

30 July 2004

Mr Paul Clitheroe
Chairman, Consumer and Financial Literacy Taskforce
CFL Taskforce Secretariat
SCGSD, Department of the Treasury
Langton Crescent
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Via email: cflsub@treasury.gov.au

Dear Mr Clitheroe

The Australian Mobile Telecommunications Association (AMTA) is pleased to provide a submission to the 11 June 2004 discussion paper 'Australian Consumers and Money' (the Discussion Paper) prepared by the Consumer and Financial Literacy Taskforce.

AMTA is the national body representing the mobile telecommunications industry. Its members include carriers, service providers, handset manufacturers, equipment suppliers and retailers. AMTA's vision is 'to promote an environmentally, socially and economically responsible and successful mobile telecommunications industry in Australia'.

This submission is supported by the following AMTA members: AAPT, Hutchison, Optus, Telstra and Vodafone.

AMTA is keen to assist consumers of all ages enjoy the benefits of mobile phones in a financially affordable and responsible manner, and supports the Discussion Paper's view that all Australia will benefit from a population of well informed and astute consumers and investors.

Our submission will provide some general comments on key Taskforce recommendations, and then provide an overview of consumer education initiatives - in respect of the mobile telephone industry - that AMTA and its members have undertaken. Finally, our submission will provide suggestions for initiatives that may assist the Taskforce's efforts to improve consumer and financial literacy, especially as regards the skilling of school-age Australians.

Key Taskforce Recommendations

AMTA supports the objectives and major recommendations made in the Discussion Paper as they relate to improving the financial skills of young Australians. Mobile telephones are among the first significant consumer products young Australians purchase. In any event, the most appropriate time to learn about the value of money, budgeting, savings and investments, and how to avoid poor purchasing decisions, is during school years.

To facilitate this, AMTA supports the views put in the Discussion Paper that:

- there is a need for a coordinated, nation-wide approach to improved financial awareness for consumers, starting from school age;



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- all school-age Australians should receive instruction in how to manage money wisely; and
- there is a need for a national system for accrediting consumer and financial skills curriculum content, in the interests of consistency of message and minimising the current confusion of multiple advisory services; as well, giving teachers confidence to use material they will know has been carefully considered by all relevant stakeholders including fellow teachers.

AMTA also supports the view put in the Discussion Paper that:

- the Report of the Curriculum Corporation at Appendix 4 provides an excellent basis for facilitating consumer and financial literacy into Australian schools, but that expert consideration needs to be given to correctly target the specified age group for consumer and financial skilling courses; and
- a sensible attitude to budgeting, credit, savings and expenditure needs to accompany financial literacy instruction.

Finally, AMTA recognises the challenge identified by the Taskforce that, in this day and age of electronic funds transfers, credit cards and ATMs, young Australians especially have little perception of money because it is largely invisible.

AMTA's Consumer and Education Awareness Initiatives

AMTA has taken steps to help build awareness among mobile phone consumers by drafting and widely distributing two publications, *Tips for Buying Your Mobile* and *Tips for Minding Your Mobile Spend*. These publications are intended to help consumers – specifically parents and young people - to select and use a mobile phone plan which is both appropriate for their needs and affordable. The Tips cover questions to ask, what to do if faced with problems, and how to 'manage your mobile spend' (for example, buy pre-paid, consider call-barring, ask about spend alerts). These Tips, which can be accessed at www.amta.com.au, are currently being revised to take account of AMTA consultations with youth representative associations on how to make messages best understood and appreciated by young Australians.

In addition to AMTA's Consumer Tips, AMTA and its members have been active in several other ways to help users manage their mobiles satisfactorily. AMTA members:

- have developed competitively priced pre-paid mobile phone services, which allow customers to define and limit their expenditure limits;
- have developed services with customer-imposed caps on expenditure, and which advise customers when their expenditure is approaching those caps; and
- are party to an industry-wide and binding Credit Management Code (administered by the Australian Communication Industry Forum - ACIF - and monitored by the Telecommunications Industry Ombudsman - TIO) which includes provisions for prior credit checking and for payment arrangements for customers in financial difficulty.

AMTA itself has been proactive by:

- introducing and managing a service, for all users who have lost their phones or had them stolen, which blocks the subsequent use of the phone and the incurring of further charges; and

- working with Commonwealth and State regulatory, educational and consumer protection agencies, as well as with the Taskforce, to exchange information and views on how best to progress mobile-related issues for consumers, especially young consumers.

