



accan

Our  
Broadband  
Future

What  
consumers  
want

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# Broadband is a game changer

Broadband networks are being regarded as general purpose technology enablers like the steam engine, railways and electricity. The proposed investment in a high speed national broadband network (NBN) may enhance the quality of life and economic opportunities available to all Australians. Just as the electricity network led to numerous far-reaching social and economic changes, the broadband network may have ripple effects in our lives over the coming years in ways that cannot yet be imagined.

## The Challenge

For the first time in our history, we have the opportunity to enable universally inclusive communications. However, ACCAN is concerned that consumer interests are not playing a central role in the development of the broadband network. In the rush to build the infrastructure, what is being forgotten is that the choices we make now will shape our society for many decades.

## What is being overlooked?

The government has been focused on creating a fibre, satellite and wireless network that will be an open access 'wholesale' network. The goal is to promote competition between communication companies on an equal basis which will theoretically lead to consumers being offered a wide range of high quality and competitively priced services.

Unfortunately there is insufficient attention being given to the reality of the 'retail' level. The great risk is that consumers will not get to experience the promised high speed broadband at affordable prices on an ongoing basis.

Markets often work in unpredictable ways, and this applies especially to markets with complicated variables and only a few players.

Australians already know that the current phone and internet market does not work for them. Service offerings are limited and confusing, and come with onerous conditions and financial penalties. Service standards are poor. Switching providers is a lengthy, expensive nightmare.

Simply leaving it up to the market to deliver to consumers an affordable, quality service is not good enough. Now is the time to ensure the full potential of high speed broadband is realised.

# ACCAN's four principles for our broadband future

- 1. Broadband for all.** The Universal Service Obligation (USO) must be reviewed and re-defined to include a high quality, affordable and accessible broadband service.
- 2. No consumer should be worse off** during the transition and following the implementation of the broadband network.
- 3. Robust consumer protection rules** for services delivered over the broadband network must be built-in from the start and there should be ongoing consumer engagement.
- 4. Services need to be provided in a competitive and fair market.** Regulators including the Australian Competition and Consumer Commission (ACCC) must actively and pre-emptively intervene as required to prevent the development of market power or unfair practices.

If the Government is going to devote enormous taxpayer resources to constructing the NBN and make services delivered over it a practical necessity in daily life – it follows that there must be a commensurate right to the service for all Australians.

# 1. Broadband for all

Broadband is already a necessity for effective access to the internet. It has become essential for ordinary citizens to access a wide range of information and services. Many government services are already delivered in a way that assumes everyone has broadband internet.

This includes basics such as public transport timetables, payments for various licences and permits, applications for social security, and filing forms for courts and tribunals.

Those without broadband cannot benefit from the discounted prices many companies offer only for online purchases. Exclusion from the savings available through shopping on sites such as eBay is another everyday example of financial disadvantage.

In addition, major public and private service providers are forcing people to access their help and complaints systems through email or web sites. Help over the phone or via shop fronts is less and less available.

Around the world, governments are recognising that broadband is essential to social inclusion and are setting achievable plans to attain their own defined universal service goals.

The Australian Government must now guarantee availability, affordability and accessibility of a phone and broadband internet service for everyone who needs it regardless of where they live or work.

## USO in a broadband world: availability

For those areas that fibre networks will not reach, other technologies should be deployed to give adequate service.

While the NBN's fibre, wireless and satellite networks may provide universal availability of broadband in a technological sense, this does not automatically mean universal affordability and accessibility of a service.

## USO in a broadband world: affordability

In order to achieve available, affordable and accessible broadband, the current USO should be re-imagined. We should look to the practical reality of what is required for social inclusion today and define a new USO accordingly.

The groups who could benefit significantly from internet are often those who have the most trouble affording a computer, let alone internet access.

Pricing for an essential service such as broadband should be driven by affordability criteria. Following the best practice policies being adopted in Europe, ACCAN believes a broadband service at a reasonable price should be a universal right.

