

**Communications Alliance Ltd &
Australian Mobile Telecommunications Association (AMTA)**

**Proposal to the ACMA regarding Calls to 1800/13/1300 Numbers
from Mobile Handsets**

November 2012

This proposal has been endorsed by the Australian Phone Words Association (APWA)



TABLE OF CONTENTS

- 1. **Executive Summary 3**
- 2. **The Industry Proposal 5**
- 3. **Timing Considerations 6**
- 4. **Implementation Issues and Potential Unintended Consequences of the ACMA Proposal 7**
- 5. **Growth in 1800/13/1300-Friendly Mobile Plans 10**
- 6. **Education programs 11**
- 7. **Recommendation and Next Steps..... 11**

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 Australian Mobile Telecommunications Association (AMTA)

The Australian Mobile Telecommunications Association (AMTA) is the peak industry body representing Australia's mobile telecommunications industry. AMTA's mission is to promote an environmentally, socially and economically responsible and successful mobile telecommunications industry in Australia. AMTA members include mobile Carriage Service Providers, handset manufacturers, retail outlets, network equipment suppliers and other suppliers to the industry.

For more details about AMTA, see <http://www.amta.org.au>.

1. Executive Summary

Communications Alliance and AMTA ("the Associations") have prepared the proposal detailed herein in response to the invitation from the ACMA to submit a market-based alternative to the ACMA's proposed amendment to the Numbering Plan.

The ACMA's proposed amendment would:

- Make calls from mobile phones to 1800 numbers free of charge to the calling party; and
- Limit the cost of calls from mobile phones to 13/1300 to the amount that consumers would expect to pay for a local call made from a fixed line phone.

The industry proposal will:

- see a more rapid implementation of free-of-charge calls from mobile handsets to 1800 numbers, and;
- leverage market-place developments and industry initiatives to provide a framework where no consumer need incur high costs for calling 13/1300 numbers from mobile phones.

The industry proposal has been developed with the direct involvement of the three major Mobile Carriers (Telstra, Optus and VHA) and other service providers, including AAPT, for the Authority's consideration; ideally before the ACMA proceeds with its planned statutory consultation on the relevant proposed amendments to the Australian Numbering Plan.

This proposal has been discussed in detail with and is endorsed by the Australian Phone Words Association (APWA), which represents 1800/13/1300 subscribers – i.e. the businesses that offers access for their customers via 1800/13/1300 numbers.

The proposal has also been discussed with the Australian Communications Consumer Action Network (ACCAN), who have discussed it with other consumer groups and provided feedback directly to the ACMA.

The Associations recognise and applaud the significant efforts made by the Authority and ACMA staff to investigate this complex issue and consult appropriately with stakeholders.

The industry proposal stands in addition to the significant changes that have occurred in mobile market offerings during the past two years, (detailed later in this document), which in themselves have created a more beneficial consumer experience in relation to calls made from mobile handsets to 1800/13/1300 numbers.

The industry proposal is designed to:

- leverage the work already undertaken by the Authority and achieve the three objectives outlined by the ACMA in its discussion paper(s) on these issues;
- further improve the consumer experience in the 1800/13/1300 space;
- promote clarity about the cost of mobile calls to 1800/13/1300 numbers;
- balance the interests of the key stakeholders in this segment which include, along with consumers, the many companies and organisations who have invested in the provision of 1800/13/1300 numbers in order to offer a better and more convenient service to their customers and clients;
- significantly reduce the unnecessary disruption and cost to industry (and potentially consumers) that would be inherent in the implementation of the Authority's current in-principle proposal; and
- avoid the fundamental impracticality of implementing the 13/1300 element of the Authority's proposal (discussed in more detail in Section 4).

The ACMA has identified the following three objectives as the basis for its proposals:

- (reflection of) changes in consumer usage of telecommunications services
- (fulfilling) the intent of the legislative scheme, including the objects of the Numbering Plan; and

- the desirability of improving price transparency for consumers.

Industry believes its proposal clearly fulfils these objectives while also enabling the Numbering Plan to achieve its primary and broader objective: to facilitate the supply of carriage services to customers of service providers in Australia.

