

The Connected Consumer

The future of consumer focused communication services

Telecommunication services have and are rapidly evolving. ACCAN believes the enhancements to quality of life and economic opportunities from being connected should be available to all consumers. In looking at the future of communication services in Australia it is time for a new focus on consumer needs. The focus to date has centred too much on developments in the telecommunications market and infrastructure rollout. A consumer focus reveals a number of policy gaps that must be addressed now.

Importance of connected consumers

Communication services are an enabler for consumers to perform a variety of functions, rather than deliver value by themselves. Therefore they should be judged on how well they are utilised for the capabilities that they deliver. This capabilities framework considers what a consumer can do. It is based on the theoretical framework, the capabilities approach, developed by Nobel Prize winning economist Amartya Sen.¹ This approach is applicable across political, economic and cultural borders. People can choose to do the things they want to do when they have the commodities available, as well as the environment and personal characteristics that allow them to perform these actions. In the twenty first century this results in the idea of *connectability*, the absence of which results in social isolation, loss of functions, reduced economic livelihood, inhibitor of participation in social life, insecurity and potential threat to safety.² It is important that we ensure that all consumers can choose to be connected consumers.

The gaps

Unfortunately, market forces do not always result in optimal outcomes for consumers. In applying a connectability approach and examining issues in the market, in collaboration with our members, ACCAN has identified a number of gaps in the current policy framework. A number of protections and obligations that currently exist for consumers need to be re-examined. ACCAN has developed six key principles and associated measures to address the gaps.

¹ Sen, A, 1999. *Development as Freedom*. OUP, Oxford. The capability approach was originally used in development studies to understand the causes and consequences of not having opportunities to “do” and “be” what is of value to the individual, due to external causes such as poverty or racism. It highlighted that development should be a method to promote an individual’s capabilities, and should be evaluated according to its impact on people’s capabilities. For example a programme to teach school children to read should not just be evaluated by its means i.e. how many children attended class and passed exams, but by how this impacted on these children’s capabilities- such as being literate, empowered, connected and later accessing jobs.

² Garnham, Nicholas. "Amartya Sen’s capabilities approach to the evaluation of welfare: Its application to communications." *Communication, citizenship and social policy: Rethinking the limits of the welfare state* (1999): 113-124.

Six key principles for Connected Consumers

- 1. Available** essential telecommunication services for all.
Consumers increasingly need guaranteed access to data and voice services.
- 2. Affordable** telecommunication services and targeted measures for low income consumers.
Financial barriers which hinder the optimal take up of services or prevent low income consumers from access to services should be addressed.
- 3. Service standards** applicable on essential services.
Quality standards should apply to essential services. Consumers should have access to information on services to compare providers.
- 4. Accessible** essential services.
Services must be fully accessible to people of all abilities.
- 5. Ensure all consumers can engage and benefit from online services.**
Service delivery bodies should support consumer engagement through their content and design of programs and support to obtain the required telecommunication plans and devices to access services.
- 6. Increased digital literacy and empowerment.**
Consumers need to be sufficiently skilled and confident to engage online and participate in the transition to digital information and service delivery.

The following chart outlines the key areas and the gaps that we have identified.

Connected Consumers

Available	Voice	Grandfather existing arrangements
	Data	Establish standards Retail obligations
	Mobile	Increase coverage
Affordable	Market	nbn pricing examined Geographic pricing and competitive equity
	Low income	Eligibility for Telephone Allowance extended Increased allowance rates
Service standards	Voice and data	Wholesale standards for fixed networks Compensation and incentives
	Comparative retail information	Broadband performance information
Accessible	Ongoing research into barriers	Specialist equipment
		Content format
		Informed customer service
Online services	Ongoing analysis of citizen readiness to engage	Service delivery body / DTO to address barriers by redistribution of savings Content and service design principles to maximise take up
Literacy and empowerment	Identify gaps in confidence and skill	Education programs that are tailored and delivered through variety of channels Showcasing uses and applications

Figure 1: Connected Consumers Framework

1. Availability of essential telecommunication services for all

Guaranteed access to a standard telephone service³ no longer ensures access to the services that consumers require or need to achieve connectivity. Data services are increasingly important. The essentiality of communication services today can be seen by how they are used;

- **in life threatening situations for personal safety and security** (8.5 million calls were made to Triple Zero in 2014, 67% of which were made from mobile phones),
- **for self-progression and personal development** (56% of Australians reported working or studying from home),
- **to complete essential tasks, e-commerce and economic livelihood, success and well-being** (77% of Australians banked and paid bills online, 64% bought or sold items, 49% accessed government websites), and
- **for social networking, interaction and communication** (94% used the internet for emailing, 69% of Australians used the internet for social networking).⁴

While the Government, through the National Broadband Network (NBN)⁵, intends to deliver data services to all Australians, there are a number of gaps in this policy:

- There is no minimum level of data service guaranteed to consumers.
- Consumers waiting for nbn to reach them have no guaranteed access to data services. Many of these premises have been categorised as under-served and may not be connected to nbn until 2021.
- There is no retail provider obligated to provide data services.
- Consumers who have a preference for mobile products have no protections, guarantees or standards applied to their services.

