Changing Consumer Behaviour: Implications for Regulation

Australian Communications and Media Authority

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Good afternoon

As one of the handful of converged communications regulators, the Australian Communications and Media Authority operates in an environment of unprecedented change. This is especially so in telecommunications where the impact of the internet and mobile telephony are impacting significantly on so many aspects of society. There are big challenges in broadcasting with the switchover to digital television presenting challenges for all stakeholders, while the management of spectrum has been, is and will continue to be, transformed.

The ACMA's regulatory practice encompasses a direct regulatory role with defined discretions, and oversight of co-regulatory arrangements where there is a focus on industry self-regulation and education. You can imagine the range of matters that come before the ACMA and scope of possible policy and program responses. Research has an important role within this environment contributing to the evidence base which informs the ACMA's work and helps ensure that regulation is fit for purpose and continues to remain relevant in the communications 'white water'.

The ACMA's research reflects the Authority's range of interests and regulatory responsibilities, and encompasses market studies, technology trends, economic research and consumer behaviour and community attitudes. Methodologies are dependent on the questions that the ACMA needs answers to, either now or to help understand emerging issues. Studies can involve primary and secondary data sources, surveys or focus groups, with participants in our community research being telecommunications users, children and their parents, viewers and listeners – whatever is appropriate for the issue in hand.

In the ACMA session today we will be providing 3 presentations which I hope will illustrate this. They are based on community research the ACMA has undertaken in the past year.

I will begin by discussing our research into substitution between fixed and mobile voice services by Australian consumers, and identify those consumers who prefer fixed-line services for their communications needs. This work helps inform consideration of future voice regulation.

Rosalie O'Neale will then discuss the findings of our research into the social networking behaviour of young people, and what this means for the ACMA's role in providing cybersafety education for young Australian's and their parents.

Our third presentation by Lesley Osborne will look at the "Barriers to Effective Use of Digital Media and Communications" and implications for the ACMA's engagement around digital media literacy.

ACMA Session

> 1. Substitution and Preferences in Telecommunications – Paul Nicholas
> 2. Cybersafety and Social Networking by Young People – Rosalie O'Neale
> 3. Barriers to Effective Use of Digital Communications by Consumers – Lesley Osborne

Australian Government

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Substitution and Preferences in Communications Services

Australian Communications and Media Authority
Presenter: Paul Nicholas

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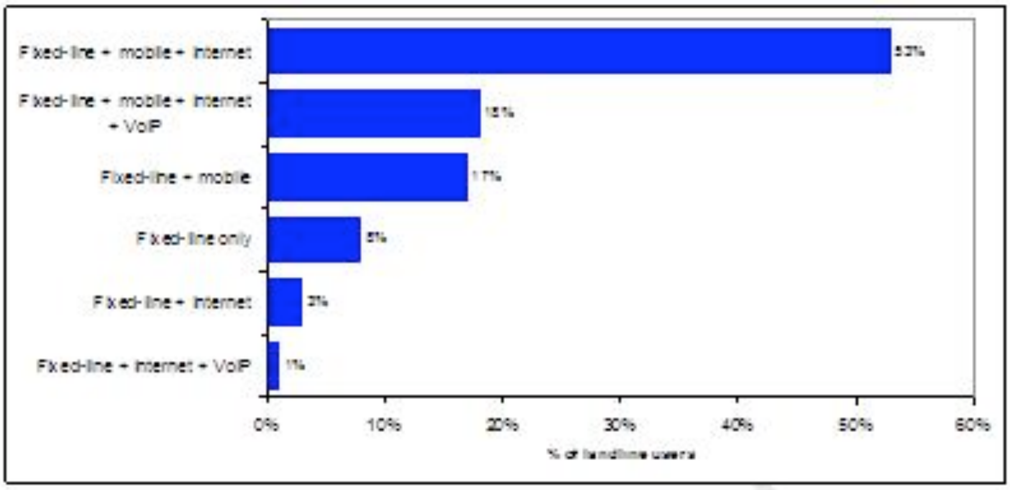
Communications Service Combinations



<u>Majority</u> of Australians (53%) have 3 services: Landline + Mobile + Internet

