

ACCC MOBILE SERVICES REVIEW JUNE 2003.

SUBMISSION BY THE SMALL ENTERPRISE TELECOMMUNICATIONS CENTRE LIMITED (SETEL)

The Small Enterprise Telecommunications Centre Limited (SETEL) is a not-for-profit public company limited by guarantee. Membership comprises industry associations, with members predominantly from the Small Business sector, & businesses as users of telecommunications services. Sector coverage exceeds 600,000 small businesses.

SETEL is active in a wide variety of telecommunications industry fora, supported by the Commonwealth Government's 'Grants to Fund Telecommunications Consumer Representation' program of the Department of Communications, Information Technology and the Arts. In terms of grant funding, SETEL's primary role is to advance the interests of Small Businesses as users of telecommunications services. The telecommunications needs of home-based and micro businesses are also covered.

SETEL liaises extensively with industry, government and regulators on telecommunications matters affecting Small Business, has substantial involvement in the Australian Communications Industry Forum (ACIF) consumer code/guideline development processes and maintains a significant level of involvement with the TIO.

Small Business sector involvement and support for SETEL continues through the Small Business Coalition (SBC). SETEL provides administrative and technical support for the SBC E-commerce and Telecommunications Advisory Group (ETAG).

SETEL seeks to raise the levels of awareness of telecommunications issues, products and services in the Small Business sector and seeks to assist small businesses to make 'informed' decisions about telecommunications and places focus on the extent and quality of supply of telecommunications services to small businesses in non-metropolitan, rural and remote regions of Australia, particularly in areas where competition is either non-existent or not adequately developed.

SETEL assesses the level of communications services provided to SMEs in urban areas, particularly in relation to provisioning of extra lines, mobile 'black spots', availability of non-standard telephone services and internet access speeds.

SETEL's Objectives

Advance and represent the interests of Small Business in telecommunications:

- To Governments
- To the Federal Public Service (in particular the Department of Communications, Information Technology and the Arts)
- To the Australian Communications Authority and the ACCC
- To the telecommunications industry
- To other government-related areas impacting on the Small Business sector.

Actively participate in ACIF code development programs and other ACIF activities, which have a bearing on Small Business.

Raise awareness of telecommunications issues in the Small Business sector.

Promote developments in telecommunications to the Small Business sector to increase the level of understanding of telecommunications issues and policy development and to foster greater input into policy debates on such matters.

Provide briefing on telecommunications to the Small Business sector, mainly through industry and member associations.

Seek to raise the level of participation by the Small Business sector in telecommunications industry fora.

Provide a forum and co-ordinating role for Small Business in relation to the widespread adoption of electronic commerce.

Continue liaison with consumer and user group bodies and representatives in the telecommunications sector and other industry associations involved in the telecommunications industry.

Seek to recognise and promote the needs of different size related categories of small business - home-based and non-employing businesses, micro businesses (5 or less staff), larger small businesses (including rural businesses) and medium size businesses which make up the SME sector.

Seek to raise small business awareness of how telecommunications can be used as a driver of business success, particularly through involvement in e-commerce activities.

Seek to identify solutions for the adoption of e-commerce by small business and the implementation of outcomes from an E-commerce Roundtable/Forum for SME's.

Address SETEL's capacity to serve the interests of small business to facilitate access to reliable internet connections at speeds sufficient to encourage the uptake of productive new web-based development tools.

SETEL Activities

- fostering awareness of telecommunications issues throughout the small business sector,
- representing the interests of small businesses (as consumers of telecommunications services) in the development of Government and industry policy in relation to telecommunications,
- facilitating discussion of and research into telecommunications issues, and
- informing and educating small businesses and small business associations on telecommunications issues.

SETEL maintains the necessity to address the value proposition in seeking to interest small businesses in telecommunications issues. SETEL adopts a pro-active stance in relation to telecommunications policy and market developments, recognising that small businesses, in general, prefer to operate in a competitive environment. To assist in this process SETEL's activities involve efforts to improve the self-management of telecommunications issues and services by small businesses.

Comments on Mobile Services Review

Benefits of declaration and materiality of any benefits

(In considering the extent (if any) to which declaration is likely to promote competition, the Commission must have regard to the extent to which declaration will remove obstacles to end-users gaining access to carriage services or services provided by means of carriage services. Declaration is not expected to result in end-users gaining access to a greater range of services. Rather, any benefits to end-users from declaration of a service are likely to be in the form of lower prices. The extent to which such benefits arise is likely to depend on the cost savings that service providers could achieve.)

SETEL notes the comment above that "... any benefits to end-users from declaration of the long distance mobile originating service are likely to be in the form of lower prices". This seems to point to the prospect of declaration benefiting end-users, which has attraction from a small business perspective. SETEL notes that although the benefits that flow from declaration may be "limited", such benefits in the form of lower prices would be significant, with the prospect of even lower prices as greater call charge competition developed. An additional benefit would be the introduction of new and differential services.

Information received during the inquiry into long distance mobile services in 1999 indicated that competition for call charges was likely to intensify over the foreseeable future in the absence of declaration, particularly as market growth slows and new entrants roll out their own networks.

It appears that competition is still developing, even three or four years later. Competition for call charges appears not to have developed on a significant scale and this situation is likely to continue over the foreseeable future, particularly as market growth slows and as few new suppliers, if any, enter the market.