**“Children without the internet at home are increasingly hampered in their education. The elderly and poor without the internet increasingly have to pay higher prices which strain limited budgets. Adults without the internet are increasingly shut out from looking for work. The internet is also particularly valued by many disabled users, who may find online shopping or banking more accessible than using the high street. The list goes on.”**

**Peter Phillips, Partner, Strategy & Market Developments, Ofcom, UK.**

**Westminster eForum: Broadband for all?  
Broadband and the Universal Service –  
16 July 2009**

There are groups of consumers who will not be able to afford this essential service even with a competitive market in place. For disadvantaged groups, the government needs to ensure specific access and affordability measures are in place.

The NBN is a publicly funded initiative and it should serve community needs. The Government therefore has an obligation to work with retailers to deliver specific services for low income consumers and other classes of consumers for whom the market alone may not deliver adequate or appropriate services.

The expense to the taxpayer of ensuring social inclusion will be recovered many times over in direct savings to the government through online service delivery and indirectly through increased productivity and the economic opportunities that will become available to disadvantaged groups.

### **USO in a broadband world: accessibility**

Around one quarter of Australian households do not have a computer and around one third have no access to the internet. Those with hearing or vision disabilities often cannot afford the additional equipment they require to take full advantage of the internet. In addition, existing equipment may not be compatible with the NBN.

The redefined USO must include measures to provide computers to those who need them and specialised computer and telecommunications equipment to people with disabilities that would enable them to take full advantage of the benefits of broadband.

### **USO as nation-building**

A firm commitment to a USO is the right policy not only for reasons of social inclusion, but also because this is what we need to do if Australians are going to benefit from the opportunities of a digital economy. When it comes to innovative products and services based on high speed broadband, international evidence shows we are years behind comparable countries in our region.

The NBN will not be a truly nation-building project if it creates exciting opportunities for some but leaves nearly a quarter of the population permanently on the outside of those opportunities.

Skill building is a key part in driving uptake of broadband. A decade ago South Korea launched extensive digital literacy education and adult training programs (free or highly subsidised) for senior citizens, military personnel, farmers, teachers and stay at home mothers. This investment in skill building has enabled a range of new 'information economy' industries to flourish. South Korea is now firmly established as one of the world's broadband leaders. This approach is being followed in several European countries.

#### **LEADING UNIVERSAL SERVICE POLICIES**

##### **FINLAND**

**Broadband of at least 1 Mbps a legal right for all by 1 July 2010 at 'reasonable price' – upgrading to 100 Mbps by 2015.**

##### **SPAIN**

**Broadband of at least 1 Mbps a legal right for all by 1 January 2011 at 'reasonable price'.**

##### **SWITZERLAND**

**Broadband of at least 600 kbps down and 100 kbps up since 1 January 2008 at fixed maximum price. Includes SMS relay service and transcription service for hearing impaired; directory and switching service for people with limited mobility.**

## 2. No consumer should be worse off

The onus must be on government to ensure a seamless transition for consumers during the transition to the broadband network. The standard phone service should not be interrupted or downgraded in quality. Emergency call capabilities must continue to be supported.

During the NBN infrastructure roll-out, decisions on connection arrangements and equipment installations in homes and businesses should be made in a consultative manner and should not shift costs or risks onto consumers.

### **MAKING PCs AVAILABLE TO DISADVANTAGED GROUPS**

**A decade ago the South Korean government, as part of a suite of measures aimed at increasing computer use and literacy, provided subsidies for low income earners to purchase PCs. The government itself purchased 70,000 PCs for low-income families with full support for broadband for five years. 80,000 PCs were offered to people with disabilities.**

## 3. Robust consumer protection rules and consumer engagement

The NBN establishes a new, complex set of arrangements for delivering broadband.

To prevent the problems that make the current consumer experience in the phone and internet market so poor, there must be clear rules guaranteeing quality of service for consumers.

Consumers must be provided with clearly defined lines of responsibility on faults and quality of service issues such as drop-outs, downtime and speed. Symmetrical download and upload speeds are enabled by the NBN and should be offered to consumers. There must be a clear, effective process for wholesalers and retailers to diagnose faults, and there must be a clear definition of whose responsibility it is to fix what and within what timeframe. There must be enforceability mechanisms and compensation to consumers for failure to comply with the rules.

The role of the Telecommunications Industry Ombudsman (TIO) needs to be re-defined to include all consumer issues that might arise in the NBN environment and should be resourced appropriately.

Revision of the role of the TIO should take place alongside economy-wide law reform to produce a simplified framework of consumer protection which prohibits unfair conduct.

