COMMUNICATIONS
ALLIANCE LTD

Paper Billing: Consultation RIS

COMMUNICATIONS ALLIANCE SUBMISSION

JANUARY 2018

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INTRODUCTION

Communications Alliance welcomes the opportunity to provide this submission in response to Treasury's Consultation Regulation Impact Statement: Paper Billing, released in November 2017.

About Communications Alliance

Communications Alliance is the primary telecommunications industry body in Australia. Its membership is drawn from a wide cross-section of the communications industry, including carriers, carriage and internet service providers, content providers, equipment vendors, IT companies, consultants and business groups.

Its vision is to provide a unified voice for the telecommunications industry and to lead it into the next generation of converging networks, technologies and services. The prime mission of Communications Alliance is to promote the growth of the Australian communications industry and the protection of consumer interests by fostering the highest standards of business ethics and behaviour through industry self-governance. For more details about Communications Alliance, see http://www.commsalliance.com.au.

The Problem

The shift towards digital billing over the past years has provided cost, efficiency, and time savings, with added environmental benefits. Many consumers opted for digital billing prior to paper billing fees, and due to consumer uptake it has become the norm for many industries. Paper billing fees have emerged in parallel to ensure that customers are charged only for the services they choose.

While Communications Alliance appreciates that not all customers prefer a digital bill, we do not see that the Consultation RIS has clearly identified a market failure, nor a problem that warrants government intervention. According to *The Australian Government Guide to Regulation,* the first RIS question is to identify the problem you are trying to solve, followed by considering why government action is needed.[1] This includes considering if the issue, once it has been defined, is a genuine priority and a serious problem. We acknowledge, and will address below the specific concerns outlined in the Consultation RIS, but on the whole we would consider that there is not a case for government action.

The Consultation RIS indicates that these fees may be a concern for disadvantaged consumers. However, there is widespread availability of exemptions, and so consumers are able to choose providers that offer billing options that meet their needs. The availability and take-up of these exemptions will be addressed later in this submission.

The paper also indicates a concern that paper bill fees do not accurately reflect the costs, although the Australian Consumer Law protects against unconscionable conduct – including fees as 'penalties.' The costs of paper billing are discussed further in this submission, and we suggest that the Consultation RIS does not take into account a number of factors which contribute to cost.

Finally, there appears an overall bias against paper billing fees within the Consultation RIS. For example, the Consultation RIS states that paper billing fees are "used to encourage consumers to make the change to digital bills", despite that digital bill uptake began before fees were introduced.[2] It is also important to note that, with the majority of customers choosing digital bills, charging for paper bills ensures that customers only have to pay for services they wish to use, and allows providers to continue offering the choice of a paper bill to consumers who wish to receive one.

In a market which allows for consumer choice, and which has evolved to pass cost savings on to consumers, we suggest that the Consultation RIS does not specifically identify a problem which should be a priority for government intervention.

<u>Government Response</u>

If Treasury does consider that there is a problem which needs to be solved, there are challenges with a uniform response across industries.

Each industry has its own practices, regulations and relationships with customers. The telecommunications industry has a few unique aspects to consider. The first is the nature of the Industry's interactions with its customers. One of the key services telcos provide to their customers is access to the internet, either mobile or home, enabling access to digital billing.

[1] Australian Government Guide to Regulation (2014), 7

[2] The Treasury, Consultation Regulation Impact Statement – Paper Billing (November 2017), v

Additionally, customers are increasingly choosing to interact with their provider online, whether through websites or online chat portals. Telco providers can also identify those customers with only a phone service and no internet access and so can better target exemption programs to customers who cannot access a digital bill.

Many telco providers interact with their customers solely on a digital basis. This is particularly true of Mobile Virtual Network Operators (MVNOs) and smaller providers. If the government response is to mandate no paper billing fees across the industries identified in the Consultation RIS, it is likely that the majority of telcos that currently offer a paper billing option would move to only digital billing.

The telecommunications industry is also characterised by the high level of competition and consumer choice offered. If a customer wishes to receive a paper bill, they can select a provider that offers that option and examine exemption policies before choosing their provider.