While competition in the mobile services market has developed over the past few years, there is still scope for further improvements, particularly in relation to competition for call charges and greater transparency of differential pricing offerings.

Who are end-users?

SETEL would like to see individuals, small businesses and other businesses treated as different classes of end-users. This is particularly relevant in terms of the potential growth of mobile data services provided to end-users, notably small businesses. This also applies to an emerging strong market sector – young financially well-off adults.

Applying the long-term interests of end-users test

Forming a view about the net impact on end-users is likely to be a qualitative assessment involving judgments about the benefits and costs arising from declaration, and the spread of those costs and benefits.

SETEL would like to see more assessments of the costs and benefits arising from declaration and the spread of these costs and benefits, as between individuals, small businesses and other businesses, or some such grouping or market segmentation.

Must the interests of all end-users be promoted?

(In the Commission's view, to be satisfied that declaration will promote the long-term interests of end-users, it need not be satisfied that all end-users will benefit. In some instances, the benefits may be confined to a group of end-users, while in other instances some end-users may be adversely affected. The Commission's approach will be to consider the flow of benefits and costs, and determine the net or overall benefit to end-users. Where the impact of declaration on some end-users is likely to differ from the impact on others, it may be appropriate to identify and group the end-users for the purpose of analysing the impacts.)

SETEL sees merit in the Commission's approach to considering the flow of benefits and costs, and determining the net or overall benefit to end-users. The impact of declaration in terms of the costs and benefits on the "small business" sector and "other business" sector is likely to be different from the "individuals" sector and, therefore, it seems appropriate to identify the business sectors separately for the purpose of analysing the impacts. Regard should be had to both voice and data mobile services.

SETEL would prefer the domestic GSM & CDMA terminating access service declaration to continue. However the pricing model should more closely reflect real cost and the retail cost levels should reflect the 'pass through' effects from any reductions in wholesale costs.

For a fixed to mobile terminating service the cost of the final component is totally obscure to a customer. The ever-widening range of call charging 'options' on mobile services serves to create confusion as to what is an 'appropriate' level. A good example is the practice of some carriers to charge differential prices for on-net and off-net calls. This suggests a real cost of carriage of the service as being closer to the discounted price charged for the on-net service. Does the terminating access charge account for the full amount of the differential? Pricing models should reflect this market practice.

Consumer or end-users may also expect the charge for a 'complete' fixed to mobile call to be closer in amount to that for a fixed network call for a similar distance (if known). For example Telstra charges (business rates) 9.9c/min for a peak call < 50 km and 4.4c/min for an off-peak call. A Telstra mobile on-net call charge (for a class of business customer) is 33c/min at peak time and 25c/min off-peak. This is a substantial difference when the call is known to be 'local'.

It is worth noting that the 'surcharge for a peak time off-net mobile call is 11c/min whereas the off-peak 'surcharge' for an off-net call is 2.5c/min. There are four distance related price bands for Telstra fixed calls ranging from 9.9c/min to 26.4c/min for a peak time call and 4.4c/min to 17.6c/min for an off-peak call.

The purpose of the on-net differential pricing plan is to foster bundling of similar services (and can be used to good effect in a family environment or a business) but the

effect is generally to cause confusion and to overstate apparent benefits. The calling party generally does not know the network operator applicable to the called party thus the benefit is latent – realised at the time of viewing the bill and not available at the time of making a call so as to be able to influence the decision of the caller.

Extension of Declaration to calls terminated on 3G Networks.

At this early stage of development of 3G networks, and the expected focus on data services on these networks, SETEL prefers, at this time, not to see the declaration extended to calls terminating on these networks. However the situation should be subject to review in say twelve months time or when there is evidence of development of a significant market. SETEL's comments on differentiation of classes of end-user may be pertinent in this respect as the main users are expected to come from the business segments (for data) and the young adult consumer market (for entertainment applications).

Concluding remarks

SETEL is not convinced that competition to any significant degree or scale has emerged to result in significantly lower call prices for mobile services, at least not commensurate with decreases in prices of calls on long distance and international fixed services. Nor is SETEL convinced that the slowing of market growth (including in terms of value) has resulted in significantly lower mobile call prices for small businesses. SETEL is not aware of evidence that new entrants have engaged in sustained call price competition in the mobile market. SETEL is not convinced that competition has intensified to such a degree that call prices have fallen so as to benefit small businesses.

SETEL's comments regarding the time and effort required by small businesses to evaluate mobile plans and the lack of transparency on pricing of plans remain very relevant. Small businesses are not easily able to discern real savings in call charges, particularly where bundling of services is involved.

The market has tended to rely on a confusing array of 'comparative' offerings of bundled products and services combined with less than transparent call pricing options. It was pleasing to see the withdrawal of confusing 'subsidised' handset packages (for a short time) but lack of widespread action in the market resulted in the return of this practice.

Mobile services do offer a real and valuable alternative to fixed services and the uptake of such services, as well as being a social trend, is partly due to frustrations experienced with the supply, and lack of flexibility, of fixed line services.

Mobile telephony has become an integral part of most small businesses but real concerns about high-level and uncontrollable costs remain a significant concern.

SETEL envisages no need at present for the ACCC to impose any regulatory controls on domestic or international intercarrier roaming.