2. The Industry Proposal

1. The Associations, the main mobile Carriers ("the Carriers"), involved service providers and APWA members **support the ACMA-proposed changes to 1800 services**; to make calls to these numbers from mobile handsets free of charge to the calling party. If its proposal is accepted, industry will seek to implement this change more rapidly than proposed by the ACMA (see Section 3).
2. The Carriers will also work with Mobile Virtual Network Operators (MVNOs) to facilitate equivalent changes to their 1800 service offerings. Industry also notes that inter-carrier interconnect rates that support 1800 services will need to be reviewed to facilitate the changes to pricing arrangements. (See further detail in Section 3).
3. The Carriers propose that they will continue to offer (and that they will work with their MVNOs to facilitate their ability to offer), a range of mobile plans that provide for calls to 13/1300 numbers to be counted as standard calls within the included-value allowance of the plan and continue to be charged at a mobile timed rate the same as a call to a geographic number.
4. The Carriers will continue to work with their MVNOs to facilitate the creation and offering of "13/1300-friendly" plans by the MVNOs where these are not already in place.
5. When considering the industry proposal, it is important for stakeholders to also recognise that:
 - a plethora of "1800/13/1300-friendly" included-value plans already exists in the market place in both pre-paid and post-paid forms – numbering more than 70 in total and growing rapidly. These include plans that offer unlimited calling to 13/1300 numbers for as little as \$1 per day. (This is in stark contrast to the relative paucity of such plans in-market in 2010, when the ACMA began considering this issue, as outlined in Section 5).
 - the revised Telecommunications Consumer Protections (TCP) Code 2012 requires that a Critical Information Summary (CIS) be provided to all customers pre-sale. The CIS helps meet the Authority's price transparency objective because it must list all inclusions and exclusions to included-value mobile plans, meaning that customers will be explicitly made aware whether the plan they are considering purchasing includes calls to 13/1300 numbers as standard calls within the included-value allowance. In many cases this is a better outcome than fixed line pricing and is seen by mobile providers as a source of competitive advantage. This competitive element to the inclusion of 13/1300 calls within mobile included-value allocations provides a level of assurance that this practice will continue to permeate the market.
 - given the proliferation of plans that include calls to 13/1300 numbers within the included-value allocation (i.e. effectively at no additional charge), there is a real risk that many, if not the majority of, existing consumers would face **higher average call charges** when they call 13/1300 numbers from mobile handsets, if the ACMA proposal for these calls to be charged at a flat rate equivalent to a local call charge (i.e. up to \$1.00) was implemented. See section 5 for a comparative analysis of mobile included value and fixed call costs.
 - requiring a pricing change for 13/1300 numbers would also require changes to interconnect and pricing models that may make 13/1300 services cost prohibitive for smaller organisations, thereby negating consumer benefit.
 - the industry proposal acts to avoid consumer detriment by reducing the risk of companies and organisations that offer 13/1300 access to their customers exiting the

market, which would force customers to call geographic-based and in some cases mobile numbers that add costs not applying today.

- the industry proposal also enables government departments, agencies and other organisations and businesses wanting to provide customers with free access, to maintain or establish new 1800 service offerings.
6. The Associations and Carriers/service providers stand ready to work with the ACMA and consumer representatives to:
 - I. Undertake wide-reaching consumer education programs to seek to further improve pricing transparency by ensuring that all consumers are aware of the market-based options (including mobile plans and other access techniques) to ensure that they do not face any undue cost burden due to their use of 13/1300 numbers.
 - II. Conduct further research into the actual incidence and nature of any existing consumer detriment from mobile customers ringing 13/1300 numbers, and if such exists, how to address it.
 7. The Associations and Carriers/service providers will work with Governments, agencies and consumer representatives to seek to ensure that all Departments and agencies that manage inbound calls via 13/1300 platforms are encouraged, incentivised or even required to offer the option of a call-back facility at the beginning of their IVR queue, enabling consumers to further reduce any call costs. These agencies would also be encouraged to make available 1800 services.

