

ACCAN Communications Affordability Policy 2016

Proposal

ACCAN proposes that the Government reviews the Centrelink Telephone Allowance to:

1. recognise that telephone and data connectivity are essential to low-income Australians' social, economic, and community participation; and
2. broaden eligibility to include all people on the lowest income support payments; and
3. increase the allowance to a level which provides realistic financial support for up-front connection and maintenance costs for telephone and data connectivity.

Background

The Australian Council of Social Services (ACOSS) 2014 *Poverty in Australia* report indicates that significant numbers of Australians are living in poverty. In 2012, 2.55 million people (13.9%), and 603,000 (17.7%) children lived in households below the poverty line (50% of median income).¹ Recent Australian research indicates that many people living in poverty struggle to maintain telecommunications connectivity. Increasingly, it is data connectivity that provides access to employment opportunities, government services and information, and online educational possibilities. All of these are key enablers to help lift people out of poverty. As our communications market continues to develop and the essential nature of network connectivity increases, issues of affordability for many low-income Australians are creating barriers to our communications networks. Data connectivity is essential to full participation in today's digital economy, because without it people are excluded from normal social and economic activities.

However, research indicates that low-income consumers are spending a significantly higher proportion of their income for telecommunications access, which indicates that the current policy is regressive.² Additionally, these consumers often pay a 'poverty premium' for connectivity as they rely on pre-paid services.³ Pre-paid services generally have lower inclusions and the per-unit cost for pre-paid plans is often higher than for post-paid services. These barriers to connectivity entrench the economic and social exclusion experienced by many low-income Australians, specifically those experiencing homelessness and financial hardship.⁴

¹ P Saunders, B Bradbury & M Wong (ACOSS, Sydney, 2014), 'Poverty in Australia 2014', http://www.acoss.org.au/images/uploads/ACOSS_Poverty_in_Australia_2014.pdf, p 8.

² Dr Sarah Wise (Anglicare Victoria & ACCAN, 2013) 'Trying to connect: Telecommunications access and affordability among people experiencing financial hardship'.

³ Dr Justine Humphry (ACCAN, Sydney, 2014) 'Homeless and Connected: Mobile phones and the Internet in the lives of Homeless Australians.

⁴ Ibid.

Encouraging the uptake of telecommunications services among low-income consumers by reviewing the allowance will increase digital literacy and generate a higher return on the Government's investment in the NBN network and the digital transformation of government services.

Policy failure

There are limited solutions available to assist low-income consumers with the affordability of telecommunications access, and the available solutions are out-dated and too restrictive. The Telephone Allowance is paid at a basic rate of \$27.80 and at a higher rate of \$41.40 per quarter, depending on the beneficiary's circumstances. This is roughly \$6.95 or \$10.35 per month respectively. People on the lowest welfare payments (e.g. Newstart and Youth Allowance) are eligible only if they have dependent children, are over 60, or have a partial capacity to work.⁵

Given that the minimum cost of an NBN plan is approximately \$35 per month,⁶ and getting connected often involves one-off payment of set-up and modem fees,⁷ the Centrelink Telephone Allowance is inadequate. It should also be acknowledged that a large number of low-income consumers depend on mobile devices, which often have higher associated usage costs. A more flexible allowance that reflects the true costs associated with data and telephone connectivity is required. The allowance should continue to allow consumers to choose their service providers, encouraging competition in telecommunications market.

Determining the affordability of telecommunications

Affordability is a consumer's ability to pay for and use telecommunications without sacrificing expenditure on other essential services and items.⁸ The UK telecommunications regulator, Ofcom, considers "a good or service is considered to be affordable for a consumer if the consumer is able to purchase it without suffering undue hardship".⁹ Another common measure of affordability is examining the average proportion of disposable income spent on telecommunications services and analysing the difference in the amount of income spent on essential items. If this proportion is

⁵ Australian Department of Human Services, Telephone Allowance, <https://www.humanservices.gov.au/customer/services/centrelink/telephone-allowance> (accessed 16 February 2016).

⁶ WhistleOut provides plans starting at \$34.95 per month, <https://www.whistleout.com.au/Broadband/Providers/AusBBS/NBN-Tier-1/AusBBS-NBN-Fibre-PAYG-Tier-1?contract=0&modem=BYO-Modem&search=461943>.

⁷ Set-up costs vary depending on the internet service provider and the length of the contract. With 24 month contracts both set-up and modem fees are usually waived, however these long-term contracts are riskier for low-income providers. Month-to-month plans can include fees of \$50 – \$150 and include a modem, or charge up to an additional \$200 for a modem.

⁸ D Lewin & C Milne (2010) 'Are telecommunications services universally affordable across the EU? An independent assessment for Vodafone', http://www.vodafone.com/content/dam/vodafone/about/public_policy/affordability_plum.pdf.

