



Australian Government
The Treasury

TSY/AU

DECISION REGULATION IMPACT STATEMENT

PAPER BILLING FEES

2018

Consumer Affairs Australia and New Zealand

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GLOSSARY OF TERMS

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACL	Australian Consumer Law
ACMA	Australian Communications and Media Authority
CAANZ	Consumer Affairs Australia and New Zealand
CAF	Legislative and Governance Forum on Consumer Affairs
COAG	Council of Australian Governments
EIAC	Education and Information Advisory Committee
ETA	Electronic Transactions Act 1999 (Cth)
IGA	Intergovernmental Agreement for the Australian Consumer Law
RIS	Regulation Impact Statement

EXECUTIVE SUMMARY

The vast majority of Australians (87 per cent) are internet users.¹ In recent years businesses have capitalised on Australia's high use of digital technology to move some traditional paper-based functions, such as bill and statement provision, to a digital format. Digital billing involves sending bills or statements (or links to the documents) to customers by email, through a webpage or via an app.

Digital billing provides businesses with a quicker, lower-cost, more efficient and environmentally friendly method of bill provision. It is also a more convenient service for customers offering immediate delivery, accurate usage information, previous bills and direct links to account and payment options.

Of the large companies that provided data in their submissions to the consultation, a weighted average of 62 per cent of their customers have transitioned from paper billing to digital billing, with most businesses noting a growing trend towards digital billing.²

As more consumers choose to receive their bills digitally, more businesses are charging customers who choose to have paper bills sent to them. This move to charging for paper bills is an independent business decision that reflects the growing unit cost to businesses of producing and posting a paper bill. Businesses also charge for paper bills to incentivise more consumers to move to digital billing and to ensure that those customers who have moved to digital billing are charged only for those services.

Whilst the principles of economic efficiency mean that in general, it is efficient for consumers to pay the full cost of the services they receive, Consumer Affairs Ministers were concerned that paper billing fees could be causing negative impacts on distributive fairness. This paper explores if it is unfair for vulnerable consumers to pay to receive paper bills, and what the community wide impacts would be if governments were to intervene in businesses ability to charge for paper bills.

Factors contributing to vulnerability and disadvantage for paper billing fees include low or no internet access or literacy due to socio-economic status, age, disability, and geographical isolation.

Treasury engaged with business and members of the public to gather further evidence on the likely impact of regulatory and non-regulatory intervention into paper billing fees. Stakeholder feedback indicated a high level of consumer interest, with valid concerns raised for those consumers who cannot easily access digital bills and therefore have no option but to pay for paper bills.

The findings of the consultation also revealed that a large proportion of businesses already offer programs that exempt vulnerable and disadvantaged consumers from paying paper billing fees. The consultation also made clear that these exemption programs are not widely promoted by businesses and are often undersubscribed; meaning these vulnerable consumers may be paying paper billing fees unnecessarily.

1 ABS 8146.0 - Household Use of Information Technology, Australia, 2016-2017.

2 Based on information provided by Commonwealth Bank, Origin Energy, Westpac and an organisation with confidential submission.

This Decision Regulation Impact Statement (RIS) examines three policy options to test whether there is a need for the governments to protect vulnerable and disadvantaged consumers.

- **Option 1** — maintain the status quo;
- **Option 2** — a twelve-month period of business-led education to increase uptake of existing exemption programs; and
- **Option 3** — a complete ban on paper billing fees.

This RIS presents an analysis of the qualitative costs and benefits of the above three policy options, including a quantitative estimation of the regulatory compliance costs as set out in the Regulatory Burden Measurement Framework.³ Detailed analysis of the costs and benefits of each option are outlined in Chapter 4.

Based on the estimated net benefits of each option, Option 2 is expected to achieve the policy intent of mitigating consumer harm and detriment for vulnerable consumers, while also minimising regulatory costs for businesses.

3 <https://www.pmc.gov.au/regulation/regulatory-burden-measurement>.

1. BACKGROUND

In recent years, businesses have increasingly shifted from a standard approach of billing customers through the issuing of paper bills delivered by post, to providing consumers with the option to receive their bills in a digital format. This has generally become the preferred method of billing for most companies. Digital billing is often seen as a simpler, lower-cost and more environmentally friendly option for businesses and consumers. As a result of this shift to digital billing, many businesses have moved to a fee-for-service model for the provision of paper bills.

Digital billing is typically offered to consumers as a cost free alternative to paper billing. Those who are capable and willing to access the internet can avoid paying fees to receive paper bills by choosing to receive them digitally.

Business submissions indicated that slightly more than half of all consumers⁴ were receiving digital bills. Businesses also noted a trend towards digital billing, with one submission reporting a drop of 22 per cent in paper bill subscriptions in the last 12 months.⁵

Australian internet services are becoming comparatively less expensive, meaning many consumers have the option to comfortably switch to digital statements and the NBN Co forecasts that 94 per cent of Australian households will have internet access by 2020, and 100 per cent by 2030.⁶

During consultation, many consumers acknowledged that they had the ability to access digital bills but expressed a preference for paper bills. Among these consumers a fear of online scams was the most common reason given for preferring paper bills.

*“Following a presentation at our recent AGM we were left with no doubt that the fear of being scammed is a real and genuine fear amongst the elderly, ethnic communities, indigenous communities and those with disabilities.”*⁷

In 2017, there were more than \$2.3 million losses from email and online false billing. Paper bills were also subject to false billing scams with a financial loss of \$207,997⁸ recorded for the same period. It should be noted that a large proportion of victims of scams are not necessarily disadvantaged or vulnerable consumers.⁹ Based on 8,868 scam reports with age group information provided, consumers aged 18 to 64 accounted for 94 per cent of the financial losses and 67 per cent of the number of scams. Elderly Australians contributed only 6 per cent of the losses and 33 per cent of the scams.¹⁰

4 ‘All consumers’ or ‘consumers’ in this RIS means the consumer group who needs to receive bills (or statements) from their service or product providers to make a payment, unless specified.

5 Submission from Origin Energy, December 2017.

6 [Nbnco.com.au](http://nbnco.com.au), 2017.

7 Submission from Fair Go For Pensioners Coalition Victoria, December 2017.

8 Scamwatch Scam Statistics, 2017.

9 ‘Disadvantaged or vulnerable consumers’ in this RIS means the consumer group who have disadvantaged situations, including having no internet access or a technical illiteracy, elderly, disabled, and living in remote areas.

10 Scamwatch Scam Statistics, 2017.

While the scam losses related to paper bills are significantly lower than digital forms, it should be noted that the number of people using paper bills is less than digital bill users. Disadvantaged and vulnerable consumers who are victims of digital billing scams are also more likely to become the potential targets of paper billing scams.¹¹ Therefore, a ban on paper billing fees would be likely to have a relatively low impact on consumers in terms of false billing frauds. Further, while it is acknowledged that online scams are a significant problem for the Australian community, it is not the central focus of this RIS and will not be solved by, for example, the banning of paper billing fees.

Some consumers believe that paper bills help them track their bill payments better. Consumers provided examples of missed payments and late payment penalties that those customers believed could have been avoided if they had access to paper bills. However, some consumers and businesses argue that digital bills contribute to their ability to track bill payments, as they can be delivered in a more timely way and link consumers directly to payment methods. Some digital bills also allow customers to set reminders for when their bill is due to be paid.

Consumers also reported a personal preference to receive a paper bill free of charge with most reporting dissatisfaction at the requirement to pay a 'new' fee and a belief that previously bills were 'free'.

Regulatory intervention is not required to address consumer dissatisfaction based on the above personal preferences.

FEES CHARGED FOR PAPER BILLS

Businesses that charge paper billing fees overwhelmingly stated that the fees were at or below the cost to produce a statement. Submissions received from businesses that charge paper billing fees asserted that a bill costs between \$1.50 and \$2.50¹² to produce and send. The costs of producing paper bills are currently imposed upon those who receive them rather than spreading the cost across all billed customers. Research conducted by Treasury on a further 13 other companies who charge paper bill fees revealed that the average fee charged was \$2.43.