3. Timing/Commercial/Regulatory Considerations

The Authority has flagged that it may begin a statutory consultation on its proposed amendment in late 2012.

In recognition of the costs and disruption to industry and customers inherent in the proposed amendment, the Authority has targeted 1 January 2015 as the implementation date, should the amendment proceed.

If the Industry proposal is accepted, industry will seek to introduce the 1800 pricing change and the other proposal elements as quickly as possible, taking advantage of the fact that the industry proposal avoids many of the disruptive and resource-intensive features of the Authority proposal.

One commercial/regulatory issue that needs to be addressed as part of the implementation of this proposal is that of interconnect arrangements that support 1800 services.

As noted in the recent ACMA paper that sets out its reasons for the in-principle decision, there are established industry and regulatory processes in place to deal with review of these arrangements.

Industry players – which include mobile-only, fixed-only and mobile/fixed operators - will need to work through interconnect arrangements to address the following potential issues:

- inequitable disadvantages from a revenue perspective to any one category of operator as a result of 1800 calls being zero-rated; and
- ensuring that the new arrangements do not create arbitrage opportunities, particularly around pre-paid plan access to 1800 numbers.

Taking the above factors into account, industry will formulate a timeline by the end of calendar year 2012, with a preliminary view to implementation during 2014.

4. Implementation Issues and Potential Unintended Consequences of the ACMA Proposal

4.1 Accessing 1800 numbers from pre-paid mobile services when credit is exhausted.

Mobile customers of the three main carriers, using pre-paid services, who do not have remaining credit on their account but still wish to make calls to 1800 numbers will be able to under the industry proposal (provided the service has not gone into a suspended or disconnected state) – the three main carriers have confirmed their technical ability to enable this outcome..

The duration for which individual customers will be able to access 1800 numbers after their available credit has been exhausted will vary somewhat among carriers and individual calling plans, depending on the plan structure the customer has selected.

The main carriers are looking at how these arrangements should best apply to existing and new plans. Communications Alliance would be pleased to continue the dialogue with the ACMA on these issues as the carriers' commercial examination of these issues progresses.

4.2 13/1300 Implementation Issues

There is a fundamental difficulty in implementing the 13/1300 element of the Authority proposal, which would require that calls from mobiles handsets to 13/1300 numbers: "are limited to the amount that a **consumer would expect** to pay for a local call made from a fixed line phone".

As the ACMA has recognised in its consultation papers, consumers today might pay anywhere between \$0.00 and \$1.00 for a local call from a fixed line phone, depending typically on the plan they have chosen to purchase.

Many consumers may not know or recall what they pay for a fixed line-based local call and thus may have no expectation, or an expectation based on an incorrect understanding of what that charge should be.

Exacerbating this problem is the fact that many consumers do not have a fixed line and are less likely to have any well-based expectation of what a local call would or should cost.

Put simply there is no single monetary amount that could be arrived at as a universally applicable manifestation of consumer expectations about the cost of a local call from a fixed line phone.

Neither is it the role of the Numbering Plan to set such prices.

In light of the above, service providers attempting to implement the Authority's proposal would find themselves in a hopeless and 'no-win' situation - either attempting to incorporate a multitude of price-points within individual plans to meet individual consumers' expectations (which would be cost-prohibitive to implement), or constantly under attack because the necessarily arbitrary figure selected by the service provider did not meet the expectations of a significant proportion of the consumers they serve.

This is a recipe for consumer confusion and unnecessary conflict on a major scale. It would also add significant complexity and cost to running a telecommunications service business. We believe it should not be pursued as a realistic regulatory option.

4.3 Unintended Consequences

Industry strongly believes that the overarching principles underpinning any proposed changes to the Numbering Plan should be that those changes:

- result in the majority of consumers (not just those with exceptional circumstances) being better off;

- are the most effective available option; and
- are free of unintended detrimental consequences.

Our analysis indicates that although the ACMA proposals are well intentioned, there is strong potential for them to create consumer detriment, particularly in regard to the majority of consumers who currently call 13/1300 services from mobile handsets.

