

No Australian Left Offline: affordable broadband for all Australians

What is affordable broadband?

Affordable broadband is an internet service that enables all Australians to be online regardless of their personal circumstances or where they live without putting them into financial stress.

Without affordable home broadband, it is harder for school age children to do their homework and keep up at school both academically and socially; it is harder for young people to prepare for the post-school world of further training, education or employment. For adults, it is virtually impossible to find opportunities and gain employment, in order to lift themselves and their families out of poverty. For frail, less mobile consumers, it is harder to reduce social isolation and access important support services.

For Australia, the absence of affordable broadband means our aspirations of better economic and social outcomes won't be attained, as the digital divide further entrenches existing disadvantage and stifles our productive potential for decades to come.

How do we know broadband is currently unaffordable?

The story we hear from households on low incomes is that they are financially stressed, with the cost of communications, particularly broadband, being a significant source of this stress. The statistics from the census and on household expenditure illustrate these circumstances, with low income consumers spending a far higher proportion of their income on communications than their wealthier counterparts.

The average household spends approximately 3.5% of disposable income on communications, whereas:¹

- The bottom 10% of households spend just under 10%;
- The bottom 20% of households spend around 6%; and
- 15.6% of consumers in the lowest income quintile indicated they had been unable to pay their utility bills on time in the year prior to the census - an indicator of financial stress.²

Economic modelling shows that the higher a household's communication spending as a proportion of income means the higher the likelihood that these households are experiencing financial stress.³ Households where individuals identify as Indigenous, where members are receiving social security payments and regional households (which face typically face higher communication costs) are identified as being at particular risk of financial stress.

¹. Bureau of Communications and Arts Research, *Trends and drivers in the affordability of communications services for Australian Households*, Working Paper, 10 July 2017.

². Australian Bureau of Statistics, *Government Benefits, Taxes and Household Income, Australia: Summary of Results 2015-16*, 20 June 2018.

³. Breunig, R. & McCarthy, O. 2018, *Telecommunications Expenditure in Australia*.

Another indicator that broadband is unaffordable, is that low income households are not buying it. ACCAN's own estimates indicate that the cost of services may mean that approximately a million low income households are at risk of not switching over to NBN. Support for families on low incomes, such as those on Family Tax Benefit A and households on social security payments, is necessary to ensure that all Australians can afford to access the services they need.

ACCAN's concerns over the cost of services has been shared by others, with the ACCC expressing concern over the effect of NBN's pricing and its impact on price sensitive users, and the reduction in the number of lower cost plans in the market.⁴

What are the benefits of affordable broadband in Australia?

Affordable broadband means that consumers will use the infrastructure available to them and access the multitude of services that broadband enables. The take-up of broadband services has been demonstrated to improve economic outcomes through:

- increases in average incomes of 0.85% GDP per capita;⁵
- creation of new businesses, with 1900 to 5400 businesses formed and an additional 3400 to 6400 individuals to create new employment opportunities for themselves in areas with high NBN rollout;⁶
- increased tax revenues through higher economic activity, and reduced unemployment;
- potential cost savings for government in the order of \$20.5 billion;⁷
- reduced costs for individuals and households when accessing essential services, particularly for Australians in regional and remote areas who face significant barriers when accessing services.

How do we achieve affordable broadband for all?

ACCAN considers that the most effective way to achieve affordable broadband for all Australians is for NBN to offer a 50 mbps service for \$20 per month available to households receiving financial support from government.

We believe that a concessional service at the wholesale level will enable retail service providers to make competitive offerings available to low income consumers and allow consumers to shop around for the best offer for their needs. However, safeguards must be put in place so it is sold as a standalone product for only those that need it (e.g. prevent bundling with other services such as content) and that the full value of the concession is passed through to consumers. The creation of appropriate safeguards will allow consumers to shop around and for regulators and ACCAN to benchmark offers in the market to preclude potential abuse.

Initial estimates indicate that providing support to the 2 million households on the lowest incomes can be budget neutral and can be funded via offsets within the budget and savings through a reduction in the cost of service delivery.

⁴. Australian Competition and Consumer Commission, *Update on ACCC assessment of NBN Co's SAU variation*, 2 November 2018.

⁵. Greenstein, S. & McDevitt, R. *Measuring the Broadband Bonus in Thirty OECD Countries*, OECD Digital Economy Papers, 19 April 2012.

⁶. NBN Co, *Connecting Australia: A report by AlphaBeta Consulting*, 2018.

⁷. Deloitte Access Economics, *Digital government transformation*, 2015.