Some businesses provided alternative, lower figures. For example, Keep Me Posted estimate the 'true cost' to billers was \$0.935 on average. However this estimate did not include administrative costs included in other business submissions.

In addition, the Telecommunications Consumer Protections Code requires the charge for paper billing or any other billing types to be limited to the cost of providing the information.

"Telstra does not recover the full cost of sending individual retail customers a paper bill."¹³

11 Ibid.

12 Submissions from Origin Energy and Simply Energy, December 2017; and Commonwealth Bank New Information About Paper Statements, 2017.

13 Submission from Telstra, January 2018.

FEE EXEMPTION PROGRAMS

Paper billing fee exemption programs are a practical, industry led method of minimising the detriment to vulnerable or disadvantaged consumers that may be caused by the payment of paper billing fees. To do this effectively, exemption programs need to be correctly targeted and easy to access, particularly for those without access to the internet.

Who offers an exemption program?

Research indicates that the vast majority of businesses that charge paper billing fees choose to waive the fees for certain consumers. All submissions that were received from businesses that charged paper billing fees had some form of exemption program in place.¹⁴

How is exemption applied?

There is no current standard for how a paper billing fee exemption is applied by businesses.

Some businesses apply fee exemptions automatically to their customers who are assumed to have minimal internet access (such as pension recipients), or who are flagged in their system as vulnerable or disadvantaged.

For other businesses, the onus is on the consumer to contact the service provider and request an exemption. Most businesses consulted did not request or require evidence to accept their consumers' request for fee exemption due to a lack of internet access or vulnerability.

Who is exempt from paper billing fees?

While fee exemption programs vary from business to business, they are often applicable to similar groups of consumers, including concession card holders, customers receiving income support, elderly consumers, consumers on 'hardship' programs with utility providers, and consumers who do not have internet access.

For example, the Commonwealth Bank exempts from paying a fee those customers who are under 18, have notified the bank of a disability, or are recipients of a pension.¹⁵

Similarly, the majority of members of the Customer Owned Banking Association (47 credit unions, 2 building societies and 19 mutual banks) that charge for paper bills/statements offer exemptions for customers in rural areas, those with a disability, veterans, government benefit recipients, those in hardship and young and elderly Australians.¹⁶

AGL's submission noted that 48 per cent of their customers who receive a paper bill were not charged a fee and the criteria that AGL used for fee exemptions exceeded the list of disadvantaged groups highlighted in the consultation RIS.¹⁷

14 Submissions from Australian Bankers' Association, Commonwealth Bank, Origin Energy, Simply Energy December 2017; and Telstra, 2018.

15 Submission from Commonwealth Bank, December 2017.

16 Submission from Customer Owned Banking Association, December 2017.

17 Submission from AGL, December 2018.

In addition, a number of industry codes (such as the Banking Code of Practice and the Telecommunications Consumer Protections Code) require their members to not charge certain disadvantaged customers a paper billing fee. The new Banking Code of Practice proposed by the Australian Banking Association would specifically exempt customers who do not have access to electronic statements from paying a fee for paper statements.¹⁸

The Customer Owned Banking Association has also expressed a willingness to take a similar approach in its review of the Customer Owned Banking Code of Practice.¹⁹

Box 1 provides an example of three different exemption programs.

BOX 1: EXEMPTION PROGRAMS AT A GLANCE

Suppliers of different services have access to different information that may be used to determine if a consumer qualifies for an exemption program, for example:

- Telstra customers who are registered for Telstra's Pensioner Discount are automatically exempted from paying paper bills; while customers on its Disability Equipment Program or who hold an Australian Government Health Care Card need to apply and provide evidence of their eligibility to be exempted. Telstra also applies an exemption for customers with no registered email address. As Telstra offers one bill covering all services, customers do not need to apply for exemption for each service (Telstra.com.au, 2017);
- Commonwealth Bank customers who are under 18 or who register a disability with the bank are not charged a paper billing fee and accounts into which age or service pensions are paid are automatically exempt from paper billing fees (Commbank.com.au, 2017); and
- AGL provides a range of customer exemptions on request, including but not limited to customers registered for a concession (Community.agl.com.au, 2017).

UNDERSUBSCRIPTION OF EXEMPTION PROGRAMS

Submissions received from businesses indicated that a sizeable proportion of consumers who may be eligible for exemption programs were currently paying for their paper bills as they were not aware of the exemption programs offered by their service providers or had no knowledge of exemption programs at all.

Submissions from other stakeholders also confirmed that many consumers eligible for exemption programs were not aware of them. Australian Post stated that while some organisations offered exemptions to vulnerable customers, those exemption programs were not widely known or promoted.²⁰

Feedback from advocacy bodies that work on behalf of pensioners (a group commonly eligible for exemptions) suggested that information on a number of exemption programs was difficult to locate.

18 Submission from Australian Bankers' Association, December 2017.

19 Submission from Customer Owned Banking Association, December 2017.

20 Submission from Australia Post, December 2017.

National Seniors Australia made a similar statement that the current exemption programs appeared to be underutilised as many older consumers were not aware of them and were being charged unnecessarily. National Seniors Australia conducted an online poll to gauge whether consumers had applied for an exemption from paper billing fees and early results suggested the majority of their members (75 per cent) had never applied for an exemption.²¹

One of the possible reasons for undersubscription is that businesses had not actively informed consumers or prompted use of their exemption programs. Often exemption information is not included on the paper bill and it is difficult to navigate to find on service providers' websites or brochures. For example, one member from Blind Citizens Australia was informed that he or she could access a fee exemption only when the person made an enquiry to the service provider after the fee was charged.²²

During consultation, consumer advocates also noted impediments that may prevent some disadvantaged consumers accessing exemption programs.

*"Digitally excluded Australians are generally vulnerable and disadvantaged, which means it less likely that they will engage with service providers or identify themselves as eligible for exemptions."*²³

CONSUMER AFFAIRS AUSTRALIA AND NEW ZEALAND CONSUMER EDUCATION

At the direction of Consumer Affairs Ministers, in April 2018 Consumer Affairs Australia and New Zealand (CAANZ)²⁴ produced a four week education program aimed at improving consumer understanding and awareness of the benefits of digital billing. The campaign also encouraged people to contact their service providers to find out if they were eligible for fee exemptions for paper bills.

The education campaign targeted consumers with limited or no internet access by using regional newspapers and radio and printing postcards and posters. It also provided key organisations and advocacy groups (such as seniors' organisations and migrant resource centres) with a resource kit of information and printed materials for their clients.

While the official education campaign concluded in May, paper billing fees now form part of the state and territory regulators' business as usual stakeholder engagement function.

The effectiveness of the CAANZ campaign will be evaluated by CAANZ later in 2018.

21 Submission from National Seniors Australia, December 2017.

22 Submission from Blind Citizens Australia, 20 December 2017.

23 Submission from Consumer Action Legal Centre, December 2017.

24 CAANZ consists of senior officers of the Commonwealth, state and territory and New Zealand Government agencies responsible for consumer affairs or fair trading. The primary role of CAANZ is to support Consumer Affairs Ministers.