If implemented as proposed, it is reasonable to conclude that the Authority proposal will lead to:

- The majority of consumers paying higher average costs for calls from mobiles to 13/13000 numbers if such calls currently charged as standard calls within included-value allowances are charged at local rates outside included-value plans.
- Some businesses (B party) that face increased costs to subscribe to 1800/13/1300 inbound services deciding to cancel their inbound service, leaving their customers with a less convenient service and the need to call geographic numbers or mobile numbers – and facing standard calls cost for fixed access to these numbers for long distance and timed rate calls. In more general terms, industry would also be less incentivised to progress and promote B-party-pays calling models; likely leading to a decline in these types of services.
- Enormous cost and disruption to industry. This includes
 - o the renegotiation of close to 100,000 commercial contracts with 13/1300 subscribers
 - o the need to unravel and reconstruct long-standing inter-carrier interconnect agreements)
 - o significant costs for information technology (IT) system changes and additional number analysis requirements
 - o the potential to erode the asset value of 13/1300 numbers in which operators have invested heavily based on pre-existing regulatory and industry FLRN settings.

4.4 How the ACMA Proposal Would Increase Call Charges to Consumers

Included value plans that count calls to 13/1300 numbers as standard calls within the included value allowance have become the norm among new mobile plans offered to consumers today.

While the percentage of customers using these plans across the industry is difficult to calculate precisely, as post-paid customers end their existing contract periods and migrate onto newer, more attractive plans, estimates are that it may reach 80% customer coverage during 2013 and be close to 100% by 2015.

The industry estimate is that fewer than 10% of customers on included-value plans tend to exceed their included value-allowance, meaning that the vast majority of consumers will end each month with some unused included-value allowance.

If the Authority proposal is implemented this may reverse market trends and cause suppliers to revert to previous arrangements such that calls to 13/1300 numbers which are currently counted within the included-value allowance will be charged at a separate local rate outside the included value allowance.

This will have several effects, including that:

- consumers who previously paid for those calls from within their allowance and did not exceed their allowance will face additional charges for calls to 13/1300 numbers; and
- the included value allowance of those customers will be used less efficiently (as it will no longer include the 13/1300 calls).

If service providers were to try to retain the calls to 13/1300 numbers within mobile plans that have an included allowance, but charge those calls at a fixed service rate, this would cause consumer confusion and introduce significant cost and complexity in call identification and charging arrangements. The problems arise because to reflect a fixed service call cost of, say, 30 cents, could require the service provider to adjust the value allowance for the 13/1300 call by an amount in the order of \$3.00 to properly reflect the equivalent value inside an included value mobile plan. (As an illustration, an included value mobile plan may provide an allowance of \$500.00 for a monthly outlay of \$50.00).

In other words, as "13/1300-friendly" mobile plans become more universally applied, consumers would end up paying more for their overall service and would become more confused about how their plan and the call charges within it operate relative to fixed services.

This outcome is directly counter to the objectives that the Authority has set out in putting forward its proposed amendment.

5. Growth in 1800/13/1300-Friendly Mobile Plans

When the ACMA began examining this issue in 2010 there were very few mobile plans that included 13/1300/1800 calls within the included-value allowance – and no industry Code that required transparency on their inclusion.

In September 2012 there are more than 70 post-paid '1800/13/1300-friendly' plans in market (e.g. typical web-search shows **68 of 91 available plans from 9 different providers** include unlimited or within-included-value access to 1800/13/1300 numbers.

There are also numerous pre-paid plans in market – catering to a wide range of calling patterns and levels of spend (down to as low as a \$1 max-spend-per-day plan) which either include these calls in the included value or offer unlimited calls to 1800/13/1300 services.

1800/13/1300-friendly plans now account for significant proportions of total mobile customers and total mobile calling – and growing rapidly. Carriers estimate that by 2013 up to 80% of mobile customers will be covered by such plans. The education program that forms part of the industry proposal could see that estimate exceeded.

