



# Deregulation: Initiatives in the Communications Sector

## Submission by Vodafone Hutchison Australia

We welcome the Australian Government's commitment to reduce the regulatory burden for business and the community. The phased approach that commences with the removal of redundant regulation via the Government's proposed "Regulation Repeal Day" through to the Government's longer term agenda for reducing regulation is long overdue.

VHA has identified four high priority areas for reducing the regulatory burden in the near term:

- Removal of the International Mobile Roaming Standard;
- Streamlining the industry payments regime and broadening the payments base;
- Removal of the Prepaid Determination; and
- Removal of regulatory reporting requirements.

As the Minister would appreciate, many of the regulatory burdens faced by VHA are common across industry. We have worked with industry to identify opportunities to remove redundant or unnecessary regulation. We identified many common areas of concern. We participated in and endorse the Communications Alliance and the Australian Mobile Telecommunications Association submissions on this matter.

### Regulation with substantial compliance costs

#### *1. International Mobile Roaming Standard*

There are numerous instances of regulation in telecommunications imposing an unnecessary burden on business and not keeping up with evolving commercial offerings to consumers. For instance, earlier this year the Australian Communications and Media Authority (ACMA) introduced an International Mobile Roaming (IMR) Standard at the direction of the previous Minister. The Standard required that we deliver alerts we were already sending to customers and mandated spend management tools that were inferior to the arrangements we already had in place. Given our "Take your Plan with you for \$5 a day" construct, the overly prescriptive requirements on what should be included in our 'roaming alerts' confuses our customers and this can result in increased call centre costs.

The need for the IMR should also be questioned in light of competition in market and the recent significant reductions in pricing. It is within the Minister's power to direct the ACMA to remove this already redundant piece of regulation. We recognise that the regulation was only enacted this year but given the market has changed significantly it should now be repealed or the burdensome elements of the Standard should be substantially revised.



## ***2. The industry payments regime***

The incidence of fees and charges imposed by Government on various telecommunications activities tends to be discriminatory in effect and difficult to justify in aggregate. For instance, the Telecommunications Industry Levy is measured against revenue rather than profitability – this regressive approach favours profitable incumbents while inhibiting the development of challengers such as VHA. Moreover, the arrangements require reporting and auditing arrangements that are different to those required for both the Australian Tax Office and the Australian Securities and Investment Commission. This imposes unnecessary direct costs (e.g. additional audit fees around \$25k/year) as well as the indirect costs associated with time and resources required to prepare our response. The obligations for assessing VHA's obligations under the TIL should be made fairer and, in so doing, standardised to reflect accounting treatments commonly used for other Australian corporations.

The telecommunications industry levy is not the only aspect of the industry payments regime that is inequitable. The numbering charge regime is imposed on mobile numbers while fixed (local) numbers are exempt from payment. The management of numbers itself is inefficient, for example, number "quarantine" arrangements are out of step with commercial processes and consumer behaviour. There is too little flexibility to surrender numbers that are no longer required by mobile network operators for use. The inefficient regime for numbering leads to both direct costs (i.e., higher regulatory charges) and indirect costs (i.e., systems required to manage numbers no longer in use).

Numbering management activities should be handed over to industry which would be able to be more proactive in developing more practicable solutions for the efficient management of numbers and be more proactive in allowing new products and services to be delivered quickly to market. This would reduce direct cost to government and to industry and enable productivity benefits within industry.

## ***3. The Prepaid Determination***

The Prepaid Determination 2013 places an obligation on Carriage Service Providers (CSPs) to verify customer identification. It imposes an unreasonable regulatory burden and cost on CSPs. There is no business requirement to verify a prepaid customer's ID. The sole beneficiaries of this regulatory requirement are law enforcement and national security agencies (LENSAs) who do not bear the costs associated with the regulation (despite the recommendation from the Productivity Commission that cost sharing arrangements should be reviewed). LENSAs have not provided any compelling evidence regarding the benefits of this regulation to VHA.

The main benefit from the removal of requirements for prepaid identification check is that it will improve accessibility for customers who only have limited identification documentation (e.g., the homeless or socially disadvantaged), enable rapid response and distribution of prepaid SIMs in the aftermath of natural disasters and remove the burden of a cumbersome verification process for a \$2 prepaid mobile phone service.

## ***4. Regulatory Reporting Requirements***

The Australian Competition and Consumer Commission (ACCC) and the ACMA impose several regulatory reporting requirements on VHA and others in the industry. These include:



- the Division 12 Record Keeping Rule;
- the Regulatory Accounting Framework Record Keeping Rule;
- the Infrastructure Record Keeping Rule; and
- the Annual Industry Information Request (under section 105 of the *Australian Communications and Media Authority Act 2005*).

While these burdens are not directly administered by the Department of Communications, some are the direct consequence of obligations the ACCC or ACMA have imposed by the Department (e.g., the Division 12 Record Keeping Rule). All these reporting requirements should be removed. VHA is required to undertake additional audits, maintain process documents and have several full-time staff dedicated to preparing our responses to these requests at several times of the year. Some of the information requested (e.g. Services in Operation) is publicly available via our releases to the Australian Stock Exchange or on our website (in the case of pricing plans and coverage information).

Many of the reporting requirements have existed for several years and are anachronistic given the evolution of the Australian telecommunications market (e.g. VHA had to seek special dispensation to avoid a requirement to report 2G services in operation – we no longer track such information in our systems). It is time for these outdated reporting requirements to be removed.

### **Concluding remarks**

There is ample opportunity to produce some tangible reductions in “red tape” and we are pleased the Australian Government is taking this long overdue step. We have several identified “quick wins” in this submission yet we also agree with the Minister’s observation that longer term regulatory changes are required to produce real savings in the sector.