CURRENT AND EXISTING LAW

The Australian Consumer Law

The Australian Consumer Law (ACL) is a national law applied in all states and territories which aims to protect consumers and ensure fair trading in Australia.²⁵ Currently the ACL requires one-off bills to be provided free of charge, however the ACL does not specify that bills need to be in a particular form, meaning companies can charge paper billing fees as long as bills can be provided for free through another method (that is, digitally).²⁶

The ACL also contains protections for consumers in relation to paying for paper bills, including the requirement of transparent pricing, which ensures the price paid for a paper bill is clearly disclosed to consumers. These protections can apply to fees that are not for the contract's main subject matter, but for a court to declare such a fee to be unfair, it must:

- create a significant imbalance in the rights and responsibilities of the parties;
- cause detriment to a consumer if the term is relied on; and
- must not be in a business's legitimate interests. This would typically require an additional fee to be significantly disproportionate to the costs for a business.²⁷

National Energy Retail Rules NSW

In 2017, New South Wales (NSW) modified the National Energy Retail Rules by adding a clause (35A) that bans the charging of paper billing fees for energy bills under the National Energy Retail Law (Adoption) Regulation 2013.²⁸

From 1 January 2018, energy retailers are prohibited from charging paper bill fees or fees for paying through Australia Post, and with some exceptions, exit fees, to any electricity customer in NSW.²⁹ Most energy retailers still charge fees for customers outside of NSW.

25 The ACL is Schedule 2 of the *Competition and Consumer Act 2010* (Cth).

26 Section 101 of the ACL.

27 Section 48 of the ACL.

28 National Energy Law (Adoption) Regulation 2013 <https://www.legislation.nsw.gov.au/#/view/regulation/2013/168/part4/sec9b>, 2018.

29 NSW Government 2018, <https://www.resourcesandenergy.nsw.gov.au/energy-consumers/your-rights/removal-of-electricity-retailer-fees-faqs>.

Other laws

The *Electronic Transactions Act 1999* (Cth) (ETA) does not specifically regulate fees paid in association with billing processes. The ETA provides that, where a Commonwealth law requires a written document to be given to a person, the person must give their consent before receiving that information in electronic form. State and territory laws include similar requirements in relation to documents required by state and territory laws. However, if a person chooses not to receive that information in electronic form, the ETA does not prevent businesses from charging a fee for delivering bills by non-electronic forms.³⁰

Some industries, particularly those associated with essential services, are also governed by relevant codes of conduct. For example, the Telecommunications Consumer Protections Code, enforced by the ACMA requires suppliers to inform consumers of any proposed changes to the method of billing, the amount of any charge for that billing method, and how it is calculated.³¹

30 Communications Alliance 2017, http://www.commsalliance.com.au/__data/assets/pdf_file/0005/58595/TCP-C628_2015-2017-Variation.pdf.

31 ACMA 2018, <https://www.acma.gov.au/Industry/Telco/Reconnecting-the-customer/TCP-code/the-tcp-code-telecommunications-consumer-protections-code-acma>.

2. THE PROBLEM

There is a proportion of Australians who have limited or no access to the internet, or who are unable to navigate online easily, and who may be paying to receive paper bills when it is clear that they are unable to switch to digital bills. Government involvement or regulatory intervention may be required to address market inequality and protect this group from financial detriment.

VULNERABLE OR DISADVANTAGED CONSUMERS

One of the six operational objectives of the national consumer policy framework is to meet the needs of consumers who are most vulnerable or are at the greatest disadvantage.³² Additionally, the Australian Consumer Law (ACL) regulators prioritise work to engage with, inform and protect vulnerable consumers.

Vulnerable or disadvantaged consumers may have a limited ability to navigate complex product and service delivery options, especially where information provision and purchasing are online. A polarisation is evident between the highly informed, empowered consumer and the vulnerable consumer who does not have access, or the resources and capacity, to confidently participate in the online marketplace. There is evidence that vulnerable and disadvantaged consumers may also face additional challenges in understanding and enforcing their consumer rights.³³

While the proportion of households and individuals with access to the internet has been increasing steadily, in 2016-17 14 per cent of households did not have access to the internet, and 13 per cent of the Australian population were not internet users.³⁴

Australia Post partnered with Monash University's Behaviour Works to conduct a nationwide survey of 1611 Australians, which reported that nine per cent of those surveyed 'never' used the internet. A large proportion of non-users were people with a lower level of education, who lived with a disability, who were on a low income or who were elderly retirees.³⁵

"Making people pay for paper bills is discriminating against seniors, the poor, and those least able to handle the transition to the digital age."³⁶

32 Intergovernmental Agreement for the CL.

33 Legislative and Governance Forum on Consumer Affairs Consumer Affairs Australia New Zealand Strategic Agenda.

34 Australian Bureau of Statistics, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8146.0>.

35 Submission from Australia Post, December 2017.

36 Submission from Albury Wodonga branch Australian Independent Retirees, December 2017.

There is evidence that individuals from certain groups (such as Australians from non-English speaking backgrounds, Australians with low literacy and those without a permanent address) require paper bills to provide to others who assist in managing their affairs. Advocates (including carers and support workers) noted that paper bills were often necessary to provide assistance to clients:

“We have observed that such clients tend to have their postal mail sent to them care of a relative, friend or helpful support organisation, such as a rehab or community or drop-in centre.”³⁷

Older Australians

The Australian Bureau of Statistics (ABS) found that 98 per cent of people aged 15 to 17 years were internet users, compared with only 55 per cent of those 65 years and over.³⁸

During consultation, consumer advocates noted that paper billing fees were paid disproportionately by older Australians as they were unable to access the internet or had difficulties navigating digital bills and statements.

Older Australians also incurred other fees in relation to bills, in particular ‘over the counter’ fees for paying bills at post offices that those confident online do not. National Seniors Australia found that older people regarded the ‘digital divide’ as a form of discrimination. They also suggested that without policy and infrastructure changes, the digital divide could not be eliminated.³⁹

Australians living remotely

The ABS found that households located in major cities were more likely to have internet access at home (88 per cent) compared with those in remote or very remote parts of Australia (77 per cent).⁴⁰

A report by the Australian Communications and Media Authority (ACMA) stated that Indigenous Australians living in remote communities faced distinct challenges in accessing and using basic telecommunications services. Vast geographic distances, small and remote populations, the cost of deploying telecommunications infrastructure and harsh environmental conditions present difficulties for the provision of telecommunications services to these communities. These difficulties are compounded by the socioeconomic disadvantages faced by many individuals within remote Indigenous communities.⁴¹

The ABS indicated that the percentage of Indigenous people that have internet access at home was 72 per cent.⁴²

37 Submission from Caxton Legal Centre, December 2017.

38 ABS, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8146.0>.

39 Submission from National Seniors Australia, December 2017.

40 ABS, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8146.0>.

41 ACMA, ‘Telecommunications in Remote Indigenous Communities’, September 2008.

42 ABS, 2071.0 – Census of Population and Housing: Reflecting Australia – Stories from the Census, 2016.

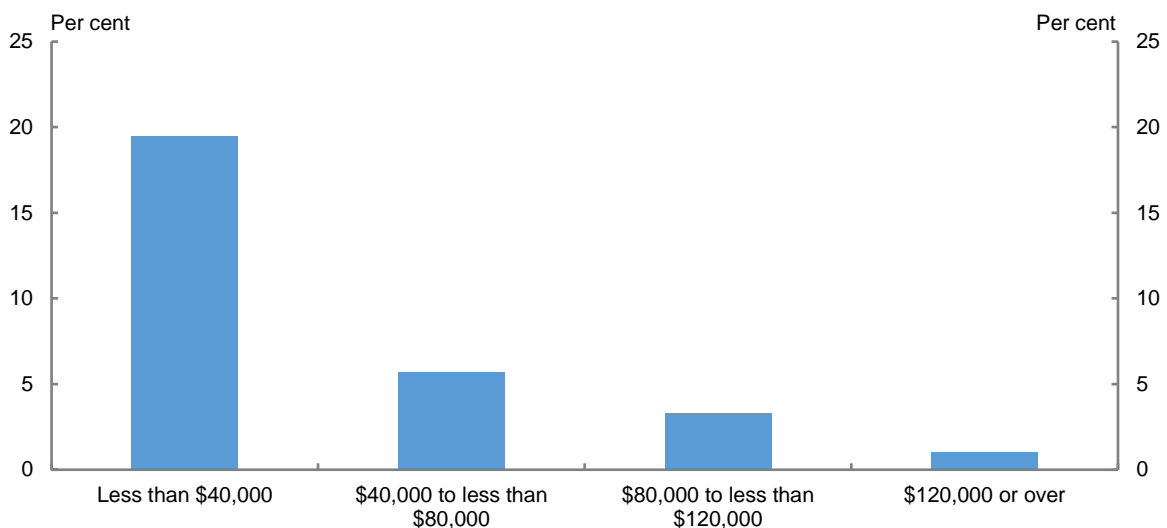
Australians living with a disability

Paper billing fees may also have disproportionate impact on people with disability. Blind Citizens Australia estimated that as many as 1.3 million Australians had a print disability and could not read print at all because of vision impairment and other health issues. Digital bills are generally provided in PDF format, which is not always accessible for people who use screen readers to access information online. Therefore, people who are blind or vision impaired may prefer to receive paper bills, of which they can use assistance devices or software applications that translate text into speech.⁴³