Finally, the Telecommunications Consumer Protections (TCP) Code – enforced by the Australian Communications and Media Authority (ACMA) - provides an additional level of regulation for this industry (over and above the protections contained in the Australian Consumer Law), with detailed rules about billing, including limiting any fees for providing information about bills to the cost. Creating yet another additional level of regulation, with similar rules, would add unnecessary compliance costs and create greater overlap between regulators.

With the differing practices, regulations, and regulatory bodies for many of the industries mentioned in the Consultation RIS, a universal change in regulation would be unnecessary, complex, and costly.

Moving Backwards

Paper bills have negative impacts on cost, timeliness, and environmental impact, and for government to push industry towards paper bills would be a step backwards.

Across industries, companies work to provide the best value to their customers, including by keeping operational costs low. One significant method of decreasing costs is by increasing automation and the use of digital tools. Paper bills have significantly higher costs, in printing and postage, than digital bills. Additionally, with the continually increasing price of postage, those costs will continue to grow.

Paper bills also present difficulties for bill issue and payment timing. If a company cannot control the date which the customer receives their bill, determining an appropriate bill payment date is nearly impossible, and thus bill payment periods must be extended. The timeliness (and reliability) of the post has presented challenges for a number of industries. With the advent of the two-speed mail service, and increasing complaints of misdelivered or delayed mail, the post is not ideal for time sensitive documents such as bills.[3] This has a particularly strong impact on smaller service providers (of which there are many in the telecommunications industry) who are heavily reliant on scheduled cashflow.

[3] Lucy Battersby, "Australia Post: snail mail gets even slower," *Sydney Morning Herald*, 28 March 2016. http://www.smh.com.au/national/snail-mail-gets-even-slower-20160317-gnldtg.html

Finally, the positive environmental impacts of digital interactions reducing the use of paper, ink, and the associated equipment are broadly acknowledged, and we strongly recommend Treasury consult closely with a range of environmental groups on this topic. As a small example, from Telstra's 2014 Sustainability Report, billing paper use alone decreased 27% from 2012 to 2014.[4]

Pushing service providers towards paper bills would be moving backwards, with negative impacts on consumers and operators.

Telstra use of billing paper
Tonnes (t)

FY2012	1,990
FY2013	1,699
FY2014	1,443

Billing in the telecommunications industry

Background

The telecommunications industry operates under the Telecommunications Consumer Protections (TCP) Code. The TCP Code is enforceable by the ACMA, and mandates that providers must give customers at least one free option to access their billing information, and that bills and any billing information must be provided in a medium "that the Customer is able to store and reproduce," including paper, email, or online.[5] It also states that if providers charge for a bill access method, "it must be limited to the cost of providing the information."[6]

Considering the digital nature of the industry and services provided, many telecommunications providers only interact with their customers on a digital basis, keeping costs down and interacting with customers in ways aligned with their preferences such as SMS alerts, emails, and apps or websites where customers can access their information at any time.

The Consultation RIS suggests that paper bill fees present challenges for consumers concerned with cost. In telecommunications, many of these customers select pre-paid plans, meaning they do not receive a bill at all, or they select MVNOs, many of whom do not provide paper bills. In fact, the pre-paid market grew from 31.2% of the overall market in Sept 2016 to 35.7% in Sept 2017.[7]

Telecommunications consumers have shown a preference for digital bills, with a low take-up of paper bills. Our members also advise the use of paper bills is declining as many customers move to digital bills. As most billing information is commercial in confidence, we are aware that some of our members will make their own submissions with further details.

[4] Bigger Picture 2014 Sustainability Report, *Telstra,* 12. https://www.telstra.com.au/content/dam/tcom/about-us/community-environment/pdf/sustainability-report-2014.pdf
[5] C628:2015 (Incorporating Variation No.1/2017), Section 5.2.3
[6] Ibid, Section 5.2.6
[7] Kantar Worldpanel ComTech, in Commsday 17 Nov 2017

Costs

The cost differential between paper and digital billing is significant. We will address some of the Consultation RIS' cost questions below – however, with the commercial in confidence nature of this information, we encourage Treasury to reference individual submissions from our members with further details.

