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Service Pricing

Department of Communications

Level 2, 38 Sydney Avenue, Forrest ACT 2603

ACCAN thanks the Department of Communications (‘the Department’) for the opportunity to contribute to its discussion paper on varying the *Telecommunications (International Mobile Roaming) Industry Standard 2013.* ACCAN has already provided feedback to industry and the Department on proposals to amend this Standard, any further comments in this paper should be read in context of that feedback. We believe there is value in the deliberative approach taken by the Department and we await industry response to the questions raised in the discussion paper.

We will now turn to consider the questions raised by the Department in the discussion paper.

Question 1: The current Standard

* 1. ***What things do the current requirements for SMS alerts, opt-out and spend management tools requirements do well? What things do they not do well?***

For consumers the SMS requirements under the Standard generally provide timely and useful information about IMR services and charging information. For example, the alerts are timely and useful because when received soon after arrival and allow consumers to compare roaming prices with readily available alternatives (eg: local SIM cards available at most international airports).

The timeliness of information from spend management tools remains an issue of ongoing concern. Telstra has addressed this issue at a domestic level by creating real-time mobile data usage alerts. Telstra’s announcement of this capability acknowledged the frustration caused by alerts that come too late to help manage spend.[[1]](#footnote-1) Currently the Standard only requires notification “as soon as is reasonably practicable”. Given the significantly higher charges for IMR services, delays in receiving this information is likely to cause substantial consumer detriment.

* 1. ***What are the potential impacts and benefits for industry and consumers in the short and long term? In particular, what are the costs to industry?***

For industry, SMS is a low cost and timely way to provide information to consumers. Once short term capital expenditure has been made in establishing these systems there are limited operational expenses. In its draft decision on mobile termination rates ACCC modelling put the efficient domestic cost to receive a message at $0.0003 per SMS;[[2]](#footnote-2) this is expected to be slightly higher at the international level. This would allow over 3,000 SMS to be received for $1.00. Industry may present evidence of being charged commercial rates well above this efficient rate. However, this is evidence of the ongoing need for the wholesale competition solutions proposed in the *Telecommunications Legislation Amendment (International Mobile Roaming) Bill* rather than evidence of significantly higher costs involved in international SMS termination.

Given the Standard has already been rolled out by Mobile Network Operators (MNO) some additional capital expenditure may be required to create the same capacity for Mobile Virtual Network Operators (MVNO). In terms of capital expenditure, ACCAN has been told by more than one MVNO that this capacity has already been developed, and thus the capital expenditure already made. In these cases the MNO has developed the capacity for its MVNO resellers. We expect the one off cost in developing this capability will be recovered from multiple MVNOs, thus reducing the cost for individual providers.

Alternatively, if the resale market is adequately competitive, MNOs may choose to absorb the cost of developing this capacity in order to retain wholesale customers. Either way the short term capital expenditure costs on individual MVNOs are likely to be minimised.

Question 2: Amend clause 5

2.1 Is there evidence about the potential cost savings for industry or other benefit from changing this SMS alert wording? In particular, what evidence is there that the current messaging causes customer confusion, in what way and to what extent?

2.2 In what ways would changes to the wording impact customers’ understanding of the warning and its consequences?

2.3 What are industry cost savings from reducing the required number of SMS to be sent to customers?

Industry has raised concern about consumer confusion due to receiving multiple SMS alerts. As a general principle we believe efforts to simplify language without losing useful information is an important objective. That said we are yet to see evidence from industry of consumer confusion caused by SMS notifications. Evidence presented in the discussion paper shows that complaints received by the TIO do not suggest there is any issue with customer confusion in relation to either pre-departure or on arrival information.

We note that modern messaging applications ‘stitch’ together multiple SMS into a single message, combined with larger smartphone screen sizes many consumers will not even realise they have received more than a single alert message.

As already raised, the operational cost of sending SMS is extremely low.