Australians with a low income, less education and living in remote areas

Australians with a low income, less education or who live in remote areas were significantly more likely to be non-internet users compared with other parts of society.⁴⁴ These non-internet users have no choice but to receive paper bills from their service providers. Internet access in remote areas is likely to improve as the National Broadband Network (NBN) rolls out over time to 100 per cent by 2030.⁴⁵

Figure 1: People have no internet access – Income
(The proportion of that group)



43 Submission from Blind Citizens Australia, December 2017.

44 Australian Bureau of Statistics, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8146.0>.

45 Nbnco.com.au, 2017.

Figure 2: People have no internet access – Education
(The proportion of that group)

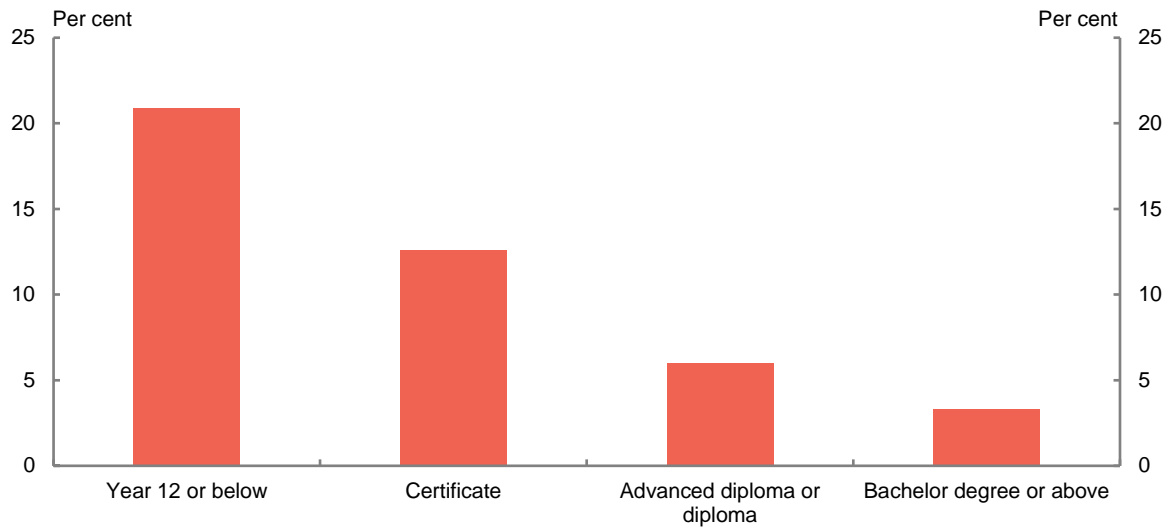
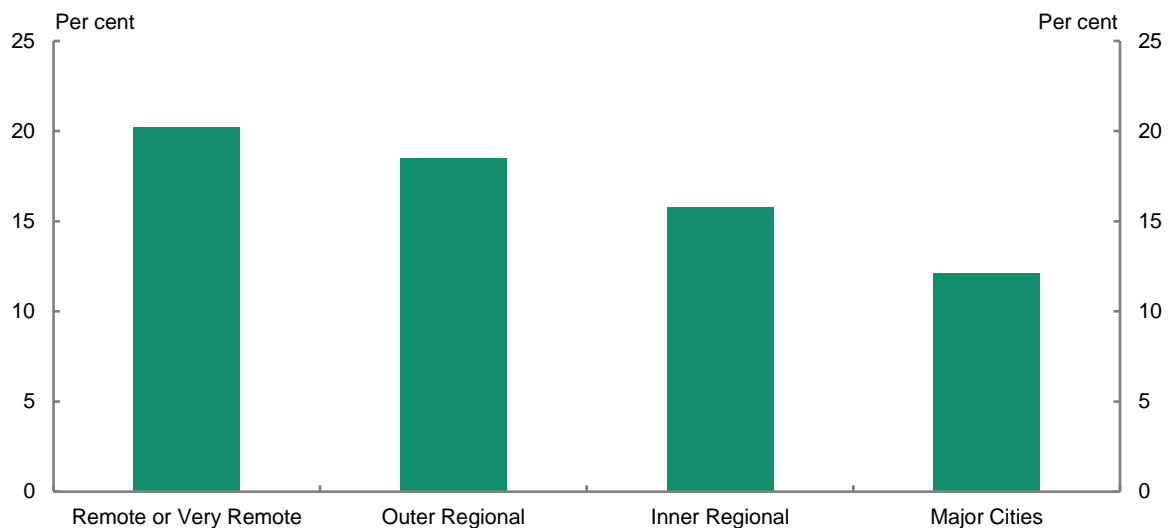


Figure 3: People have no internet access – Location
(The proportion of that group)



Digital inclusion tends to decline with age and is lower among Australians with a disability and Indigenous Australians. Additionally, one in five Australians only has access to the internet through a mobile device.⁴⁶ Modern mobile devices allow users to complete a majority of tasks that previously required a laptop or desktop computer; however, some users may have difficulty reviewing their bills on a phone screen. Mobile only internet access has been linked with socioeconomic factors including low income and low education levels.⁴⁷

⁴⁶ Barakett et al, 2017.

⁴⁷ Ibid.

EXTENT OF THE PROBLEM

To calculate the extent of the problem, and in the absence of national data on Australian's current participation in exemption programs, for the purposes of this RIS we have made some assumptions.

We have assumed that:

- the proportion of consumers of all service providers who choose to receive digital bills is as same as the weighted average of **62 per cent** of the four large companies who provided data in their submissions⁴⁸ which means that **38 per cent** of consumers receive paper bills; and
- **13 per cent** (the national figure of non-internet users)⁴⁹ of all consumers have no internet access, which equates to **34 per cent** of consumers who choose to receive paper bills.

In addition to the internet non-users, some vulnerable groups may not be able to access digital bills even if they have internet access for other purposes, for example, consumers with disability or technical illiteracy.

The disability prevalence rate in Australia has remained relatively stable over time, with 18.3 per cent of people reporting a disability in 2015, and 18.5 per cent in 2012 and 2009.⁵⁰

In 2016, 6.7 per cent of Australian adults reported considerable difficulty with at least one of six domains of activity (seeing, hearing, walking, cognition, self-care and communication). Using the Supplementary Disability Survey measure, these Australians can be considered to have disability and be at greater risk than the general population of experiencing limited or restricted participation in society.⁵¹

There is no available data on the number of internet users who are in a disadvantaged situation; however, they are likely to be a small proportion of the whole population. A conservative estimate has been made that an additional **6 per cent** of consumers who currently pay for paper bills but should be exempt due to disability or other disadvantaged situations.

This gives a total estimation of **40 per cent** of consumers who receive paper bills who could potentially be covered by a fee exemption programs.

