanic and when the monthly direct-debit from the telco or the energy company happens, bang it's a default, then it's that sort of restructuring that suits the bulk of us that doesn't suit the vulnerable providers to actually design products and consult with Salvation Army, Smith Family, ACOSS, the sort of people on Telstra's Low Income Measures Assessment Committee so that when they design a new product, these things are taken into account. Because for the life of me, people that have a credit card and have a bank account that never dips to nothing don't understand that that's even possible quite often so it doesn't come into their thinking.

PROF JULIAN THOMAS Can I make another quick comment. It's a great question, Justine. Looking forward I guess thinking prospectively with this issue, and I agree with what you're saying about current models and pricing structures and the issues especially around mobile-only and others. But I think looking ahead, the issues really are around how the nbn plays out and there was a bit of discussion about that earlier, but not really a lot and in the work, I guess in the report we've done and in the data we're seeing we're seeing some positive affordability effects of the nbn roll-out. Say, for example, in the completion of the nbn in Tasmania. They're interesting, but the effects of the nbn are going to be really complicated and we just don't really know enough yet about what it's going to do. I think that's really where we've got to do a lot of work. The nbn does have some of these positive effects. For example, it acts as a bit of a circuit breaker sometimes for people who have had old plans, so you've got to get a new one. You'll get more data and you might be paying a bit less for that, so it can work that way, but we know it also introduces a whole complex patchwork of new digital inequalities across to get a better picture of.

SUE MCGRATH: I think there's something to do with our passivity in accepting complexity and accepting this shift to the consumer of them having to navigate these incomprehensible complex environments to be able to compare and contrast and make these decisions. We're asking too much, the system is asking too much of consumers as advocates we should be pushing back much harder through codes, through regulation, through our engagements with individual businesses and not accepting the trajectory into this world that nobody can navigate, let alone those who are most vulnerable, let alone those who are not online to be able to make the comparisons online and to work out what the best deal is, and I just feel there is a sort of passivity amongst us around this and we have to push back much harder.

TERESA CORBIN: I think you're right. We noticed there's lots of changes on the consumer safeguards side, but we're not actually progressing the affordability issue at all at the moment. So I think that's a challenge to all of us over the next 12 months. Greg's right, this is the year to do it. We've really got to all start pushing that something's got to happen on this affordability level. With whether you're doing it through your organisation on the Newstart, the pension, doesn't really matter. In that discussion make sure you include connectivity, because we can't progress more equity without having that connectivity. So thank you very much to the panel. (APPLAUSE)