

**COMMUNICATIONS
ALLIANCE LTD**



**ANNUAL REVIEW OF REGULATORY BURDENS ON
BUSINESS:**

Social and Economic Infrastructure Services

Productivity Commission Issues Paper

SUBMISSION

February 2008

TABLE OF CONTENTS

COMMUNICATIONS ALLIANCE.....	2
INTRODUCTION	2
EXECUTIVE SUMMARY.....	3
ACMA THE TAX COLLECTOR	4
INFORMATION PROVISION TO CUSTOMERS.....	5
CUSTOMER SERVICE GUARANTEE	6
CONCLUSION.....	7

COMMUNICATIONS ALLIANCE

Communications Alliance is the peak communications industry body in Australia. Its membership is drawn from a wide cross-section of the information and communication technology (ICT) industry, including service providers, vendors, consultants and suppliers as well as business and consumer groups.

Our vision is to provide a unified voice for the ICT industry and to lead it into the next generation of converging networks, technologies and services.

More information about Communications Alliance can be found at:
www.commsalliance.com.au

INTRODUCTION

Communications Alliance welcomes the opportunity to make a submission to the Productivity Commission (the Commission) on the *Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services* (the Review). Individual members will also be making submissions to the Review. This paper should be seen as complementary to those submissions.

Communications Alliance has previously made submissions to the following reviews on regulatory burdens:

- Performance Benchmarking of Australian Business Regulation Study, Productivity Commission, December 2006
- Performance Benchmarking of Australian Business Regulation Study, Productivity Commission, October 2006
- The Regulation Taskforce, Australian Government, November 2005

This submission should be read in conjunction with these past papers. As requested by the Commission, we do not intend to repeat the points made in the past papers. This body of work does not purport to refer to all the potential areas of regulation where reform is needed in the communications industry.

EXECUTIVE SUMMARY

The communications industry in Australia is subject to an enormous amount of regulation extending across the spectrum from revenue raising taxes, levies and charges to consumer protection initiatives. The fundamental objective of imposing regulation on any industry should be the achievement of a balance between the cost of the regulation and the benefit to society. There is no doubt, that in the communications industry, there are many regulations that are unnecessarily burdensome, complex, and/or duplicative and the benefit to society is debatable.

Communications Alliance believes that there is considerable scope for simplification and rationalisation of the revenue raising mechanisms in the communications industry. The Australian Communications and Media Authority (ACMA) argued that there is a strong case for change in this area and Communications Alliance agrees with this assessment. We encourage the Productivity Commission to work with the Australian Government's Tax System Review Panel and Treasury to devise ways to reduce this regulatory impost on industry.

The communications industry is subject to a large amount of duplicative and unnecessary regulation around the provision of information to its customers. There should be a review these regulations with a view to rationalisation. A cost-benefit assessment should be conducted on any new regulation on the provision of information to customers to ensure that the consumer is getting all the information they want and the industry is not overly burdened with ineffective regulations.

It is time to review the Customer Service Guarantee (CSG). This regulation has been on the books for nearly a decade and the communications landscape has changed substantially since then. This regulation is incredibly burdensome and costly for industry and it should be reformed.

ACMA THE TAX COLLECTOR

The communications industry in Australia is subject to a broad range of industry specific taxes, levies and charges. ACMA is responsible for collecting and administering that revenue and as such is the third largest collector of Commonwealth taxes and levies. ACMA received over \$700 million in 2007-08 in taxes and levies from the communications industry¹.

ACMA collects revenue through licence fees, charges for telecommunications numbers and from the allocation of radio communications licences. The main charges levied on the telecommunications industry are:

- The Annual Numbering Charge (ANC)
- The Universal Service Obligation Levy (USO)
- The Annual Carrier Licence Charge (ACLC)
- The National Relay Service (NRS)
- Licence Taxes

Importantly, and by ACMA's own admission, "(t)here is considerable scope for simplification, from both an economic and administrative efficiency perspective" of the taxes and charges that are imposed on the industry².

ACMA also questions the policy rationale behind industry-specific taxes that it, and other regulators, are required to administer. The Australian Government should consider whether broad taxes such as company taxes would be a more appropriate mechanism to achieve its policy and revenue objective.