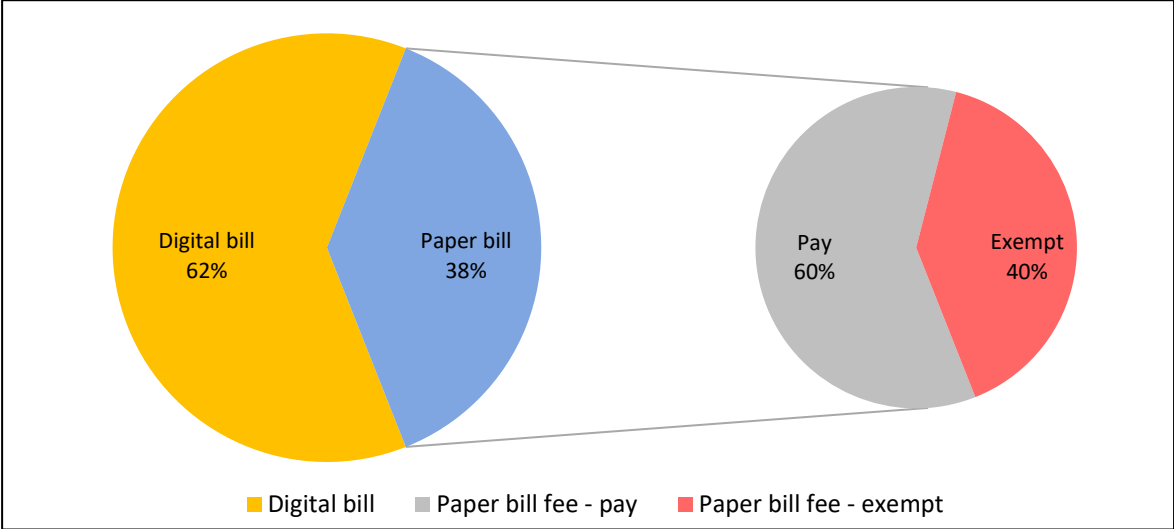
48 Based on information provided by Commonwealth Bank, Origin Energy, Westpac and an organisation with confidential submission.

49 ABS, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8146.0>.

50 ABS, 2015 Survey of Disability, Ageing and Carers <http://www.abs.gov.au/ausstats/abs@.nsf/0/C258C88A7AA5A87ECA2568A9001393E8?Opendocument>.

51 ABS, 2016 Supplementary Disability Survey <http://www.abs.gov.au/ausstats/abs@.nsf/0/2403CDF924A0CD71CA257FE100139B23?Opendocument>.

Figure 4: Paper bill and exemption



3. POLICY OBJECTIVE

The policy objective is to ensure that vulnerable and disadvantaged consumers who cannot easily access digital bills are not paying fees to receive paper bills at a disproportionately higher rate compared with the rest of Australian consumers.

The options seek to address the problem of detriment to vulnerable and disadvantaged consumers that may be caused by paper billing fees while balancing the impact of any reform on businesses who choose to charge a fee.

4. POLICY OPTIONS AND IMPACT ANALYSIS

This RIS sets out three options for governments to consider to address the problem of detriment to vulnerable and disadvantaged consumers while balancing the impact of any reform on businesses:

- **OPTION 1** – Maintain the status quo;
- **OPTION 2** – A twelve-month period for business to increase the uptake of existing exemption programs; and
- **OPTION 3** – A complete ban on paper billing fees.

IMPACT OF THE OPTIONS

The table below sets out the impact of the three options in terms of allocative efficiency and distributional fairness.

Allocative efficiency (referred to as ‘efficiency’ in this RIS) is a state of the economy in which every good or service is produced up to the point where the last unit provides a marginal benefit to consumers equal to the marginal cost of producing. For paper billing, it is deemed to be less efficient for businesses (and/or consumers) to incur additional costs to satisfy certain consumers’ preference.

Under distributional fairness, costs of a service should be borne fairly by consumers. For paper billing, it is deemed to be unfair for disadvantaged and vulnerable consumers to bear the cost to receive paper bills as they do not have a free alternative (for example, digital bill) due to their disadvantaged situations, including age and disability.

Options	Efficiency	Distributional fairness	Overall impact
Option 1 - Status quo	High	Negative	Least favourable
Option 2 - 12 month education campaign	Moderately reduced	Positive	Favourable
Option 3 - Ban on paper billing fees	Greatly reduced	Mixed	Less favourable

It is important to note that the figures used for any impact analysis for paper billing are likely to change over time as consumers progressively reduce their demand for paper billing as internet penetration increases.

Under Option 1, efficiency is reasonably high as businesses are able to produce the paper bills at a low cost and recover most of the cost from consumers who select to receive paper bills, while businesses need to bear all or some of the cost from exempting some disadvantaged consumers. However, it has undesirable fairness effects to a large proportion of disadvantaged consumers as they are not aware of the exemption programs offered by their service providers and continue to pay paper bills.

Compared to Option 1, Option 2 appears to reduce efficiency to some degree as businesses would need to bear additional costs from exempting more disadvantaged consumers, but it relieves more consumers from paying paper bills because of their disadvantaged situations, offering a fairer environment to disadvantaged consumers.

Option 3 is likely to have the greatest reduction in efficiency compared to the other two options. Under this option, businesses would incur a significant loss from being unable to directly recover the costs related to producing and distributing paper bills in order to meet consumer preference. Businesses would need to absorb the loss themselves, or pass the whole or partial cost onto all consumers. This option will have mixed impact on distributional fairness. While Option 3 would protect disadvantaged consumers, it would also benefit non-disadvantaged consumers unnecessarily and consumers who receive digital bills are likely to share the cost.

Overall, Option 2 appears to offer a fairer situation to disadvantaged consumers with a comparably lower reduction to efficiency.

OPTION 1: MAINTAIN THE STATUS QUO

Under this option, existing laws would continue to operate. Market forces would continue to determine whether or not businesses charge customers for paper bills, the price charged and whether or not businesses offer an exemption program.

OPTION 1: IMPACT ANALYSIS

Impact on businesses

Option 1 represents the status quo. If the status quo was maintained, the current laws would continue to operate and there would be no additional compliance costs for businesses.

Under the status quo, businesses that charge paper billing fees could continue to do so. Market forces, including competition, would continue to drive whether a business charges paper billing fees and how much it charges. The fee charged would continue to be influenced by the business balancing its desire to cover costs and make profit, and incentivise the customer to give up paper bills, balanced against their interest in maintaining customer goodwill and avoiding loss of customers who require or want to receive a paper bill free of charge.

Under the status quo, businesses would continue to have the flexibility to decide if they would provide exemption programs to certain types of customers, including the disadvantaged and vulnerable, and which customers would be in those exemption categories.

The status quo could see some change with businesses phasing out paper billing fees due to consumer dissatisfaction. A recent example of this is EnergyAustralia, which ceased charging paper billing fees in January 2018, possibly in part due to the abolition of fees by the NSW government but also as a result of customer dissatisfaction.

The status quo has a high allocative efficiency as businesses continue to be able to produce paper bills at a low cost and recover the majority of the cost from consumers who receive paper bills. There would be no additional cost to either businesses or consumers under this option.

Impact on consumers

This option would result in a proportion of disadvantaged consumers continuing to pay for paper bills and continuing to be potentially exposed to detriment. Under the status quo, the lack of distributional fairness would be unchanged for the disadvantaged consumers.

Over time, the impact of distributional fairness would improve as internet penetration increases, technical literacy improves, and consumers' need for paper billing progressively reduces.

Overall impact

It is estimated that disadvantaged consumers pay a total of \$220 million⁵² annually for receiving paper bills. While it is economically efficient for consumers to pay for the service they receive, it is less fair for vulnerable and disadvantaged consumers as they are unable to access cheaper or free alternative channels, for example, digital bills, compared to consumers who are capable of accessing digital alternatives.