How to Improve Consumer Awareness Initiatives in Respect, from a Mobile Phone Industry Perspective

AMTA and its members have been considering how we might best contribute to the education-related proposals which have been flagged by the Taskforce.

AMTA would like to work with the national body proposed by the Taskforce and with education authorities and curriculum experts to produce mobile phone material for use in school curricula. That material might take the form of a mobile phone module to be part of an accredited consumer and financial skills course. It would reflect the most effective and 'youth savvy' ideas from both the AMTA Tips and the messages in existing advisory and educative products provided by the NSW Office of Fair Trading, the NSW Commission for Children and Young People and the Australian Communications Authority Consumer Toolkit

In terms of content, the curriculum material could cover areas such as:

- how to choose a handset to suit you and your budget
- how to choose a plan (or pre-paid) to suit your usage pattern and your budget
- what's your likely usage pattern? (eg, text, voice, time of day)
- what's your budget?
- evaluating call rates and the cost of packages
- the nature and variety of plans/contracts, including customer rights and responsibilities
- selecting a service that allows you to check your mobile credit
- evaluating options and where to seek advice
- etiquette and appropriate use (and misuse) of phones
- phone security
- where to go if you get into trouble.

AMTA also notes that the Australian Communications Authority (ACA) has a consumer awareness program for telephone users (partly funded by carrier fees) and it might play a useful role in supporting a national education initiative.

The Curriculum Corporation's list of best practice approaches to assist organisations preparing material for use in school curricula, detailed in Appendix 4 of the Discussion Paper, will be most useful in preparing the module or material mentioned above. AMTA supports the Corporation's view that new curriculum material has the best chance of being accepted and effectively taught by schools if accompanied by professional teacher development and support and strategic promotion; eg -

- teaching notes
- student worksheets
- an interactive website and possibly a video
- a context that is of interest to students.

AMTA would consider assisting such supplementary support.

AMTA notes the Taskforce support for the Curriculum Corporation suggestion, in Appendix 4 of the Discussion Paper, that curriculum materials might take various forms, including electronic. In that context AMTA would consider both creating and maintaining web pages, which could serve as part of a formal curriculum as well as advice to the wider public.

AMTA considers that a mobile phone module, or references to it, could be made available so as to reach the widest possible number of young people (eg via online youth portals and appropriate hard copy magazines). The module – and the choice of effective communication channels - should first be tested with groups of young consumers, and may need to be reviewed and updated periodically as technology or consumer use patterns change. AMTA could play an advisory and support role.

Please contact me on (02) 62396555 if you would like further information about our submission.

Yours sincerely

Graham Chalker
Chief Executive Officer

Tips on managing your mobile spend

Managing any budget requires careful planning and monitoring. AMTA's guide 'manage your mobile spend' is designed to help make your job as easy as possible, with some useful hints to help you ensure you're in control of your spend. You may find it useful to read AMTA's Guide *Tips on Buying Your Mobile* in conjunction with this guide.

1. Consider pre-paid

If you are concerned about how much you will spend on your mobile, are not sure what exactly your needs are, and do not want to sign a long-term contract, consider the pre-paid option first.

Getting a pre-paid first will help you understand how much you'll use your mobile. You can always change to a plan at a later date, and your experience using a pre-paid can provide you with useful information to help you evaluate what type of plan would match your needs. Note that some pre-paid plans tie you down for a minimum period of time. This may mean you can benefit from cheaper call costs, but be aware that if you leave before the specified time, you pay a penalty. Look for details in the terms and conditions. You may see the phrase 'SIM unlock' fees. Also be aware that many pre-paid phone cards have an expiry date – you use them until all your credit is used, or until the card expires (whichever occurs first).

2. Choose a plan to suit you

Whether you opt for a pre-paid or post-paid contract, you'll find there's a huge choice of options available to suit many different needs. The following points will help you choose one to suit YOU.

a) Cost of calls. Going for the plan with the lowest basic call costs may not necessarily be the best or cheapest option for you – it'll also depend on how much you use other services, such as SMS, voicemail, etc. If you use SMS more than voice, you might find, for example, that there is a plan which charges slightly more for voice, but less for SMS – providing a cheaper service for you overall.