⁹ Ofcom. 2014. 'Results of research into consumer views on the importance of communications services and their affordability', http://stakeholders.ofcom.org.uk/binaries/research/affordability/affordability_report.pdf
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substantially higher for lower-income households, telecommunications costs are considered to be less affordable for lower-income earners.¹⁰

As mentioned above, research has shown that low-income are spending a higher proportion of their income on telecommunications access than other consumers. While the 2015 Australian Consumer and Competition Commission (ACCC) *Telecommunications Report* found that prices for telecommunications overall had decreased, prices for NBN plans had risen as many plans had increased data allowances.¹¹ While this might increase the value-for-money of NBN plans, it is important to remember that not every consumer necessarily wants or needs more plan inclusions. As such, affordability needs to take into consideration the extent to which products and services provide value-for-money *and* choice.

Comparable international approaches

United States

The Universal Service Administrative Company (USAC) administers the Lifeline subsidy for low-income consumers. Under the program, eligible consumers can receive a discount on a landline or wireless service.¹² Eligibility is based on household income levels or on participation in other means-tested government programs.¹³

Until 2012 USAC also administered the Linkup program, which provided a one-off payment to aid with set-up and connection costs. The Linkup subsidy was widely eliminated in 2012 is now only available on tribal lands.¹⁴ However, a policy review in 2013 found that the Linkup subsidies increased take-up of telecommunications more than the Lifeline subsidies. It found that assistance with immediate upfront costs is valued higher than assistance with ongoing costs. This highlights that the ongoing cost is not the only factor for affordability but in fact set-up costs also play a large role in the affordability of a product or service.¹⁵

More recently, the Lifeline program expanded and a new program, Safelink Wireless, was created. This program enables low-income households to access mobile phone products and services as a direct substitute for a home phone.¹⁶ This is an innovative initiative as it takes into account the changing telecommunications landscape where fixed lines are no longer considered the most essential telecommunications service.

¹⁰ Above, n 5.

¹¹ ACCC, 'Telecommunications Report', <https://www.accc.gov.au/publications/accc-telecommunications-report>.

¹² Universal Service Administrative Company (UA), <http://www.lifelinesupport.org/ls/> (accessed 16 February 2016).

¹³ Universal Service Administrative Company (USA), <http://www.lifelinesupport.org/ls/eligibility/default.aspx> (accessed 16 February 2016).

¹⁴ Federal Communications Commission, 'Public Notice: Wireline Competition Bureau Issues Final Report on Lifeline Program Savings Target', https://apps.fcc.gov/edocs_public/attachmatch/DA-13-130A1_Rcd.pdf (accessed 16 February 2016).

¹⁵ Ackerberg, DeRemer, Riordan, Rosston & Wimmer, Estimating the Impact of Low-Income Universal Service Programs, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2286294.

¹⁶ https://www.safelinkwireless.com/Enrollment/Safelink/en/NewPublic/about_us.html.

United Kingdom

The major telecommunications provider, British Telecom (BT), offers a number of packages and subsidies targeted at low-income consumers. The BT Basic package is available to recipients of certain government benefits, including income support, job seekers allowance or guaranteed pensioners credit. The package provides line rental for a fee of £13.50 (around \$30AUD) per quarter, which includes £4.50 worth of free calls. Every domestic call made after this is charged at a discounted rate. This scheme also provides low-income households with access to broadband internet as well as telephone services.¹⁷ However, it is limited to BT customers so to benefit customers must switch carriers if they already have a rental line with another operator.¹⁸

Proposed Solution

Policy solutions to the issues outlined above should ensure that low-income consumers can afford to connect to and maintain ongoing telecommunications services. This includes home internet, mobile, and telephone connectivity. Consumers should be able to choose their service provider, thus encouraging a competitive telecommunications market.

Therefore, ACCAN is proposing the Government implement a review of the Centrelink Telephone Allowance that delivers the following outcomes:

1. The allowance reflects the reality that both data and telephone connectivity are essential to the social, economic, and community participation of low-income Australians. This is becoming increasingly important as the Government transitions to a 'digital by default' model.
2. Eligibility criteria are broadened to include all people on the lowest levels of income support, for example Newstart recipients whose ability to engage in the labour market is dependent on communications connectivity.
3. Allowance rates are increased to ensure barriers of affordability do not lead to ongoing lack of connection or maintenance. Recipients should be able to maintain their service without sacrificing other essential goods or services.

¹⁷ British Telecom (2015), <http://www.btplc.com/Inclusion/ProductsAndServices/BTBasic/index.htm>.

¹⁸ T Eardley, J Bruce, G Goggin, (UNSW, Sydney, 2009) 'Telecommunications and Community Wellbeing: A review of the literature on access and affordability for low-income and disadvantaged groups'.