Improving affordability of communications

Research and policy directions

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In March 2013 the Australian Communications Consumer Action Network (ACCAN), Australia's peak advocacy body for telecommunications consumers, organised a forum to discuss communications affordability with the aim of identifying research gaps and potential policy directions. The results of a joint ACCAN-Anglicare Victoria research project show that telecommunications are not universally accessible. Almost 6% of their clients were deprived of all forms of telecommunications and almost half (45.3%) had only had one form of telecommunication. It is argued that the National Broadband Network alone will not resolve affordability challenges for the lowest-income consumers. A range of affordability policy ideas outlined at the forum are canvassed with an emphasis on reforming the universal service obligation and developing new government initiatives.

Introduction

Over the last decade the Internet has become an essential service for most people. However the assumption that everyone is accessing the Internet needs to be more thoroughly scrutinised. In March 2013 the Australian Communications Consumer Action Network (ACCAN), Australia's peak advocacy body for telecommunications consumers, organised a forum to discuss communications affordability. The objective of the forum was to identify the state of knowledge on the issue along with research gaps and potential policy directions. Ultimately ACCAN wishes to lay the policy foundations for improving affordability for the lowest income and less connected parts of society.

The forum featured extensive discussion on why, for example, 21 per cent of Australian households remain without a home Internet connection (ABS 2012), and why 13% of people don't access the Internet at all (Ewing 2013). It also featured presentations on the ACCAN-Anglicare Victoria survey and research from the Swinburne Centre for Social Research and from Telstra among others.

ACCAN-Anglicare survey reveals the 'essentiality' of mobile phones…

New knowledge presented at the forum came from a joint ACCAN-Anglicare Victoria research project in which a range of telecommunications affordability issues were addressed. Each year Anglicare Victoria conducts a 'hardship survey' to monitor the extent to which people on low incomes are missing out on what are generally considered to be life essentials. The survey targets clients of emergency relief and financial counselling services and, as such, it reflects the experiences of the lowest income segment of Australian society. The sample is therefore a snapshot of a vulnerable population experiencing financial hardship. ACCAN and Anglicare Victoria worked together to ask a number of telecommunications questions as part of the Hardship Survey 2013. The survey was conducted in February 2013 with 300 respondents

The survey uses an approach known as the 'deprivation index', which was developed by Australian academic and social researcher Peter Saunders. The index consists of a 26-item scale that measures the nature and extent of material hardship. These are items that Australians regard as the 'essentials of life', such as medical treatment or regular social contact with people (Wise 2013). Survey respondents are considered to be deprived of specific items if they do not have the item due to unaffordability (rather than as a result of actively making a lifestyle choice). Using this method, deprivation understands poverty as the inability to afford a standard of living that is consistent with social norms. The 'deprivation index' measures social disadvantage and exclusion by taking into account indicators that relate directly to living conditions actually experienced, rather than focusing solely on monetary figures (Saunders 2008; 9).

Overall, the findings show that telecommunications are not universally accessible. Almost 6% of clients were deprived of all forms of telecommunications and almost half 45.3% had only had one form of telecommunication (Wise 2013, 16).

Deprivation of home Internet (49.2%) and mobile Internet (56.1%) were high. Clients accessing inner city services and clients living with dependent children had better access to home Internet than clients accessing outer-metropolitan and non-metropolitan services and clients without dependent children (Wise 2013: 16).

In contrast, a low 10.9 per cent of survey respondents did not own a mobile for affordability reasons. However, despite 86 per cent of respondents owning a mobile phone, over one third of participants (37 per cent) thought that mobile phones were either 'somewhat' or 'very' unaffordable (Wise 2013). This perception, coupled with the respondents' widespread use of mobile phones, suggests an element of 'essentiality'. That is, mobile phones are considered

such an essential item that despite many respondents finding them unaffordable, they continue to use them.

Of the respondents with a mobile phone, a considerable 42.1% indicated that it had improved their standard of living extremely. These findings point to the essential nature of mobile phone for the surveyed client group.