It's also worth taking the time to consider when you use the phone, and whether you can benefit from plans which allow you free or cheaper calls at certain times of day, or to certain people.

b) Select a service that allows you to check your mobile credit

Some mobile companies have options to help you keep track of, and manage, your spend – examples include:

- i) **Spend alerts** - you get a message to let you know if you've reached your nominated 'spend' within a given time period (eg a month). Applies to post-paid contracts.
- ii) **Free call number to check account balance.** (Applies to pre-paids *and* post-paid contracts)
- iii) **Call barring** - keep your bill down by limiting the numbers called from your phone by using call barring. For example, you might want to bar international calls, or calls to premium rate numbers. Some carriers also allow you to preset certain numbers to allow your phone to be used to call only certain numbers – talk to your carrier about the options.

c) Consider the cost of the whole package. Be wary of phrases such as 'Free', 'costs zero dollars' - is it really free, or are you paying for it somewhere else? If you see the words 'conditions apply', read what conditions apply – the offer may not sound so tempting once you understand what it excludes. Remember: **If an offer sounds too good to be true, it probably is.**

For further hints to help you consider what plan will suit you, read AMTA's Guide *Tips on Buying Your Mobile*.

3. Stop others using your mobile phone

Minimise the risk of losing your phone and/or someone using it without your permission by:

- Treating your phone as you would any valuable item; even if you got your handset as a ‘\$0 upfront deal’, this does not reflect its true cost. Handsets are expensive: they can cost more than \$1000.
 - Never leave your mobile in the car;
 - Keep your mobile on you - never put it down in a public place or leave it unattended;
 - Switch to vibrate mode in circumstances where a ring tone might attract the attention of a thief;
 - Make use of your mobile's security features to stop others ‘borrowing your phone’ (eg PINs, SIM locks, code locks – see your user guide for details);
 - Limit the amount of damage someone can cause by borrowing your phone without permission by utilising call barring (see above);
 - Don’t assume your phone is covered in your home contents insurance – check, and consider insuring it separately, if necessary. Remember that even if you got the phone for ‘\$0 upfront’, this doesn’t mean it was free – it means the cost was absorbed in the overall contract price. You may not be able to get a replacement phone for \$0 upfront.
- Reducing your phone’s appeal to thieves, and assist in its recovery if it is lost or stolen, by:
 - Notifying your network carrier AND the police *immediately* in the event of loss or theft;
 - Engraving your initials and driving licence number on the phone;
 - Recording details of your phone, including its make, model and its International Mobile Equipment Identity (IMEI) number, and keeping the details in a safe place. The IMEI number is a 15 digit number independent of your phone number, and is usually written underneath the battery or on the back of the handset. You can also find your IMEI number by dialling *#06# on your mobile handset. Your carrier can use this number to block your phone from all networks once you report the phone lost or stolen, rendering it useless to any thief.

4. Don’t sign a contract for someone else unless you’re prepared to pay all their bills

Remember that whoever signs a contract is ultimately responsible for ensuring that the terms and conditions of the contract are met. That means if you sign a contract for a friend (or child), and they don’t pay their bills, it’s YOU who must cover the costs.

So unless you’re completely happy to cover someone else’s costs, don’t sign a contract for them. Help them choose an appropriate pre-paid service instead.

5. Other tips to save you money

- Clear your voice mail quickly. Every time you re-listen to old messages, it’s costing you.
- SMS messages are usually charged at a flat rate per message of **up to 160 characters**. If your phone allows you to write a single message over 160 characters, be aware that you’ll get charged for an additional SMS. (So an SMS with 161 characters will cost you twice as much as 160 characters.)
- Consider whether it might be cheaper on occasions to call someone rather than SMS them. Or visa-versa.
- If using a pre-paid, make sure you know if and when the credit expires, and whether you can extend the credit period by ‘topping-up’/re-charging the card.

6. A problem shared is a problem halved

If you are having any financial or contractual problems, contact your carrier. It is not in their interest to have customers in financial difficulty any more than it is in yours. Discuss with your carrier any advice they have to help control your spend before the problem becomes too big.

Tips on buying your mobile

An increasing number of people of all ages own mobile phones, enjoying the convenience, freedom and re-assurance they provide.

There is a range of different handsets and contracts available, providing mobile communication solutions to suit consumers. The Australian Mobile Telecommunications Association's *Tips on buying your mobile* provides a simple step-by-step guide to choosing a mobile phone plan to suit YOUR needs.

As you work through this list, you may find it helpful to write down the features that are important to you.

AMTA also recommends you read *Tips on managing your mobile spend*, which provides useful tips to help you manage your mobile budget.