Vulnerable and disadvantaged consumers also pay a disproportionately higher rate to receive paper bills compared to the rest of Australian consumers, exposing them to distributional unfairness.

BENEFITS	COSTS
<ul style="list-style-type: none"> Consumers who elect to receive digital bills benefit from no costs for bill provision. 	<ul style="list-style-type: none"> Vulnerable and disadvantaged consumers, who are unable to easily access digital bills and are unaware of exemption programs, will continue to experience detriment from the payment of paper billing fees.
<ul style="list-style-type: none"> Price signals continue to encourage consumers to transition to digital statements, reducing paper waste. 	<ul style="list-style-type: none"> Consumers who choose not to use digital bills will still pay paper billing fees.
<ul style="list-style-type: none"> No additional compliance costs are incurred by businesses or passed onto consumers. 	
<ul style="list-style-type: none"> Businesses continue to recover related costs from consumers who choose to receive paper bills. 	
<ul style="list-style-type: none"> Businesses can continue to compete on the basis of paper billing fees. 	

OPTION 2: BUSINESSES INCREASE EXEMPTION PROGRAM SUBSCRIPTION

Under this option, as with the status quo, all existing laws would continue to operate. The market would continue to determine whether or not to charge for paper bills and the price of paper bills.

This option provides for a twelve-month period in which businesses would put in place strategies to increase uptake of existing exemption programs, followed by a review which would consider whether regulatory intervention (including a ban on paper billing fees) is necessary.

⁵² The 16 businesses are estimated to have a total of 24 million consumers on paper bills. Depending on their business nature, they issue bills ranging from 4 to 12 times a year and charge a fee ranging from \$1.50 to \$2.50. Consumers are estimated to pay \$549 million for paper bills per annum. As 40 per cent of consumers who receive papers are likely to be disadvantaged consumers, \$220 million is estimated to be contributed by them.

This approach is consistent with general government policy to move those who are able from paper to digital platforms, both for environmental and efficiency reasons.⁵³

Under this option, it is envisaged that the following would occur:

Establish a baseline

In the absence of available national data, it is difficult to estimate the current average rate of exemption program participation by those who pay for paper bills. We have assumed for the purposes of this RIS that the current rate of disadvantaged and vulnerable consumers who should be covered by a fee exemption programs is 40 per cent of total consumers who receive paper bills (see page 16).

While we have collected such data from a number of businesses, the data set is very small and the exemption rates are very different, making it difficult to have a meaningful estimation. For example, Telstra currently exempts two thirds of its consumers who pay paper bills, but another company who provided information confidentially only exempts three per cent.⁵⁴

Quantitative data will be required to establish a point in time baseline figure of the subscription rate and awareness of exemption programs. To do this, Treasury will ask the 20 largest businesses who charge paper billing fees to report their current exemption rate. We will focus on essential services sectors including energy, telecommunications and banking where consumer detriment can be expected to be higher.

The proposed target is for a minimum of 30 per cent of consumers of a business who receive paper bills being covered by an exemption program.

As a minimum, the following consumers would be expected to be exempt from paying for paper bills:

- concession card holders;
- customers receiving government income support;
- elderly consumers;
- consumers on 'hardship' programs (for example with utility providers); and
- consumers who do not have internet access.

The above list is not prescriptive as it is acknowledged that many businesses provide fee exemptions for additional consumer groups to those listed above.

Treasury will also gather qualitative data and establish a level of general consumer awareness of exemption programs by partnering with community and consumer advocacy groups and surveying their clients.

53 The digital economy: opening up the conversation, Department of Industry, Innovation and Science, 2017.

54 Submission from Telstra, January 2018; and a confidential submission received from another business.

Industry to conduct a 12-month education campaign

During consultation, industry indicated its willingness and capacity to better promote exemption programs with a campaign targeting consumers who are likely to be eligible for exemption programs, but may not be aware of their existence.

Under this option, businesses would be given a 12-month period to promote their paper billing fee exemption programs to their customers. A consumer education campaign could provide information in a number of forms including social media and upgrading of website material to make information on exemption programs easier to find; and providing information to advocacy and support groups who already have ties to disadvantaged communities.

Businesses could decide to run their own individual educative process or multiple businesses within the same industry could decide to run a joint campaign and share costs. Industry may amend their codes or establish memorandum of understandings for this purpose, however it is not envisaged that the Government, or CAANZ would be involved in this education campaign, or that it requires any regulation or amendments to legislation.

Businesses could choose to include ‘behavioural nudges’ at the bottom of their paper bills that alerts consumers to exemption programs. Behavioural nudges are alternatives to standard government interventions in markets and they can help influence the choices that people make. An example is outlined in Box 2.

BOX 2: EXAMPLES OF BEHAVIOURAL NUDGES ON PAPER BILLS

“You may be eligible for an exemption from the paper billing fees that are charged on this bill. For more information contact [Phone Number].”

“You have been charged a fee for this paper bill. You may be eligible to have this fee waived. To find out more, please contact [Phone Number].”

Businesses that currently rely on consumers to contact them and request an exemption could choose to automatically apply exemptions to certain consumers who are likely to have limited access to the internet or suffer detriment as a result of paying paper billing fees.

Business can also choose the timing of their education campaign. The process may be ongoing, sustained for the whole twelve month period, or they may choose to target consumers with bursts of information so they can evaluate its iterative success based on the uptake of their exemption programs. The formal evaluation will occur after the twelve months has passed.

Review and assessment

The timeframe of twelve months should provide sufficient time for businesses to undertake their education campaigns by using traditional and digital promotion channels. Following the 12-month period, Treasury would ask the same 20 businesses to report their exemption rate and assess the data to establish if the benchmark has been met.

For the campaign to be successful, a minimum of 30 per cent of consumers of a business who receive paper bills should be covered by an exemption program. Businesses that already exempt 30 per cent or more of consumers who receive paper bills are expected to take actions to reach 40 per cent. This would require a reasonable effort from majority of businesses to increase their exemption rate for disadvantaged and vulnerable consumers in the twelve-month period.

In addition, consumer advocacy groups will also be re-surveyed to assess if consumer awareness of exemption programs has increased. For the campaign to be successful, an increase of 30 per cent of consumers surveyed should be aware of fee exemption programs for disadvantaged and vulnerable consumers compared with the benchmark set twelve months prior.

If the benchmarks are not met, regulatory intervention, including a complete ban on paper billing, fees will be considered.

To ensure that this change is sustained and that businesses cannot re-impose fees after scrutiny has finished, a five year formal review will be considered.

Report back to ministers

Under this option if, for a large number of businesses, less than 30 per cent of consumers who receive paper bills are covered by an exemption program, the Consumer Affairs Ministers may decide to regulate and ban paper billing fees.

OPTION 2: IMPACT ANALYSIS

Impact on businesses

Cost of education campaign

Businesses will decide how to increase the uptake of their exemption programs and will pay all costs associated with consumer education.

The costs would vary significantly depending on the communication method and media mix chosen by businesses. A digital campaign that focussed on website updates and social media would incur minimal costs, however may not reach the target market.

Redesign of paper bill templates are estimated to cost around \$4 million,⁵⁵ mainly reflecting bill redesign costs. If businesses decide to utilise more traditional ways to increase the uptake of exemption programs, such as sending postcards or brochures to around 8.5 million customers, the costs are estimated to increase to approximately \$10 million.⁵⁶

Option 2 allows businesses to have flexibility in promoting their exemption programs. In addition to the methods mentioned above, businesses could target certain groups of disadvantaged consumers by specifically designed methods. Regardless of method, the cost to business of the education campaign is likely to be minor in comparison to the annual cost to business of banning paper bill fees.

55 During consultation, one business provided a redesign estimate of \$200,000. In the absence of data, we have assumed this cost is similar across businesses and we have assumed 20 businesses need to redesign their bills.