Followed by

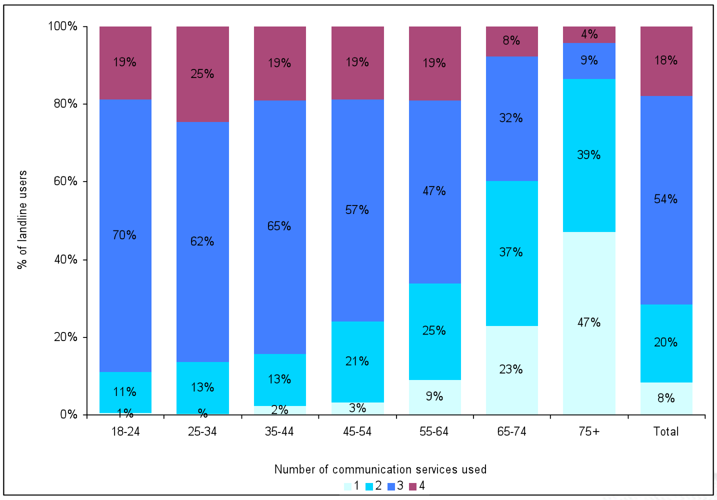
18% - Landline + Mobile + Internet + VoIP (4 services)

17% - Landline + Mobile (2 services)

<u>8% - Landline only (1 service)</u>

3% - Landline + Internet

No. of types of services by age



Age analysis reveals:

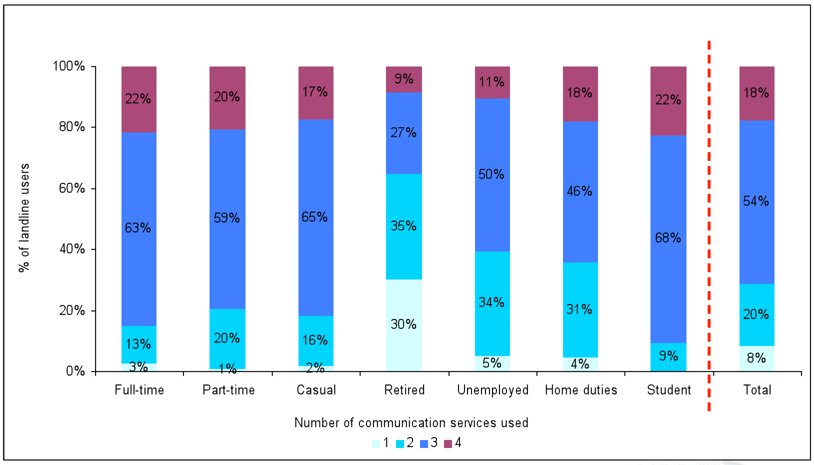
Majority of people aged between 18 and 54 use 3 services

25 – 34 year olds have the highest levels of use of 4 service types

Almost no consumers under 34 years of age that only use a fixed line

Reliance on a fixed line generally increases with age, with large portion of people aged 75+ dependent on just a fixed line.

No. of types of services by employment type

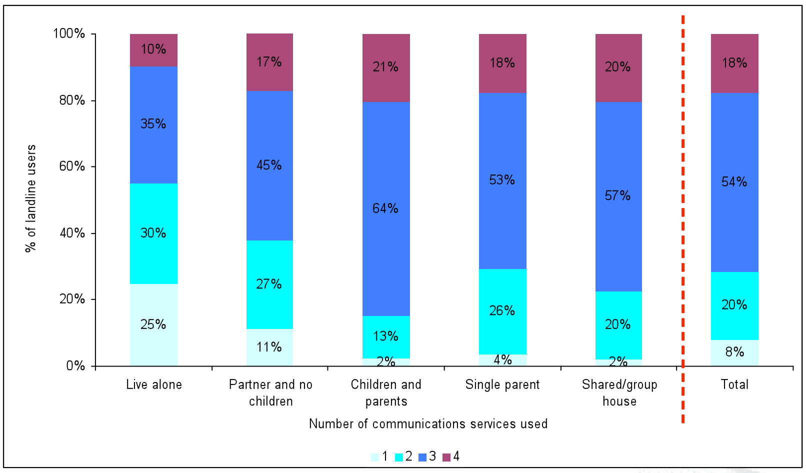


Retirees have largest number of people reliant on just a fixed-line service.

Full-time employees and students have largest number of people using 4 service types.

Students had highest proportional use of 3 services.

No. of types of services by household structure



Households without children have a much higher reliance on or preference for just a fixed-line.

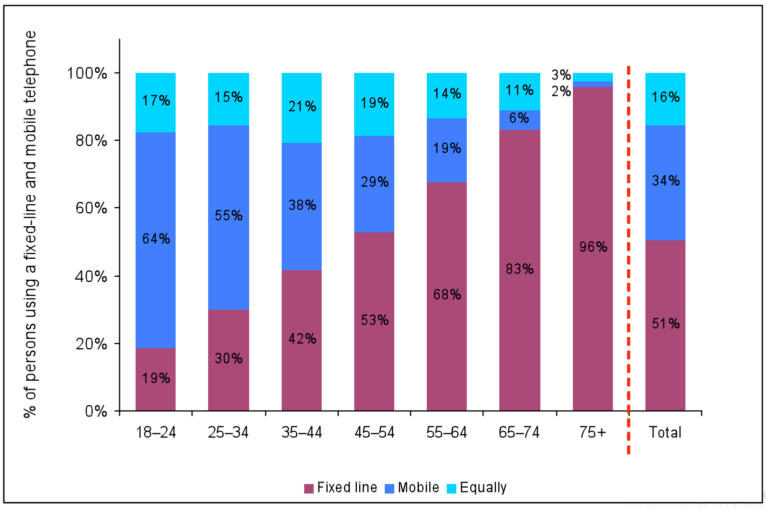
People that live alone have the highest reliance on a fixed- line or a fixed-line and one other communications service.