#### ACCAN view on amendment

We maintain that industry has yet to provide adequate evidence of consumer confusion caused by the SMS alerts in clause 5. Nor has industry quantified the cost saving of sending a single SMS.

Question 3: Amend clause 6

3.1 What are the potential costs and impacts to industry from introducing SMS alert requirements for MVNOs? In order to understand the capability of MVNOs to provide SMS alerts, are there similar domestic obligations, and if so, how are MVNOs meeting those obligations?

3.2 Are there any other alternatives to still provide MVNO customers with pricing and usage notification (e.g. via email) – noting that the method and messaging may need to be different for different customers?

3.3 What are the positive and negative impacts for industry and consumers from creating a two-tier customer approach dependent on whether their provider is a MNO or MVNO?

According to industry, one of the potential impacts of introducing SMS alert requirements for MVNOs will be an increase in cost which may lead to some MVNOs withdrawing from the market.

Firstly, the cost estimate provided by Communications Alliance needs to be further clarified. The estimate seems to be based on an assumption that each MVNO will make capital expenditure to design, procure, build, test and launch a bespoke solution. ACCAN’s understanding of the MVNO market is that these types of bespoke solutions are rare. This is especially so in developing capacity to meet an Industry Standard, where to a very large extent the solution will be identical across each provider. As mentioned we have already heard evidence that this capacity has been developed for use by MVNOs. As such, these cost estimates require further clarification.

Even if it is accepted that these costs will keep MVNOs from offering IMR services, we need to assess the level of competitive pressure that would be lost from the market if some MVNOs were to withdraw. Most MVNOs are ‘price takers’ when it comes to roaming, meaning the provider has little influence over the prices they pass on to customers.[[3]](#footnote-3) This has led one of the largest MVNOs, Amaysim, recommending its customers get a local SIM rather than pay the high roaming rates it passes on.[[4]](#footnote-4) The loss of some of these players would appear to have a minimal impact on competition; especially given one of the largest MVNOs recommends their customers find cheaper alternatives. Industry needs to provide further evidence of the impact on competition to substantiate claims that competition would be impacted if MVNOs did indeed withdraw from the market.

Industry also notes that prima facie TIO statistics show a “60 per cent decrease in IMR customer complaints spread evenly between MNOs and MVNOs”. These figures require further investigation before they can be relied upon as evidence that existing notification requirements on MVNOs are sufficient. It is not clear if these statistics have been contextualised by accurate international roaming market share information. It is possible these complaint figures are lower because many domestic MVNOs do not activate IMR by default or don’t participate in the IMR market at all. If consumers are not using these services then they are unlikely to generate complaints.

Reliance on TIO figures to predict overall consumer detriment needs to be treated with some caution. ACCAN commissioned research shows that a large number of telecommunications complaints never make it to the TIO.[[5]](#footnote-5) Only 64% of Australians who experience a problem take a complaint to their provider. Of those that make a complaint to their provider 38% are dissatisfied with the outcome. Of those who are dissatisfied a mere 9% follow up this complaint with the TIO. To put this in perspective, of about 8.58 million Australians reporting problems, only about 2% are eventually represented in TIO complaint statistics. It is important to recognise that these complaints about IMR services only represent the tip of the iceberg.

ACCAN is opposed to amendments which would see timely on-arrival SMS alerts for MVNO customers removed from the Standard. This proposal is contrary to the industry’s recently created ‘Customer Information Provision Policy Framework’.[[6]](#footnote-6) Under this Framework, industry agreed that ‘timeliness’ is one of four key principles when providing information to customers. The information required under clause 6(2) only needs to be provided prior to an IMR service being taken up by a customer. This may occur at the same time as a domestic service is taken up and potentially occur years before IMR services are actually used. In these circumstances the information is unlikely to be recalled and could potentially lead to ‘bill shock’ if not re-checked after arrival.

#### ACCAN view on amendment

ACCAN is opposed to creating a two tier compliance system for customer information. The evidence of industry benefit from this change remains uncertain, while the potential for consumer detriment is clear.