- 1. What's your budget?** Before you do anything else, think about why you want a mobile phone and determine your budget. There are numerous types of call plan, to suit various budgets and needs. There are also services available to help you keep track of what you spend – consider whether this would help you and check out what options are available. (Look at AMTA's *Tips on managing your mobile spend* for more information and hints to help you save money.)
- 2. What are your usage patterns?** How often will you be using the phone, at what time of day and what will be your average call length? Will you be using the phone mostly for voice calls, or to SMS friends? Your usage patterns may help determine what type of plan is best for you and your budget.
- 3. What types of plan are available?** There are four basic types of service agreement: fixed-term contracts, monthly plans, pre-paid or leasing. Pre-paid is ideal if you want to ensure you stay within a specified budget - perfect for teenagers. Getting a pre-paid first is also a good way of finding out what your usage is and helping you decide what type of plan might best suit you. Monthly plans allow you the flexibility of receiving monthly bills without signing a long-term contract. Business users may prefer the convenience of fixed-term, while leasing may suit you if you only need a phone and handset for a short time.
- 4. What are the call rates within each plan?** Call rates vary from plan-to-plan. It's important to assess both the rates and the call charge calculation methods when assessing your options. Issues to consider include: How are **call charges** calculated? On some plans you will be billed per second, on others, per block of time used (usually per 30 or 60 seconds); Is there a **flag fall** (an amount paid for each connection, in addition to call costs)? Are there any **special offers** (eg cheaper calls off-peak, or to friends on the same network, or for SMS)?
- 5. What features do you need in a handset?** A basic handset will allow you to make calls and send and receive SMS. You'll need a more sophisticated one if you want to use the phone abroad, use MMS, voice recording, make video calls, download video or access the internet. Other features to consider are battery capacity (some handsets run longer between charges than others), ease of use, and your coverage requirements (see 'coverage'). Consider what you really need – or you'll be paying for features you never use. If you already have a handset, are you eligible for other plans?

6. **How much flexibility do you need?** Consider your need for flexibility - and your budget - before you buy a handset or take out a plan. Are you likely to want the flexibility to upgrade your handset when a new one becomes available? Might you want to change to a different plan in six months? There are many different options for paying for handsets (eg up-front, flexi-rent deals, as part of your service agreement), and different plans (whether pre-paid or post-paid) have different terms and conditions – for example some include penalties for changing networks, or plans, for example. Read the small print and check you can meet all the minimum conditions of the contract before signing anything.

7. **What coverage do you require?** Where will you be using the phone – only in metropolitan areas, or in the country? The two dominant types of mobile network are GSM and CDMA. A 3G data network has also recently been launched in Australia. Which is best for you depends on where you are likely to require coverage. Check with the carriers where they have coverage to ensure they can provide the service where you need it before signing up. Your coverage requirements may also affect your handset choice (there are CDMA and GSM handsets).

8. **Evaluate the options.** Once you've worked out what you need/want, do your homework; shop around and compare what is available, and what will best suit your likely usage and budget.
 - **Consider the whole cost of the package.** Offers such as '\$0 upfront' mean that the cost of the handset is absorbed into the overall contract price, not that the handset is free. Such offers may provide you with a good way of obtaining the handset you want, but they may not be your only – or cheapest – option. Similarly, think about whether you really want any 'free' gifts – or whether it'd be cheaper for you to choose a different plan and go and buy the 'freebie' yourself.
 - **Assess adverts, contact some carriers; look on the web; talk to friends. Get copies of contracts (including for pre-pays).** Legally, to ensure the consumer is protected, mobile carriers have to write contracts in a particular format, known as a Standard Form of Agreement (or SFOA). The SFOA is a detailed document, but by law, carriers must give you a clear, easy-to-read written summary of the SFOA. This will spell out the terms and conditions to which you'd be bound if you took out a contract. Look at the terms and conditions, compare the rates, check the fine print. Ask for more details as necessary.
 - **Ask if there's anything you don't understand.** Make sure you understand and are comfortable with everything before signing. Remember: whoever signs a contract is ultimately responsible for ensuring that the terms and conditions of the contract are met. **So don't sign a contract for someone else unless you're prepared to pay all their bills.** If you sign a contract for a friend (or child), and they don't pay their bills, it's YOU who will have to settle the debt. So unless you're completely happy to cover someone else's costs, don't sign a contract for them. Help them choose an appropriate pre-paid option instead.

For more information to assist you choose a phone and manage your budget, see AMTA's *Tips on managing your mobile spend*.