56 Each postcard or brochure is estimated to cost \$1.20 to design and print and we assume that businesses need to send out postcards or brochures to a total of 8.5 million consumers.

If the education campaign is successful, a minimum of 30 per cent of consumers of a business who receive paper bills should be covered by an exemption program. The costs associated with providing paper bills to those consumers who enter exemption programs will need to be absorbed by the business or passed onto their customers.

An increase of consumers being exempt from paying paper bills means that efficiency would be reduced moderately as businesses are likely to be worse off as they may need to bear additional costs by exempting more disadvantaged consumers. The efficiency is expected to only decrease moderately as the number of disadvantaged consumers is limited.

In addition, businesses may be able to utilise new technologies to reduce their related paper billing costs further to incentivise certain disadvantaged consumers to switch to digital bills. These improved billing practices may reduce the loss incurred by businesses from potentially exempting more disadvantaged consumers from paper billing fees.

Impact on consumers

The cost to consumers associated with this option would stem from whether or not the aforementioned policy objectives could be met through the education campaign.

Some customers who are paying paper billing fees will be alerted to the existence of exemption programs and would experience a saving. When AGL introduced payment for paper bills it undertook a number of education campaigns as well as automatically applying exemptions for known vulnerable groups. The campaigns resulted in 88 per cent of its customers with no internet access contacting AGL for exemption.⁵⁷

Although some consumers would likely be alerted to the existence of exemption programs, under this option a portion of disadvantaged consumers are likely to continue to pay to receive bills as they may not notice the campaign materials.

For the campaign to be successful a minimum of 30 per cent of consumers of a business who receive paper bills should be covered by an exemption program. This option is estimated to result in \$165 million⁵⁸ of savings to disadvantaged consumers.

While it is ideal for businesses to target all disadvantaged consumers, it is possible that businesses may only use less-costly promotion methods to target certain groups of disadvantaged consumers to reach the exemption target. If this is the case, distributional fairness would not be improved significantly as not all disadvantaged groups would be effectively targeted.

The economic impact on consumers will depend on whether businesses absorb or pass on the costs arising from additional consumers being exempted from paying a fee. There are three possible scenarios: if businesses chose to pass costs onto consumers who are not eligible for exemption programs but opt in for paper bills, these consumers would pay more for their paper bills; if businesses decided to pass the costs onto all consumers, the overall price for their services may increase; or if businesses decided to absorb the costs themselves, all consumers would be better off.

⁵⁷ Submission from AGL, 8 January 2018.

⁵⁸ As mentioned above, \$549 million is estimated to be paid by consumers for paper bills per annum. If at least 30 per cent of consumers are covered by exemption programs, that would give a \$165 million savings to those consumers.

Overall impact

Under this option, businesses are estimated to incur a cost of \$4-10 million to promote their exemption programs and disadvantaged consumers would have a saving of \$165 million, which could be absorbed by businesses or passed onto other or all consumers. While this is likely to have a negative impact on efficiency as businesses or non-disadvantaged consumers are likely to be worse off from this option, more disadvantaged consumers would have a saving by being exempt from paying paper bills, improving the overall distributional fairness among consumers and businesses.

BENEFITS	COSTS
<ul style="list-style-type: none"> Consumers who elect to receive digital bills benefit from no costs for bill provision. 	<ul style="list-style-type: none"> Despite the education campaign, some consumers will continue to be unaware of exemption programs due to limited reach.
<ul style="list-style-type: none"> Businesses can continue to compete on the basis of paper billing fees. 	<ul style="list-style-type: none"> Some consumers who cannot access the internet will still pay paper billing fees if they are unaware of exemption programs.
<ul style="list-style-type: none"> Consumers have more information to inform their purchasing decisions. 	<ul style="list-style-type: none"> Consumers who choose not to use digital bills will still pay paper billing fees.
<ul style="list-style-type: none"> Consumers' understanding and awareness of exemption programs will be enhanced through consumer education if they come into contact with the education campaign. 	<ul style="list-style-type: none"> Businesses will need to allocate funds for the consumer education campaign.
<ul style="list-style-type: none"> Consumers eligible for exemption programs who are not currently accessing programs will experience a saving. 	
<ul style="list-style-type: none"> Price signals continue to encourage consumers to transition to digital statements, reducing paper waste. 	
<ul style="list-style-type: none"> No additional compliance costs are incurred by businesses or passed onto consumers. 	

OPTION 3: A COMPLETE BAN ON PAPER BILLING FEES

Paper billing fees impose a cost on consumers who elect to receive paper bills from businesses that charge fees and cannot or do not access fee exemption programs. Digital inclusion is a strong indicator of an individual's ability to avoid paper billing fees and those who are less digitally included are less likely to access bills online. Some of the most disadvantaged and vulnerable groups in Australia experience low levels of digital inclusion meaning that the overall cost to individuals is disproportionately high.

A ban on paper billing fees could overcome this problem by removing the ability of businesses to apply fees for the provision of paper bills.

This option will require legislation.

OPTION 3: IMPACT ANALYSIS

Impact on business

Under this option, businesses that currently provide a no fee option to attract customers would lose that ability. The ultimate cost to businesses could be affected by the extent to which costs can be absorbed into the overall cost of goods and services and passed on to consumers.

Businesses would need to use alternative options to encourage consumers to transition to digital billing. Some businesses already promote the availability of digital billing to new and existing customers who receive paper bills. Businesses could offer digital bills as a default option to encourage customers not to select paper billing.

“... this price signal would be more appropriately expressed as an incentive to adopt electronic billing (that is, a small discount) rather than a penalty for remaining on paper billing.”⁵⁹

Stakeholders also noted that banning fees may impact the uptake of digital bills by eliminating incentives. For example, Origin Energy stated that *“prohibiting these fees may discourage the uptake of digital billing”*.⁶⁰ Without the cost incentive of digital bill, it is possible that some consumers may choose to switch back to paper bills.

Businesses would no longer be able to use fees to encourage consumers to switch to digital bills and would instead need to devise alternative incentives to encourage customers to switch. These incentives could include the development of more secure and user friendly platforms, digital file management or information technology education to remove barriers preventing individuals from accessing digital bills.

Website optimisation can enable websites to include many of the capabilities people are looking for, such as ‘express’ checkouts, which allow for payments to be made without requiring customers complete a full login process.⁶¹ However, stakeholders also indicated that banning fees could result in the need to reduce investment in other areas including digital formats.⁶²

EnergyAustralia, who abolished paper billing fees in January 2018, now offers an incentive for digital billing by offering plans and discounts that are linked to digital billing only.⁶³

During consultation businesses noted that the behavioural impact of paper billing fees did impact decisions to switch to digital.

“Paper billing fees encourage a beneficial change in consumer behaviour and enable businesses to recover the additional cost of preparing and sending paper invoices or statements.”⁶⁴

59 Submission from Momentum Energy, December 2017.

60 Submission from Origin Energy, December 2017.

61 Ganesan <https://patents.google.com/patent/US8612342B2/en>, 2015.

62 Submission from Commonwealth Bank, December 2017.

63 EnergyAustralia: <https://www.energyaustralia.com.au/about-us/media/news/energyaustralia-scraps-fees-paper-bills-over-counter-transactions>, 2018.

64 Submission from Australian Finance Industry Association, December 2017.

Businesses involved in the manufacture and distribution of paper bills may also benefit from increased demand for services or products. This may benefit employment in the printing and postage industry. In 2013-14, the mailing industry employed 121,300 employees directly and indirectly.⁶⁵ However, efficiency is increased with digital bills and consumers benefit from lower costs.

The Keep Me Posted Campaign has provided the details of 20 companies in Australia who currently charge consumers to receive paper bills. These businesses would face a cost at least equal to the amount they currently charge consumers.