Question 4: Amend clause 8

4.1 What are the benefits and cost savings to industry of allowing flexibility in the mechanism through which customers may contact their provider to decline IMR services?

4.2 Apart from a provider’s website which is covered under subclause (4), would amending ‘calling’ to ‘contacting’ in subclause (3), which sets the maximum charge of $AUD 1.00, be sufficient and appropriate to cover the range of contact methods between a provider and customers?

4.3 What would the impact be for consumers and industry, including cost savings?

4.4 What alternatives might there be to provide consumers with the ability to decline IMR services during a public holiday period (which may mean multiple days between the time of IMR activation and the next business day) so that they do not incur charges for unwanted services over that period?

ACCAN has already made its thoughts on this proposal clear. To re-iterate, the ability to opt out of roaming is important in providing consumers with capacity to self-manage their roaming. Again this principle of self-control is embodied in the industry’s own Framework for customer information provision.[[7]](#footnote-7)

ACCAN has no problem with expanding the number of avenues for declining IMR services, so long as this does not lead to options which are expensive or difficult to carry out in a timely manner. We would be amenable to expanding the list of avenues to include SMS charged at no more than $AUD 1.00, or at no charge at all.

On the issue of extending the time for a request to be carried out, these timeframes should be kept as narrow as is realistically possible to minimise consumer detriment. The practical impact of this change could mean international travellers over the Easter period, for example, may have to wait 5-6 days for a request to be processed rather than just 24 hours. Unsurprisingly people are more likely to travel during non-business days. Setting the time period at 1 business day is counter-intuitive and will undermine a consumer’s ability to self-manage their roaming costs.

Upon choosing to decline a service customers may incorrectly assume that this will be done soon after that choice. Non-tech savvy consumers in particular may continue to use their phone to access apps or view maps while travelling without realising these activities consumer significant amounts of data. ACCAN would be encouraged if industry proposed alternatives to this measure which allowed for consumers to decline IMR services on public holidays.

#### ACCAN view on amendment

ACCAN is amenable to the provision of flexible avenues to decline IMR services, so long as they are easy to access and ideally offered at no cost. However, we believe changes to timeframes for declining these services will lead to consumer detriment.

Question 5: Amend clause 9

5.1 What are the benefits and cost savings to industry of allowing flexibility in the timing of when spend management tools are provided to customers? What is the impact on customers?

5.2 Should there be a simplified timing requirement that ensures that the information customers receive is still timely enough to be useful? Or, is this an unnecessary safeguard where the proposed deleted timing requirement would not result in any perceivable adverse impact for customers?

5.3 Is there a timing requirement for domestic services? If so why should the timely provision of spend management tools be more flexible for IMR services than it is for domestic services?

5.4 What are the benefits and cost savings to industry of allowing flexibility in the mechanism through which spend management tools are provided to customers? What is the impact on customers? In particular, what other mechanism, apart from SMS, are industry proposing be received by roaming customers in a timely and accessible manner (e.g. many customers may not regularly check or have the ability to check emails when travelling)?

5.5 What would the impact of deleting clause 9(3) be for both industry and customers? Would instead inserting a simplified usage notification requirement that sets out the minimum terms of dollar amounts and/or percentage of usage meet be a suitable balance between providing adequate consumer safeguards and reducing prescriptiveness for industry (see the insertion of clause 9(c) below)?

5.6 What would the impact for customers be of either keeping or deleting the requirement to provide usage information in dollar amount and/or percentage of usage terms? If domestic usage information is already required in these $ and % terms from MNOs and from MVNOs, why should they not also be provided for roaming services from MNOs and MVNOs?

The principle of this clause is to ensure consumers are informed about usage in a form which makes most sense to them depending on their plan structure. Broadly usage notifications come in the form of dollar amounts for pay-as-you-go services and 50%/85%/100% for included value plans.

ACCAN is concerned that a number of the suggested amendments to clause 9 will undermine the efficacy of the information provided due to delays and imprecise information.