The following should be adopted:

1. Grandfathering the obligation to provide standard telephone services to protect consumers who continue to rely on these services
2. Broadband services should be recognised as an essential service to which all citizens should have access
3. A minimum standard applied at network level in terms speed (download and upload), committed information rate, latency, jitter, packet loss and reliability should be established
4. Barriers at retail levels should be addressed as appropriate.
5. Further consideration needs to be given as to what standard of data services is required by consumers

³ A carriage service with any to any connectivity for the purpose of voice telephony or its equivalent, as defined in Section 6 of the Telecommunications (Consumer Protections and Service Standard) Act 1999. http://www.austlii.edu.au/au/legis/cth/consol_act/tpassa1999620/s6.html

⁴ ACMA Communications Report 2013 – 2014 <http://www.acma.gov.au/theACMA/Library/Corporate-library/Corporate-publications/communications-report>, pages 37 and 55

⁵ Delivered by nbn, the company

6. Mobile network coverage should extend to cover a greater proportion of the population and along important roadways. Preferably, the extensions should ensure competition through open access networks.

2. Affordability of telecommunication services for all, and targeted measures for low income consumers

Leading academics define affordability as a consumer's ability to pay for and use telecommunications without sacrificing expenditure on other essential services and items.⁶ Affordability is particularly an issue for those that have low predictability of cost and have less well developed coping mechanisms. Affordability is a known barrier for broadband services. Nationally the rate of households with internet is currently 86%, with access falling to just 66% for households in the lowest income bracket.⁷ The ABS found that "For households with children under 15 years, the most common reason given for not accessing the internet was cost (43%)".⁸ Current indications are that broadband affordability will become an increasing concern. NBN products last year showed a real price increase of 4.6%, while the cost of other telecommunication services decreased.⁹

ACCAN has identified the following areas of concern;

1. The funding model for nbn puts the social policy premise for which it was established at risk.
2. The potential affordability inequity created by some consumers being served by two fixed networks for their phone and internet services.
3. The inadequacy of the telephone allowance in ameliorating affordability barriers.¹⁰

The gaps should be addressed through:

1. Examination of nbn pricing model.
2. Affordability of equivalent services needs to be considered from the consumer's perspective across the different technologies.
3. Eligibility for Government funded subsidy, the Telephone Allowance, needs to be broadened to include all people on the lowest income support payments.
4. Increase to the Telephone Allowance to a level which provides realistic financial support for up-front connection and maintenance costs for telephone and data connectivity.

⁶ Lewin, D; Milne, C. 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

⁷ <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8146.0Main+Features12014-15?OpenDocument>

⁸ <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8146.0Main+Features12014-15?OpenDocument>

⁹ 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

¹⁰ ACCAN, Affordability Communications Policy, March 2016. <http://accan.org.au/election-2016/election-issues/1179-affordable-communications>

3. Service Standards applicable on essential services

Consumers currently do not have guarantees in relation to connection, reliability and repair timeframes for broadband and mobile services. Complaints to the Telecommunications Industry Ombudsman in relation to internet services have increased by 11.6% year on year. Slow data speeds are the primary driver of complaints with 1,662 issues reported in the October to December 2015 quarter (a 56.8% increase compared to the same period last year).¹¹ There is a risk to consumers from not having guarantees on these services.

ACCAN believes that a new standard should be implemented. This would take the form of a redesign of the current standards (the Customer Service Guarantee (CSG) for connection and repair timeframes of standard telephone services and the Network Reliability Framework (NRF) for fault repairs on the Telstra copper network). A minimum reliability standard should be achieved by networks. Consumers may have no choice in the network that services them. In effect it may be a monopoly; therefore it is important that minimum connection, repair and reliability standards apply to all networks. While consumers deal directly with retail service providers it is important that incentives and accountability apply to the body which is responsible for delivering each element of the end to end services.

The performance of broadband service is also very important for consumers and can impact on what they can do, and the benefits they derive from services. A number of factors can affect performance of a service; from customer equipment, to the network, the retail service provider, to the content providers. However, it is important that consumers have visibility over the level of performance that they can expect and identify and solve any issues which they encounter.

The gaps should be addressed through:

1. Standards should apply to voice and data services in terms of reliability, connection and fault repair timeframes.¹²
2. Consumers should have access to comparable information on the service performance of retail broadband providers.¹³

4. Accessibility of essential services for all

Accessibility of voice services has been addressed through the provision of accessible equipment, tele-typewriters, to enable people who are deaf or have a hearing or speech impairment to communicate. Telecommunication services, particularly data services, are expected to address many barriers faced by Australians with disabilities. The National Disability Strategy states that the NBN “is capable of enabling Australians with disability and their carers to access a range of benefits including e-health services, remote monitoring for assisted living, interactive learning opportunities,

¹¹ Telecommunications Industry Ombudsman, October to December 2015 quarterly report.