The regulator further calls for a significant reduction in the complexity of its current revenue-raising processes and the associated compliance burden on industry. ACMA claims that this could occur with little impact on Commonwealth revenue.

Communications Alliance agrees with this assessment and believes that the Australian Government should consider alternative approaches in relation to revenue raising mechanisms that minimise the "distortionary impact on the industry"³.

The industry should not be subject to unnecessarily burdensome efficiency and administrative costs as a result of an antiquated and uncoordinated system of revenue raising. A solution is possible where significant savings are made and the Commonwealth's revenue base is not affected. This would benefit both sides of the regulatory equation.

Communications Alliance submits that there is considerable scope for simplification and rationalisation of the industry specific taxes, levies and charges that are imposed on the communications industry in Australia. We encourage the Productivity Commission to work with the Australian Government's Future Tax System Review Panel and Treasury to devise ways to reduce the regulatory burden on the communications industry arising out of revenue raising mechanisms.

¹ Portfolio Budget Statements, 2008-09, Australian Government

² ACMA Submission to Australia's Future Tax System Review, February 2009, piii

³ *ibid.* p3

INFORMATION PROVISION TO CUSTOMERS

Communications Alliance strongly supports the principle that customers should be provided with the right information at the right time. The communications industry is subject to a large amount of overly burdensome regulatory requirements that deal with the provision of information to customers. Often this regulation is duplicative and unnecessarily burdensome.

The key objective should be the provision of all the information that a **customer wants** in an easy to consume format. This does not mean that the customer should be provided with every piece of information that may be relevant to them. Research has shown that customers become confused and overwhelmed with the amount of information that is provided to them by their telecommunications service provider. Importantly, because of the large quantum of information, the research found that customers are not being educated or informed about their rights and consumer safeguards.

Despite this, new regulations continue to place additional information provision requirements on the industry. A cost-benefit assessment should be conducted with every new piece of regulation to ensure that information benefits the customer and is not provided elsewhere.

Communications Alliance submits that the information provision requirements contained in the many regulatory instruments that the communications industry is subject to, should be reviewed to establish:

- What requirements are unnecessary or redundant;
- What alternative mechanisms are available to the provision of information such as 'on request' and 'online'; and
- Whether a sunset clause should be inserted into the relevant regulations.

CUSTOMER SERVICE GUARANTEE

The communications landscape has changed dramatically since the *Telecommunications (Customer Service Guarantee) Standard 2000 (No.2)* (CSG) was put in place in the late 1990's. The CSG only deals with fixed line telephone services.

Mobile and broadband have completely changed the way we communicate with each other. Consumer's dependence on fixed line communications is in decline and it is expected that this decline will continue. In that context, it would seem prudent to review the ongoing appropriateness of the CSG as a consumer protection in the modern communications world.

Communications Alliance believes that the CSG is unnecessarily burdensome and that there is significant scope for reform in this area. We argue that the CSG:

- Imposes unreasonable direct and indirect costs on industry
- Is too highly prescriptive with the quarterly reporting period being unnecessary and too burdensome on industry
- Consumes too much of the regulator's time that could be better assigned elsewhere.

Communications Alliance submits that the Australian Government should conduct a broad review of the regulatory burden imposed by the CSG in the context of the modern communications environment.

CONCLUSION

The Productivity Commission has been tasked with the important job of identifying ways to reduce the regulatory burden on business across the economy. Getting the balance right between the need to protect the community and the cost to the economy and industry is a constant struggle for regulators.

The communications industry in Australia is highly regulated. Some of this regulation was developed in a piecemeal fashion accompanied with a failure to acknowledge or adequately take into account regulatory measures that had gone before. That means that the industry has been straddled with many regulations that are unnecessarily burdensome, complex, and/or duplicative. As a result, there is significant scope to simplify and rationalise these regulations and effect a real reduction of the regulatory burden on the industry. This can be achieved while ensuring that the objective of the various regulations continues to be met.



Published by:
COMMUNICATIONS
ALLIANCE LTD

Level 9
32 Walker Street
North Sydney
NSW 2060 Australia

Correspondence
PO Box 444
Milsons Point
NSW 1565

T 61 2 9959 9111
F 61 2 9954 6136
TTY 61 2 9923 1911
E info@commsalliance.com.au
www.commsalliance.com.au
ABN 56 078 026 507