### **Broadband wholesalers should be gatekeepers of customer service standards**

Customer service standards can best be guaranteed by placing conditions on retailers who wish to access the broadband network. Wholesalers should require that all retailers they contract with have minimum quality of service standards, customer complaint handling procedures, and accessibility policies.

## **NBN Co Consumer Advisory Committee should be established**

The long-term interests of end users is the overall policy objective in broadband policy-making. To realise this objective, NBN Co Limited, a company wholly owned by the Commonwealth Government, should be required to establish a consumer advisory committee which will have the express purpose of providing expert guidance on how the company can operate in order to ensure availability, accessibility and affordability for end users.

## **Public Information and Community Liaison**

The NBN roll-out will require millions of 'on the ground' interactions with home-owners and tenants, local councils and body corporates, shop owners and building managers. The government should start engaging with the community.

The Digital TV Switchover Taskforce has shown the way on how to work with the community to inform and equip people to make sense of large scale changes. The Taskforce was set up early, was adequately funded, had a direct link to policy makers, worked closely with community and industry stakeholders and, most importantly, has proven that it is prepared to adapt to the needs of stakeholders.

The Taskforce has implemented a unique model of working closely with local communities by funding outreach service based within local councils. Its information service has considered the diverse needs of the community, resulting in information in Braille, easy English and local languages. The same or similar Taskforce should be given the responsibility for implementing policies and liaising with communities and industry on the transition to the NBN.

## **BROADBAND ENABLES A REVOLUTION IN PUBLIC TRANSPORT CONVENIENCE**

**One of the most popular iPhone apps in the city of Seoul, Korea shows real time information on where every bus in the city is located. Real-time arrival information is also displayed on electronic signs at bus stops. Drivers monitor the information to maintain regular intervals between buses.**

## **EXAMPLE OF EFFECTIVE COMMUNITY ENGAGEMENT**

**The Digital TV Switchover Taskforce has Liaison Officers working 'on the ground' out of local organisations and local Council offices. They attend all types of events, meetings and programs run by all manner of local groups to make contact and spread the word to a wide cross-section of the community.**

**The Taskforce also places ads in a range of ethnic community newspapers in dozens of languages in an effort to get the message out to hard-to-reach groups.**



## 4. Sustaining a competitive and fair market

Experience has shown that it is very difficult to enforce publicly mandated standards of behaviour on monopolies. Given the difficulties and cost to the taxpayer involved in breaking the market power of Telstra as a monopoly infrastructure owner, ACCAN wants to ensure that NBN Co does not become yet another poorly regulated monopoly. In such a situation, guarantees of affordable and accessible broadband for all Australians would be increasingly difficult to enforce.

To ensure this does not occur, NBN Co should be limited to offering wholesale service and the ACCC should be empowered and adequately funded to be a responsive, active and pre-emptive regulator of both the wholesale and retail broadband market.

The ACCC should be directed to monitor the broadband market and address anti-competitive conduct or market concentration bottlenecks before they adversely affect consumer welfare and the Australian economy.

An example of anti-consumer behaviour is the current practice of unfair download caps and excess usage charges. Excessive start-up and exit fees and charges which discourage or prevent consumers from switching providers should also end.

It must be recognised that this will be a significant new regulatory workload for the ACCC. It must have its expert competence boosted with adequate staffing and resources in order to ensure it can overcome information asymmetry and resistance by telcos.

### **EXAMPLE: SOUTH KOREA'S REGULATOR ACTIVELY MANAGES THE HEALTH OF THE MARKET**

**In May 2010, the Korea Communications Commission (KCC) imposed on telcos a cap on how much they could spend on marketing. The cap was designed to ease overheated competition in the premium smart phone market and encourage telcos to invest more in improving service quality. In order to ensure telcos follow the guidelines, KCC conducts industry inspections and takes strict action against violators.**

**In 2008, the KCC temporarily banned Korea Telecom (KT) and other telcos from signing up new broadband customers in response to the companies' illegal sharing of customer information with telemarketers. The KCC has also issued numerous fines for anti-competitive practices.**

**In 2004, the power of KT was recognised as an obstacle to a competitive broadband market. The regulator therefore designated KT as a "dominant service provider" and subjected it to stricter service and pricing regulations.**

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