Focus Questions

1. *How much does it cost your business to produce and provide a paper bill?*
2. *How much does it cost your business to produce and provide a digital bill?*

The costs of providing a paper bill vs a digital bill are complex to calculate. In addition to the clear differential of printing, paper, and postage, for each individual bill, there are also ongoing operations costs such as billing system differences and additional staff. The agreement across the telecommunications industry is that there is a significant price difference between providing a paper and digital bill. One member informed us that for them, the cost of providing a digital bill is 11.7% that of a paper bill.

3. *Do you charge customers for a digital bill? If so, why?*

As discussed earlier, the TCP Code ensures that all providers must give consumers the choice of one free method to access their bill.

Section 5.2.5 states that "Billing information must be provided through one medium free of charge for the period of up to 24 months prior to the date the Billing information request is received by the Supplier," while Section 5.2.8 of the Code reads "**Cost of data containing Billing information:** If a supplier is making information from, or about, a Bill, available in an electronic form, it must offer at least one method of accessing that information that does not involve Charges being imposed by that supplier."[8]

4. *Does your business charge a paper billing fee? If so, why?*

The majority of telecommunications providers who provide paper bills do charge a cost-recovery fee. This allows customers to pay for services which they choose to use, while preventing the majority of customers from having to face increased costs.

Exemptions are offered by most providers to consumers who need a paper bill for various reasons.

5. *How does your business calculate the cost it charges consumers to receive a paper bill? Would your business consider this amount to be equal or below the cost to provide a paper bill?*

[8] C628:2015 (Incorporating Variation No.1/2017).

As previously stated, telecommunications providers must limit any charges to the cost of providing the information. These calculations depend on each provider's billing system, operations, and other factors, and will be addressed in individual providers' submissions.

9. *Does your business charge a paper billing fee? Does the amount you charge as a paper bill fee cover the cost to produce and send the bill?*

Providers have stated that the costs they charge for paper bills do not cover the overall cost to produce and send each bill. This is particularly true as there is a significant cost to retaining the necessary systems to produce and send paper bills, despite the low and declining numbers of consumers who choose those bills.

With this in mind, we strongly debate the suggestion on page 8 of the Consultation RIS that paper bills are seen as an additional revenue stream. At least 2 providers have stated that paper bills are ultimately a loss to the business, despite fees charged to offset the costs as much as possible.

Exemptions

Focus Questions

11. *Do you offer an exemption program from paper billing fees? What criteria must be satisfied to access your exemption program? Do you require evidence from a consumer to satisfy the criteria for an exemption?*

12. *What percentage of your customers use the exemption program? What has been the trend over time, and is this likely to continue?*

Communications Alliance understands that some consumers have concerns about paper bills due to individual needs. Providers offer varying exemptions to a very broad range of customers, including elderly consumers, those who cannot access the internet for a variety of reasons (including – literacy challenges, no access to a computer, and others), and people with a disability. Providers covering a majority of the market – Telstra, Optus, and Vodafone – all offer exemptions addressing a variety of needs.

Every provider offers different services, and in a competitive marketplace, consumers have the opportunity to choose the provider that works best for them. We strongly recommend that customers enquire with providers prior to purchase if this is of interest of them, or that they reach out to their current provider to discuss their options.

As to exemption take-up, we refer to individual provider submissions for those details.

Policy Response

In order to ensure an appropriate policy response, as discussed previously, there must be a clearly defined problem, supported by evidence, which we did not find in the Consultation RIS.

If a problem with digital billing is identified, we recommend any policy response should be consistent and aligned with the Government's Digital Economy Strategy.[9] It should support innovation, digitalisation and economic efficiency and should not impose a regulatory barrier or burden on industry. If it does impose a cost burden, the policy should take into account the Australian Government Guide to Regulation Principle 3, which is that the cost must be fully offset by reductions in existing regulatory burdens.[10]

Additionally, when considering any action, it is important to note the history of the move to digital billing. This was a gradual evolution of consumer preferences, with support from environmental groups, and lowered costs and improved efficiencies across the board. Companies have adapted their billing and operational systems over time, and any steps encouraging a move back to paper bills would be a regression.

1. Status quo + education

While we support the continuation of current laws, a centralised education program would be an unnecessary cost without evidence of benefit. It would not allow specific targeting, and would include the administrative costs that come with any centralised program.

