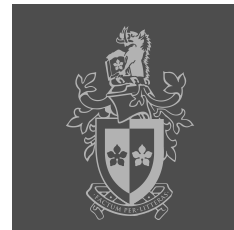




Report on attendance at the ACCAN National Conference

Philip Branch



Outline



- ACCAN and their National Conference
- Programme
- Overview of the conference discussions
- Discussions I found particularly interesting



ACCAN



- Australian Communications Consumer Action Network
- Australia's peak body for consumer representation and advocacy in communications
- Represents residential consumers, small businesses and not-for profit organisations
- ACCAN focuses on goods and services encompassed by the converging areas of telecommunications, the internet and broadcasting, including both current and emerging technologies



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ACCAN National Conference



- Very impressive line up of speakers from government, industry, regulatory authorities and consumer groups
- Well attended by people from industry as well as quite a few journalists



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Programme (for day two)



- The New Competitive Environment
- Emerging Technologies
- Delivering Relief When Financial Hardship Strikes
- Privacy and Security



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First Session – The New Competitive Environment



- Panelists
 - Moderator, Lexi Metherell, ABC journalist
 - Commissioner Edward Willett, Australian Competition and Consumer Commission
 - Steve Dalby, iiNet
 - David Epstein, Optus
 - Matthew Lobb, Vodafone
 - Dr Tony Warren, Telstra
- All very senior people, Commissioner, General Managers, Vice President, Managing Director...
- Discussion revolved to a large extent about effect of NBN on companies and services
- Very interesting and at times heated discussion...



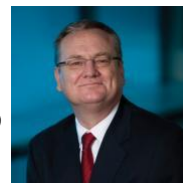
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The New Competitive Environment



- Willett gave a brief history of the NBN in the ACCC context
 - Many mistakes made in the lead up to and since deregulation in the 1990s
- First grave mistake that there was no structural separation of Telstra in the 1990s before it was privatised
 - “Structural Separation” Separate the retail and infrastructure sections of the business



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The New Competitive Environment



- Most obvious failure as a consequence of no structural separation was the dual rollout of Hybrid-Fiber Coaxial by Optus and Telstra
 - Killed competition in broadband for five to seven years until unbundled local loop enabled ADSL to compete with Telstra / Optus duopoly
- Another mistake was to combine OTC and Telecom
 - Further concentration of market power within Telstra
- Broadband uptake very slow in late 90s, early 00s compared with rest of world



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The New Competitive Environment



- Made point that decisions of 90s resulted in Telstra becoming one of the most “vertically integrated” companies in the world
 - Wholesale, retail, content, mobile, fixed...
 - Consequences for competition
- Unbundling of Local Link led to price-war in 2004 and substantial boost in uptake of broadband
- Became obvious mid-2000s that life of the copper network was limited and an upgrade was necessary
 - Fiber to the Premise inevitable but a number of Fiber to the Node proposals



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The New Competitive Environment



- Proposals for FTTN in mid-2000s failed
 - Uncertainty of take-up, limited economies of scale leading to higher cost of capital
 - An expensive and interim proposal only
 - FTTP inevitable
- Finally got to NBN in 2008
 - Tightly regulated monopoly network
 - Low cost of capital



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The New Competitive Environment



- ACCC issues
 - Structural separation of Telstra and migration to NBN
 - Optus HFC subscriber migration to NBN
 - Optus to close down HFC and move customers to NBN
 - Normally uncompetitive but in public interest so permitted
 - NBN access undertakings for Retail Service Providers
 - NBN commitment to declining real prices



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The New Competitive Environment



- Question was asked by a Financial Review journalists about effect of probable change of government
 - Willet said he did not want to appear on the front page of the Financial Review so was very cautious about response
 - But made the point that both parties committed to some form of NBN
 - Details likely to change but fundamentals much less so



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The New Competitive Environment



- Tony Warren from Telstra
- Sees three areas of concern in new environment
 - Migration to NBN
 - A complex task to manage customers and have access to residences and businesses
 - Complexity of Service Level Agreements
 - Now two parties to SLAs – the RSP and NBN
 - How to differentiate service offerings with other RSPs
 - Main concern for Telstra
 - Has been a weakness in the past



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The New Competitive Environment



- David Epstein from Optus
- Agreed with Telstra about primacy of customer service offerings
 - Claims starting to see some real differentiation in services being offered
 - Last 15 years comparatively easy with high growth but reputation of industry has suffered
 - Industry does not aim for high quality service because it has not had to
 - Unlikely to remain the case



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The New Competitive Environment



- Welcomes NBN as being a way of providing a level playing field and enabling new products
 - (Didn't actually mention any)
- Concerned that there not be day-to-day involvement of the ACCC in business
- Concerns that there is no repeat of the Electricity industry fiasco where perverse incentives have led to over-investment and large consumer price increases



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The New Competitive Environment



- Steve Dalby iiNet
 - Telecom customer satisfaction poor
 - Hasn't needed to introduce new products
 - NBN will force competition to be on customer support and products
 - Example: home networking support



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The New Competitive Environment