Shared households that predominantly have younger members have low preference for fixed-lines.

Fixed-mobile substitution

- Correlation between age and preferred use of fixed or mobile services
- 18-34 age group use mobile most often
- 35-44 use equally
- 45+ use fixed line most often
- Services used in complementary way
- Approx 8% of population now mobile only

Voice service most often used by age

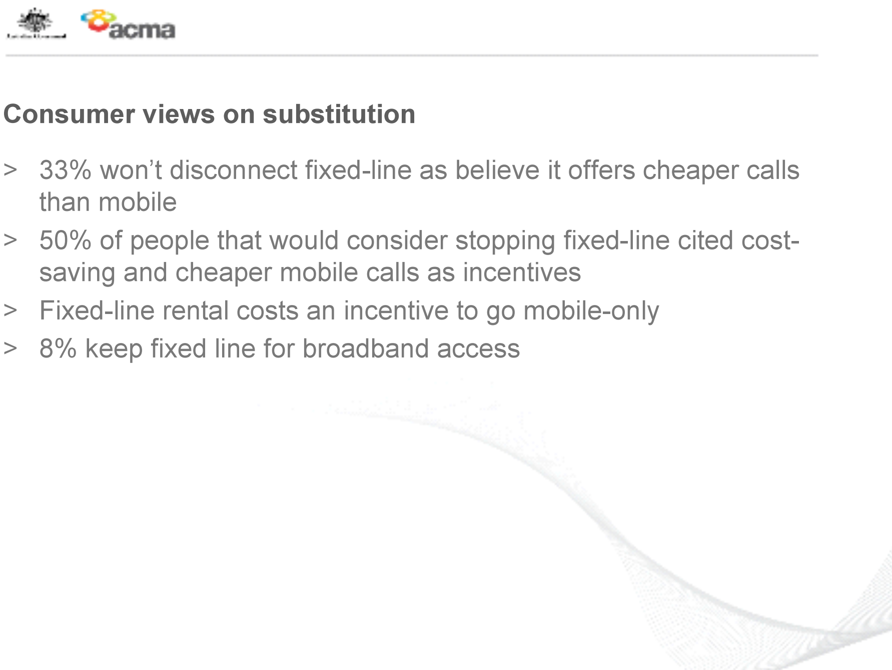


This slide shows the breakdown of voice use between fixed-line and mobile by consumers age.

The 18 – 34 age group show a strong preference towards mobile as opposed to fixed-line services.

At the 35-44 age group use between fixed-line and mobile services is generally equal.

From 44+ we start to see the predominant use of fixed-line services with significant increases as age increases.



33% won't disconnect fixed-line as believe it offers cheaper calls than mobile

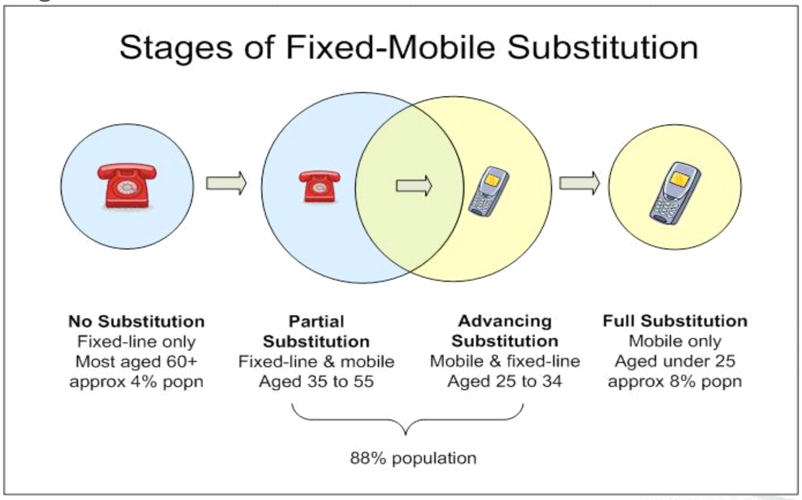
50% of people that would consider stopping fixed-line cited cost-saving and cheaper mobile calls as incentives