5.1 Majority of mobile callers to 13/1300 now better off than fixed-line customers

The majority of mobile consumers placing calls to 13/1300 from a mobile service under the "13/1300-friendly" mobile included-value plans available today are better off when compared to charges for calls from a fixed line service to these same numbers. The comparison outlined below is made using a generic plan example where a mobile customer is paying \$50 for an included value plan that provides a \$500 call allowance. It also takes into account that the majority of mobile consumers (90+%) on included value plans do not exceed their call allowance. In this instance the local call cost used is 30 cents.

Type of call	Before included mobile value plans with 13/1300 calls	After included mobile value plans inclusive of 13/1300 calls
Mobile	<p>Calls to 13 are charged on a per call basis. e.g. 3 minute call cost is approximately \$3.09 (based on 39 cent flagfall and 90c/m) or approximately 16x 3 minute calls (48 minutes) for a total \$50 spend.</p> <p>Customer would pay the contracted mobile \$Plan amount plus the additional timed charge for each 13/1300 call.</p>	<p>Calls to 13 are still charged on a per call basis but included within the value allowance. A customer can now make approximately 161x3 minute calls (483 minutes) for a total \$50 spend.</p> <p>This means the customer would pay no more for calls to 13 numbers beyond the \$50 call value and up to their full \$500 allowance.</p>
Fixed	Calls to 13 are charged 30 cents for call regardless of duration.	Calls to 13 are charged 30 cents for call regardless of duration.
Comparison of mobile to fixed charges	Pre the availability of included mobile value plans mobile customers were worse off by about \$2.79 for every 3 minute call (more for longer call durations) compared to fixed line customers.	Post the availability of included mobile value plans the majority of mobile customers are better off by 30 cents per call than fixed line customers where they have not exceeded included value call allowance.

6. Education programs

Industry is prepared to work with the ACMA and consumer representatives to conduct wide-reaching consumer education programs to ensure all consumers are aware of the market-based options (including mobile plans and other access techniques) and thus ensure that they do not face any undue cost burden due to their use of 13/1300 numbers.

This can be extended to the broader numbering review by developing consumer fact sheets on some of the outcomes.

The programs can also explain – as is important for all stakeholders to understand – that mobile calls make use of scarce and expensive spectrum resources, and that current 1800/13/1300 retail pricing arrangements reflect both the cost of that spectrum resource and the cost to other mobile users if that resource is tied up.

7. Recommendation and Next Steps

The investigation into the 1800/13/1300 issues by consumer representatives, the ACMA and industry has been a complex and difficult exercise, often characterised by conflicting views and passionate debate.

This is understandable, given that the marketplace, patterns of telecommunications usage and the nature of service plans, offerings and products has changed dramatically in the period since 1800 and similar inbound products were introduced to the Australian market.

Communications Alliance, AMTA and our industry members have worked hard to find an optimal solution to a complicated multi-partite issue that all parties acknowledge needs to be addressed.

We believe that the proposal being advanced by industry represents a strong advance for consumer interests while providing a fair balance for other parties, and avoiding the several significant pitfalls that would flow from the adoption of the Authority proposal in its entirety.

The carriers and service providers who have developed the proposal constitute the a large majority of the mobile telephone industry in Australia, but further consultation with a broader set of service providers will be required to ensure unanimity of view with what is being proposed.

It should also be noted that the industry proposal in relation to 1800/13/1300 services is based on the current switched circuit delivery model. As services migrate to VoIP solutions running over the top of mobile broadband delivery, there will of course be underlying data charges that relate to all mobile data usage. It will be impractical to remove underlying data charges relating to specific call types.

The Associations, Carriers and Service Providers recommend that:

1. The ACMA proceed with the planned statutory consultation concerning the proposed amendment to make calls from mobile phones to 1800 numbers free of charge to the calling party (but not proceed further with the 13/1300 element of the Authority's in-principle proposal).
2. The ACMA agree to undertake further work with industry and consumer representatives on the detail and implementation of the other elements of the industry proposal as outlined in this document, to ensure that consumer interests continue to be protected and advanced.