…and high levels of Internet deprivation

In contrast, just over 65 per cent of respondents do not have access to home Internet. Out of this group, 62.4 per cent stated that having access to the Internet would 'moderately' or 'extremely' improve their standard of living (Wise 2013). This is hardly surprising given that the Internet is a tool in multiple everyday activities across all spheres of life. One salient aspect of Internet deprivation would be severe limitation on access to employment opportunities and job application processes which have largely shifted online. Without easy Internet access one is less likely to benefit from government services which might require recipients to have an online account (Gerrand 2013). Government agencies, including Medicare and Centrelink, are moving to online methods of service delivery and "app" based interaction (SACOSS 2013 cited in Wise 2013).

While the survey figures are all derived from a sample group of low socio-economic survey participants, broader research that measures the relationship between income and home Internet access arrives at similar conclusions on low-income groups.

Research from the Swinburne Centre for Social Research found that in 2011 a mere one per cent of those that earned $100,000 or more per year did not have an Internet connection at their home. For those earning between $30,000 and $60,000 this percentage increased to 14 per cent and climbed even higher to 36 per cent for those earning under $30,000 per year (Ewing 2013).

The impact of Internet deprivation is seemingly becoming more severe. As Scott Ewing, speaking at the affordability forum put it, there are "more people, doing more things, more often" online (Ewing 2013). In 2009, 35 per cent of Australians visited a social networking site once a week. Two years later, that figure had jumped to 44 per cent (Ewing 2013). While to some, social networking might seem a trivial measure, the importance of staying connected with others and of participating in social life should not be underestimated. Considering that "regular social contact with other people" is an item listed in Saunders' deprivation index, more widespread access to the Internet (and by extension social networking sites) among low socio-economic groups would contribute to reducing other elements of the deprivation index.

Responding to the 'Digital Divide': A worthy investment

The ACCAN-Anglicare survey, as well as the research conducted by Scott Ewing, point to the continued existence of a 'digital divide'. Hargittai and Hsieh point out that:

> "[g]iven the myriad of opportunities they make available, digital media
> have the potential to alleviate existing social inequalities. Depending on
> the pattern of uptake, however, they also have the potential to contribute
> to increased stratification" (cited by Ewing 2013).

So while access to telecommunications is often heralded as a fundamental threshold for democratic participation as it provides people with a platform to voice opinions and to interact as consumers and citizens in new ways, there continue to be barriers, whether it is lack of familiarity with technology or its affordability.

The Commonwealth Government has introduced a number of initiatives to improve digital literacy. One initiative targets senior Australians who might have had little exposure to computers and the Internet in the past. These 'Broadband for Seniors' kiosks are located across Australia in community-based organisations such as local libraries where volunteer tutors provide seniors with computer and Internet training (Commonwealth Government 2013). Digital literacy training is also circulated through the Digital Hubs program, which targets local residents in areas where the National Broadband Network (NBN) rollout has commenced. It provides residents with the opportunity to experience NBN-enabled services and technology (DBCDE 2013).

These government initiatives address the digital literacy side of the 'digital divide'. In other words, they are based on the assumption that the digital divide could be narrowed as more people learn how to use and access computers and the Internet. While this might indeed be a worthy cause and a legitimate assumption, these initiatives fail to take into account how affordability of telecommunications devices and services impacts on the 'digital divide'.

Policies to improve affordability 'will pay for themselves'

A number of researchers who presented at the affordability forum addressed this gap in government policy and argued for an improvement in affordability, focussing especially on the Internet. Peter Gerrand (2013) explained how an improvement in Internet affordability could result in a net economic benefit to Australia, as savings in government service provision, infrastructure and transport, among other areas, would be made. This argument is based upon a hypothesis by Gans and King which argues that the cost of providing a basic 1 Mbps broadband service, free of charge and available to all low income households, would be

covered by government savings generated through shifting service provision online (Gans and King 2010).

Supporting this contention, the economic impact of providing services online, particularly payment methods through avenues such as PayPal or direct transfers, has been assessed by the economic research agency Moody's Analytics. In a study released in February 2013, the agency found that electronic payments contributed to a 0.8 per cent growth in GDP in developing economies and a 0.3 per cent increase in the GDP of developed economies (Zandi et al 2013, 3). This increase could be attributed to electronic payments minimising costs generally associated with processing paper or cash payments. In this dimension of transaction costs alone, a more broadband-enabled society yields significant financial impact on governments and businesses alike.

Is the NBN the answer to affordability concerns?