<https://www.tio.com.au/publications/news/complaint-statistics-october-december-2015>

¹² ACCAN, A Guarantee for the Future, March 2016. <http://accan.org.au/election-2016/election-issues/1166-future-guarantee>

¹³ ACCAN, Independent Broadband Performance Information, March 2016. <http://accan.org.au/election-2016/election-issues/1178-broadband-performance>

employment opportunities, increased connectedness within the community, and improved access to communication services".¹⁴ Such services can come with a hefty price in terms of the cost of equipment and data allowance, support for which is not currently addressed through the universal services obligation or Government support programmes.

Existing obligations do not address the basic needs of consumers who require additional equipment in order to use data services. Mobile and fixed broadband services, and the associated equipment, may inherently better meet the needs of consumers with accessibility issues. For these citizens, the cost of the additional devices needed can be significantly more than for average consumers. Further support may be required for consumers with additional accessibility barriers. This may include greater support from the telecommunications companies in their knowledge of products and services which are appropriate for consumers with disabilities. Previous ACCAN studies found that it was very difficult for consumers to get appropriate information.¹⁵ If telecommunication services are to be used to address social inclusion, to improve service delivery and health, then equipment and costs of being connected need to be addressed through targeted programs.

5. Ensure all consumers can engage and benefit from online service delivery

Telecommunication services and the NBN are, and will increasingly be, relied on to deliver other services, such as education and government services. This method of delivery is seen as a better method to interact with citizens, compared to other methods such as in person or postal, and produces cost savings to the Government from doing so. Deloitte estimates that digitising customer transactions in government will result in a net lifetime present value benefit of \$20.5 billion (government benefits of \$17.9 billion and costs of \$6.1 billion and citizen benefits of \$8.7b).¹⁶

To deliver these, however, the telecommunications network and household setup need to be at a certain standard. This is not always the case. There may be a number of premises for which the telecommunications network is not up to the standard needed to deliver these services. Furthermore, consumers may not have the technology (e.g. suitable devices or required software) or plan (e.g. suitable level of data allowance) to complete these online services and tasks.

One suggested approach could be the use of zero rating for Government websites (i.e. data is not charged for using these sites). However, this would need to apply to all plans and providers, including mobile networks to ensure equity, which may present a challenge. Furthermore, not all citizens interact or face difficulties interacting, to the same level with e-Government and online

¹⁴National Disability Strategy 2010-2020, https://www.dss.gov.au/sites/default/files/documents/05_2012/national_disability_strategy_2010_2020.pdf p.g. 27

¹⁵ACCAN Disability Mystery Shopper Report. September 2014. <http://accan.org.au/our-work/submissions/953-accan-s-disability-mystery-shopping-report?highlight=WyJkaXNhYmlsaXR5IiwiaWJ2Rnc2FiaWxpdiHkiLCJteXNOZXJ5Iiwic2hvcHBpbmciLCJkaXNhYmlsaXR5IG15c3RlcnkilCJkaXNhYmlsaXR5IG15c3Rlcnkgc2hvcHBpbmciLCJteXNOZXJ5IHNo3BwaW5nIl0=>

¹⁶ Deloitte Access Economics 2015. Digital government transformation.

services. Targeted programs to those that face greater cost with interacting may be more beneficial.¹⁷

The Digital Transformation Office (DTO) and the body delivering the service may be best placed to establish systems to deal with the delivery of these services. They are equipped to play a lead co-ordinating role, and have a technical understanding of the level of service and equipment and software required. Furthermore, this would require content providers to design services with consumers' ability to use them in mind. If the delivery of online services requires the use of special equipment, for example, for consumers with disability, the government agency concerned should provide support for the purchase of this equipment. As a further example, the cost of equipment for school age students should be considered and programs to address the affordability of these designed.

Further analysis is required of the readiness of citizens and consumers for the delivery of online services. Some of the benefits accruing to government could be redistributed to prepare citizens and meet the costs of equipment or data plans required.

6. Increased digital literacy and empowerment

It is important that consumers realise the benefits of communication services. This can only be done through consumers using the services to build perceptions of value. Paradoxically, to use services, consumers must have ability, skill and confidence. Lack of confidence, low ability or fear of technology is reported to be one of the main barriers to use.

The main reasons given for not accessing the internet at home are: no need (63%), lack of confidence or knowledge (22%), and cost (16%).¹⁸ Studies by the CSIRO support the finding that confidence is an inhibitor to take up and use of services.¹⁹

As with all new technologies, consumers need to be informed and educated about the benefits and uses of data services. Raising digital literacy through education programs and showcasing uses and innovative applications is required. Ongoing monitoring of consumers attitudes to using communications services is needed to support targeted programs that increase confidence and digital literacy.

¹⁷ See affordability policy for further information. <http://accan.org.au/our-work/policy/1179-affordable-communications>

¹⁸ <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8146.0Main+Features12014-15?OpenDocument>

¹⁹ CSIRO, 2013. *Broadband Impact and Challenges, realising the benefits from the digital economy*. <https://publications.csiro.au/rpr/download?pid=csiro:EP1312215&dsid=DS1>