With the roll-out of the nbn, telecommunications consumers have already expressed that they feel overloaded with information. The market is currently saturated, and an education program on paper billing fees would likely become lost in the amount of information currently sent to consumers.

As CAANZ is already planning an education program in March 2018, we would strongly recommend awaiting the results of that program before considering any further costs.

We therefore recommend the status quo continue and that an industry led education campaign is unnecessary for the reasons described above.

2. Ban on all billing fees

This is a drastic suggestion, for a problem which has not been clearly identified, and with likely broad reaching and negative impacts. If paper billing fees were banned, the likelihood is that the remaining telecommunications providers who give the option of paper bills would stop doing so, meaning that consumers who need paper bills would lose that option, or would be severely limited to 1 or 2 providers who continue offering them.

For the providers who do continue offering paper bills there would be a significant cost which would impact consumers. The costs calculated by Treasury significantly underestimate what this would look like, and with the necessary change in operations, the costs would likely go up even for consumers currently paying paper bill fees. This is due to the change in

[9] https://industry.gov.au/innovation/Digital-Economy/Pages/default.aspx
[10] https://cuttingredtape.gov.au/sites/default/files/documents/australian_government_guide_regulation.pdf, Page 2

operations – billing, accounting, and other systems, including the need to add additional staff, in addition to paper, printing, and the growing cost of postage.

Focus questions

16. *What would the cost be to your business if paper billing fees were banned? How would your business deal with these costs?*

Specific costs will be addressed in individual submissions, but these would include complete overhauls of accounting and billing systems, evaluation of printing options (the question of bringing in house or outsourcing), additional staff, changes in bill and payment timing, preparing for bills which are not received by customers, and other considerations in addition to the obvious of paper, ink, and postage.

For the companies which choose to continue offering paper bills, this extreme cost burden would have to be passed onto consumers.

17. *How many of your customers pay to receive paper bills? What is the frequency with which they receive those bills?*

Please see individual submissions.

18. *If you were unable to charge for paper bills would you invest in alternative means of encouraging consumers to transition away from paper billing?*

We note the reference to "digital bill discounts" in the questions for consumers on this option, as one 'alternative means' to encourage consumers to choose digital bills. These discounts were used during the initial move to digital billing. They have the same impact on consumers as paper bill fees as regards paying for paper bills, but include higher costs overall which would be passed onto consumers.

As previously mentioned, if telecommunications providers were unable to charge for paper bills, they would likely move away from offering paper bills at all. For those who would continue to offer that option, we leave it to individual providers to reflect on this question.

3. Ban on essential service providers charging for paper bills

Entering the ongoing conversation on the definition of 'essential service' seems to be a costly and time intensive exercise for a problem which has not been clearly identified. Even if clear definitions were laid down, there are a number of consumers who choose bundles which include services some consider essential (landlines) and those which some would not consider essential (entertainment services). If providers were banned from charging for paper bills for essential services, the cost of this process may decrease the number of bundled services available to consumers, thus removing the associated discounts.

Focus question

23. *What would the cost be to your business if you are an "essential service provider" and were no longer able to charge paper billing fees?*

4. Limiting charges to cost recovery

For the telecommunications industry, this is already addressed in the TCP Code and discussed on page 7 of this submission. Additionally, as addressed in the Consultation RIS, implementing this option would require the development of a legislative definition of cost recovery. This would be a time and resource intensive exercise, with differing accounting systems between business and industries, for a problem which is still unclear.

Focus questions

25. *What is an appropriate definition of cost recovery?*
26. *What would be the cost for a bill provided on a cost recovery basis? Do you expect this figure to change over time?*

5. Behavioural nudges

We encourage Treasury to consider that there are complexities (and costs) in including information in bills. For some providers, all bills have the same information – regardless of if they are paper or .pdf, or if the consumer is already receiving an exemption, and a message about a paper billing fee and related exemption could create consumer confusion.

Once again, it is important to return to the principles of best practice regulation, in that a clear problem has not been established, nor has any benefit to regulation which may create regulatory overlap and cost.

Focus question

27. *What would be the cost associated with, including on your paper bills, a statement advising consumers how they can access exemptions from paper billing fees?*

The costs would differ based on the billing system used by each provider.

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