The National Broadband Network (NBN) has often been touted as the answer to affordability and accessibility concerns and is advertised as "affordable, high-speed internet access for all Australians" (NBN Co 2013). However, it is evident that NBN pricing leads to retail prices similar to non-NBN retail prices (LeMay 2012; Maher 2013; Whistleout 2013) and that low-end consumers will not, under current policies, have the option of paying less than what Telstra is charging now for a basic voice-only service. The minimum that an RSP has to pay NBN Co is just under $26 per month, even to supply a voice-only service (NBN Co 2012). There are then retail mark-ups in addition to this.

In ACCAN's consultations with stakeholders, it has become evident that a strategic challenge for generating policy change on affordability is the belief in policy-making circles that the rollout of NBN infrastructure is sufficient to address affordability concerns (even for low income consumers) in the communications market. The empirical reality does not support this belief. In order to get a better affordability outcome from the NBN investment, NBN Co's wholesale pricing should be reviewed and a formula that supports affordable retail offers for the lowest income consumers needs to be considered. In the absence of such a modification to wholesale prices, policies to address affordability at the retail level need to be considered.

Responding to the 'Digital Divide': Policy options

While a number of initiatives exist that provide low-cost Internet training to seniors and to residents of NBN rollout areas, there are to date no direct low-income measures for Internet access.

Infoxchange, a non-profit community organisation that aims to achieve social equality through wider access to ICT, is an example of a community sector initiative that could be

developed more widely. Infoxchange offers a service which provides low cost home broadband for $10-$15 a month, providing all the relevant equipment, in low-income housing areas.

One idea canvassed at the forum was that a targeted government program could encourage Retail Service Providers (RSPs) to implement a similar program to Infoxchange and offer reimbursement to RSPs per low-income customer served. Committing to discounted low-income offers could also be a way for RSPs to fulfil their corporate social responsibility. Furthermore, by increasing their customer base, RSPs would be adding to their own market value (Gerrand 2013).

Telstra is a notable example of a telecommunications provider that has implemented programs that address affordability concerns. Its 'Access for Everyone' initiative targets those Australians who are trying to make ends meet, who have a disability or who live in a remote or indigenous community. It allows these consumers to access a range of services, such as bill assistance programs, to manage spending and alleviate costs (Telstra 2013). One obvious policy direction would be for some equivalent low-income measures to be applied to broadband and to have social service agencies at the 'coal face' of poverty involved as distribution or outreach partners in offering the measures in the most efficient possible manner.

Other potential government initiatives were called for at the Affordability Summit, with Peter Gerrand proposing that the government implement what he has termed a Universal Broadband Service (UBS). A UBS would provide low-income earners with an Internet connection with a minimum access speed of 12:1 Mbps (2013). This policy proposal draws inspiration from the Universal Service Obligation (USO) that currently exists for landlines. Under the USO, Telstra is obliged to provide a standard telephone service to almost anyone. Gerrand's UBS would be targeting low-income households and be aimed at spreading online connectivity through which voice services are increasingly delivered.

The UBS becomes a 21st century version of the universal Standard Telephone Service, encompassing voice (over IP), TTY and voice relay services, and enabling access to all Internet-based services. A user's terminal device (e.g. a tablet with a WiFi router) would need to be supplied as part of the UBS. This reform of the USO towards connectivity and mobility emerged as a significant theme at the forum.

Concluding observations

On the whole, governments creating policies to address affordability need to keep in mind the insights of the research discussed above – that the essential service is now arguably the

smart mobile device – as it combines Internet access with the voice service considered most essential – a mobile.

Government affordability initiatives may fall short if they insist on offering low-income consumers assistance or guarantees around fixed-line services when their preferred or predominant mode of Internet and voice access is through a mobile device. Future policy thinking needs especially to guard against false assumptions about the existence of a stable household and long term place of residence as the basis for broadband access. Any low-income measures developed by government may be deficient if they fail to address the affordability of smart mobile devices and basic access on such devices.

In the absence of government action, there is also considerable scope for consumer advocates to work with leading telcos in developing low-income measures of the kind canvassed above. Advocates can point to successful low-income programs overseas and can assist telcos to improve their public image by demonstrating their commitment to social justice and corporate social responsibility.

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