- Matthew Lobb, Vodafone Hutchison (no picture)
- Welcomes NBN for similar reasons to iiNet
- Solves three problems of the past twenty years
 - Upgrade of last mile of network
 - Ubiquity allowing reach to all customers in Australia
 - Structural separation of Telstra leading to a levelling of competitive playing field
- For customers will enable fixed and mobile convergence such as ipad users seamlessly moving between WLAN/UMTS



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The New Competitive Environment



- Questions
 - Attitude to security proposals from Attorney-Generals
 - Carriers very antagonistic
 - Ill-defined, expensive, practicalities not considered
 - Concerns about “Over the Top” operators
 - NBN makes it possible for companies who are not established Australian carriers to set up within Australia as RSPs



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The New Competitive Environment



- Electricity industry smart meters
 - A fiasco
 - All energy providers rolled out their own networks. Should have been one network
 - Privacy not considered
- Financial Review asked questions about probable / possible change of government
 - ACCC says both parties committed to some form of NBN
 - Telstra thinks chance of FTTN is gone.
 - Telstra has strong contract with NBN. Will take at least two years to renegotiate any contracts.



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Second Session – Emerging Technologies



- Interesting talk from Ericsson who said we have no idea where we are going but could point to some interesting trends
 - 100% population connectivity in a few years
 - Personalisation of devices
 - Nearfield communications – phone as an authentication device
 - Voice control



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Third Session – Delivering Relief when Financial Hardship Strikes



- An unexpectedly interesting session
- Panel
 - Jim Connolly, President Financial Counsellors Association of NSW
 - Simon Cohen, Telecommunications Industry Ombudsman
 - Jeremy Hobbs, GM of Financial Services, Optus



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Financial Hardship



- Cohen said unexpected high mobile bills a common source of financial stress
 - In order of most stress they are Water, Electricity and Gas, Mobile phone and Internet
 - Many complaints about small amounts that overwhelm poor people
 - Debt not disputed, just arrangement for repayment not affordable



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Financial Hardship



- Telecoms essential for poor casual workers to get and maintain jobs
- Particular issues for indigenous, recent migrants and refugees, many of whom have never experienced phone contracts
- Similar concerns for mentally ill and disabled who are particularly vulnerable
- In comparison with financial industry and utilities, telecommunications much less regulated, much wider and younger demographic and a wider range of products



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Financial Hardship



- Connolly said voluntary code of practice ineffective
 - Having a mobile phone is like carrying an ATM in your pocket
 - Need an advocate for people who can't talk for themselves
 - Growing problem is people with mental illness being exploited
- Hobbs from Optus
 - 40 calls a day for hardship
 - 30,000 referrals a year to debt collectors
 - 9 staff on hardship team



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Financial Hardship



- Revenue per customer is flat so need to retain customers (which is good for hardship cases)
- Despises commission selling and complicated bill plans
- Believes risk control should prevent rather than penalise
- Hardship cases usually fall into two categories
 - Loyal customers usually kept connected and given three months to pay
 - New customers usually on wrong plan



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Fourth Session – Privacy and Security



- Another interesting session, more about privacy than security
- Panel
 - Nigel Waters, Australian Privacy Foundation
 - Stilgherrian, Writer and broadcaster
 - Dr Dean Economou, NICTA



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Privacy and Security



- Waters began by saying there is a widespread sense of hopelessness about loss of privacy
 - It is a myth that the young are unconcerned about loss of privacy
 - A complex relationship between privacy and security with quite a lot of tension between them
 - Lots of privacy threats
 - Commercial practice of telcos and ISPs, incidental use of telecoms services such as bill payments, government regulation, government Law Enforcement Agencies, unauthorised access, other government actions such as the ACTA treaty, “Big Data”, Social media...



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Privacy and Security



- Some regulatory protection, but fairly weak
- Concerned about the Interception Act
 - Twenty changes in the past ten years all weakening privacy
- Dean Economou
 - “Privacy is dead”
 - Face recognition, numberplate recognition, car communications...
- Stilgherrian
 - “Privacy as we think of it is gone.”



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Privacy and Security



- Society needs to deal with it
- Current situation untenable. All of us have something to hide or at least that we should not have to explain to the vulgarly curious
- Not just personal information being used for illicit purposes but fundamental changes in power relationships
- Examples
 - Business vs Consumers: Target (chain store) can identify with 85% accuracy whether a woman is pregnant. Anecdotal cases where the store has known before the woman



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Privacy and Security



- Criminals vs Police: Undercover police role probably gone soon. Biker clubs photograph police graduations and can use face recognition to identify undercover cops
- Governments vs Citizens: Interception used to be phone based, but now moving to internet. Phone usage modest, but Internet usage isn't. Law Enforcement Agencies can learn a lot more about us from our Internet usage than our phone usage
- Many other areas of concern
 - The number of organisations collecting data
 - Data retention easily tainted
- An interesting if alarming session...



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Summary



- Overall, a good day out
 - I was impressed by the calibre of the speakers
 - Some very interesting talks with new (to me) perspectives, ideas and possibilities
 - Only a few very uninteresting talks
 - Good to get some exposure to the 'policy' area
- Highlights for me were the first and last sessions on (respectively) the new competitive environment and privacy