#### ACCAN view on amendment

Consistent with our previous comments, we believe the best time to provide spend management information is prior to the provision of those services – not necessarily at the point of contracting. As such we are amenable to the proposed change to clause 9(1).

We do not believe the proposed change to clause 9(2) is in line with the intent of the original clause. This change has the potential to cause consumers being charged considerable data roaming fees in order to check spend management tools. For example, Vodafone pre-paid PAYG roaming plans bill data at $51.20/MB in the United Kingdom.[[8]](#footnote-8) If consumers are required to view spend management via an email, usually a couple of megabytes, could see consumers paying over $100.

The proposed change to clause 9(c) is ambiguous and may have a number of unintended consequences. The first alternative directs the provision of warnings equivalent to domestic usage notifications. ACCAN would be amenable to this change if it replicated the provisions of the TCP Code. As currently worded it would give providers ambiguous and imprecise direction on the type of information required for a useful spend management tool.

The second alternative is also too imprecise. It has the potential to cause consumer detriment if providers set $AUD notifications at too high a level. Currently the warning is set at $AUD100, under the proposed change a provider could decide to set this warning at $AUD1,000. This would not meet the intent of allowing customers to adequately self-manage spend.

Question 6: Repeal the Standard

6.1 What evidence is there that consumer awareness is being adequately addressed in current roaming markets?

6.2 What are the potential impacts and benefits for industry and consumers in the short and long term? In particular, what are the cost savings for industry?

There is evidence that consumer awareness of roaming charges has improved since the introduction of the Standard. Although given the infrequent nature of international travel for many consumers there is an ongoing need to provide relevant, timely information to consumers so that they can self-manage their spend. As such there is a continuing awareness raising role for the Standard.

The repeal of the Standard and therefore the loss of this useful, timely information would inevitably lead to a spike in complaints and a return to the high levels of ‘bill shock’ and consumer detriment experienced prior to its introduction.

## Conclusion

ACCAN would like to thank the Department for its ongoing and thorough engagement on the IMR Standard. ACCAN believes that if competition is to eventually thrive in the IMR market it will be built upon clear customer information and the right policy settings to address anti-competitive practices in the wholesale market.

We agree clear customer information is an evolving issue and the Standard should be assessed to ensure it continues to meet its aims. As such, we are amenable to a number of recommendations designed to simplify information and provide multiple options for consumers to self-manage spend. On some of the other proposals we await further evidence from industry about the costs and benefits of change.

1. <http://exchange.telstra.com.au/2014/11/12/introducing-australias-first-real-time-mobile-data-usage-alerts/> [↑](#footnote-ref-1)
2. <https://www.accc.gov.au/media-release/accc-releases-draft-decision-on-mobile-call-and-sms-terminating-charges> [↑](#footnote-ref-2)
3. Department of Communications, 2014, ‘Options-stage regulation impact statement trans-Tasman mobile roaming’, p.22 [↑](#footnote-ref-3)
4. Amaysim, 2014, ‘International roaming’, available at: <http://www.amaysim.com.au/help-support/international-roaming.html> [↑](#footnote-ref-4)
5. Galaxy Research, 2015, ‘Telco and ISP Complaints’, available at: <https://accan.org.au/files/Media%20Releases/ACCAN%20Galaxy%20Survey%20May%202015.pdf> [↑](#footnote-ref-5)
6. Communications Alliance, 2014, ‘Customer information provision policy framework’ available at: <http://www.commsalliance.com.au/__data/assets/pdf_file/0007/44539/Customer-Information-Obligations-Framework-Final.pdf> [↑](#footnote-ref-6)
7. Communications Alliance, 2014, ‘Customer information provision policy framework’ available at: <http://www.commsalliance.com.au/__data/assets/pdf_file/0007/44539/Customer-Information-Obligations-Framework-Final.pdf> [↑](#footnote-ref-7)
8. <http://www.vodafone.com.au/personal/international-roaming> [↑](#footnote-ref-8)