{possibly add how these views differ between age groups}

Fixed-line rental costs an incentive to go mobile-only

8% keep fixed line for broadband access

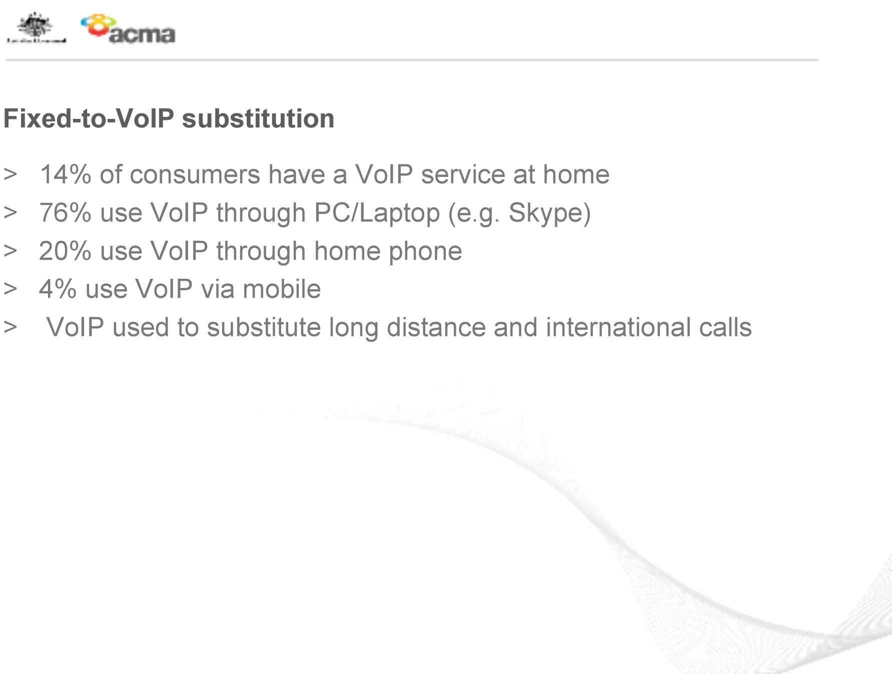
Stages of fixed-to-mobile substitution



Fixed-to-mobile substitution

Most consumers use fixed-line and mobile services in a complementary manner rather than substituting one for the other

Strong correlation between age of the consumer and their level of engagement in fixed-to-mobile substitution.



14% of consumers have a VoIP service at home

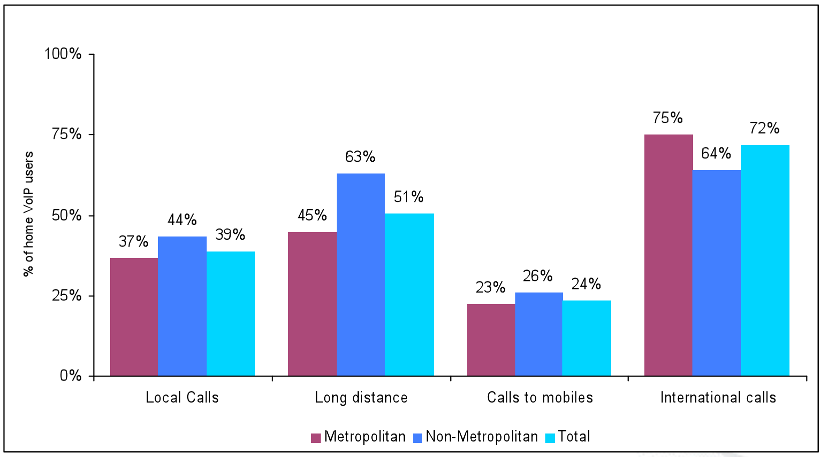
76% use VoIP through PC/Laptop (e.g. Skype)

20% use VoIP through home phone

4% use VoIP via mobile

VoIP used to substitute long distance and international calls

Types of VoIP calls made – metro / non-metro



Non-metropolitan VoIP users use VoIP to make long distance calls more so than metropolitan customers – 63% to 45%

Metropolitan VoIP users use VoIP to make International calls more so than non-metropolitan consumers – 75% to 64%

Implications for Regulation

- Where do we position future legislative and regulatory focus given divergent consumer use of communications services by age?
- Do we regulate to protect the older age groups that are reliant on fixed-line services, or for younger demographic that are utilising multiple services, or a mix of both?

As regulators we need to consider that mobile services have until now been relatively free from regulation compared to fixed-line services.

Do we continue to keep mobile services relatively free of regulation in the future, despite their growth in importance as a a critical communications service to consumers?