The regulatory burden for each business can be calculated by multiplying each organisation's cost to produce a paper bill by the number of customers paying for paper bills.

Business submissions stated that the cost of producing a bill includes staffing, bill production, postage and printing costs. Treasury estimates it costs businesses between \$1.50 and \$2.50 to produce and send a paper bill. Treasury has used the average of this range to estimate costs. This figure was derived from consultation with various businesses. Over time postage costs will likely increase further as letter volumes decline.⁶⁶

Data provided by the Keep Me Posted Campaign indicates that Australian households receive an average of 7 to 8 bills a month.⁶⁷

Based on the data of 16 large businesses who charge paper billing fees, a ban on paper billing fees would mean that businesses could not generate \$549 million⁶⁸ in revenue to recover their costs related to printing and delivering paper bills. It is assumed that businesses do not require additional resources (for example, staff) to cover additional consumers into their exemption programs. Businesses would likely seek to generate this revenue in some other way, most likely through additional charges on all consumers. This would largely involve a cost transfer from the consumers that are currently billed for paper bills to the consumers that currently do not pay for digital bills. It should be noted that this cost is likely to decrease in the coming years as NBN rolls out and increased population has internet access.

Compared to the other two options, Option 3 is likely to generate the lowest efficiency as non-disadvantaged consumers would also stop paying fees and businesses would incur an unnecessary but significant loss from producing and distributing paper bills for free. These non-disadvantaged consumers are very different from disadvantaged consumers as they are capable of choosing more cost-effective forms but choose not to do so. It is economically efficient for them to pay for their preference. Consumers should be encouraged to switch to digital bills to avoid paying fees. While businesses could absorb the loss themselves or, more likely, pass the whole or partial cost onto all consumers through higher product or service prices, their profitability or competitiveness would be negatively affected as a result.

65 ACIL Allen Economic contribution of the mailing industry, 2015.

66 Submission from Origin Energy, December 2017.

67 Submission from Keep Me Posted (TSA Limited), December 2017.

68 The 16 businesses are estimated to have a total of 24 million consumers on paper bills. Depending on their business nature, they issue bills ranging from 4 to 12 times a year and charge a fee ranging from \$1.50 to \$2.50. These data gives an aggregate payment for paper bills of \$549 million per annum, that is, a cost to businesses of \$549 million a year if they cannot recover this from billing payment.

Due to the significant loss from being unable to charge a fee for paper bills, some businesses may decide to stop providing paper bills. While this would have a negative impact on its competitiveness, businesses would need to weigh the costs and benefits of providing paper bills. This would have a detrimental impact on disadvantaged consumers who are unable to access digital bills.

In addition, under this option, it is possible that businesses would put greater efforts to incentivise consumers to switch to digital bills.

Impact on consumers

The key benefit associated with this option is that consumers will no longer be required to pay an itemised fee to receive a paper bill.

However, businesses are likely to recover the costs incurred in running its business from customers. The cost to the business of generating and sending paper bills, which were previously only charged to those receiving them, would depending on elasticities, be most likely incorporated into the overall price of the provision of goods and services and incurred by all customers.

Origin Energy has been reported as stating that *“wherever possible, we apply fees and charges on a user pays basis, which keeps power prices lower for all other customers”* (Herald Sun, 2017). Similarly, Energy Australia stated that it could not *“absorb printing and distribution chain expenses without it adding to the pressure on electricity prices”* (Herald Sun, 2017).

Consumers who are currently paying paper billing fees would pay less overall, as the costs of producing their bills would be shared amongst all customers. Consumers who elect to receive digital bills and customers who currently receive an exemption from paying paper billing fees would effectively subsidise those who are currently paying for paper bills – resulting in increased cost.

An unintended consequence of banning paper billing fees is that businesses could cut back the availability of paper bills to all customers and move to a total digital billing system.

“If the government response is to mandate no paper billing fees across the industries identified in the Consultation RIS, it is likely that the majority of telcos that currently offer a paper billing option would move to only digital billing.”⁶⁹

Such a result would be unlikely unless a business could guarantee that all its consumers could access digital bills.

While the cost saving to disadvantaged consumers who currently pay for paper bills is estimated to be \$220 million, the total cost burden of \$549 million is likely to be borne wholly or partially by all consumers. More importantly, the \$329 million cost may be borne by non-disadvantaged consumers, who may be considered to be capable of absorbing this cost.

This option offers fairness to disadvantaged consumers, but it results in less fairness to consumers who receive digital bills as they would not only share the costs of disadvantaged consumers but also that of non-disadvantaged consumers.

69 Submission from Communications Alliance, January 2018.

Overall impact

Under this option, efficiency is likely to be decreased significantly and overall fairness would be reduced as the cost of providing free paper bills would be borne by consumers who receive digital bills.

BENEFITS	COSTS
<ul style="list-style-type: none"> Consumers including disadvantaged consumers no longer have to pay to receive paper bills. 	<ul style="list-style-type: none"> Business incurs a significant cost which they may be unable to absorb.
<ul style="list-style-type: none"> Businesses are incentivised to invest in alternative means of transitioning customers to digital bills – such as user friendly interfaces. 	<ul style="list-style-type: none"> A likely increase in overall prices for all consumers.
<ul style="list-style-type: none"> Businesses involved in the manufacture and distribution of paper bills may benefit from increased business. 	<ul style="list-style-type: none"> Some businesses lose a basis on which they can attract customers.
	<ul style="list-style-type: none"> Increased paper waste.

5. CONSULTATION

PROCESS

The Australian Treasury, on behalf of CAANZ, undertook an extensive public consultation process to gather additional evidence on the extent of the problem of paper billing fees and the policy options.

The consultation process commenced on 21 November 2017 and closed on 22 December 2017. The Treasury released a Consultation RIS on paper billing fees on the consultation page of the Australian Treasury website. During the four-week consultation period, Treasury sought submissions and held targeted meetings with key stakeholders from impacted industries (banking and finance, telecommunications and energy) and consumer advocates.

Treasury received a total of 59 formal submissions and 266 informal consumer comments and letters. Generally, submissions refer to where a stakeholder uploaded or emailed a response via a document, while comments were short statements made using the text box provided on the Consultation hub. Due to the subject matter, some hand written letters were received, however they not published on the website due to privacy concerns. Appendix 1 provides a list of the non-confidential submissions received that are publicly available on the Treasury website. Three confidential submissions were also received.

Treasury also met with more than 20 stakeholders including advocates for elderly Australians, advocates for Australians with a disability, consumer advocates, and representatives from banking and finance, telecommunications and energy sectors. A list of these stakeholders is at Appendix 1.

KEY FINDINGS

The consultation process resulted in the following key findings:

Existence of broad ranging exemption programs.	Evidence of lack of knowledge of exemption programs.	Dissatisfaction at requirement to pay “new” fee and a belief they used to be “free”.
Concern that paper billing fees are being disproportionately paid by disadvantaged consumers.	Capacity for industry to increase uptake of exemption programs.	Support for complete ban on paper billing fees from consumers and advocates.

DETAILED FINDINGS

Consumers and advocates

Consumers generally opted to provide brief feedback through the comment facility on the Consultation hub website. Responses were short and overwhelmingly expressed dissatisfaction at being required to pay paper billing fees. The majority of consumers supported a ban on paper billing fees. Consumer advocates reiterated this sentiment noting that the fees caused impacts to vulnerable and elderly and that there is a lack of knowledge of exemption programs. Consumer advocates considered a complete ban to be the 'simplest' way to protect consumers.

Business

Feedback was received from banks, energy companies, telecommunications companies, the print industry and their representatives. Feedback was variable across and within these sectors. All businesses that charged paper billing fees supported maintaining the status quo and a small number of businesses who did not charge paper billing fees supported a ban on paper billing fees.

Most businesses provided detail on their exemption programs and a few businesses provided a breakdown of the costs of providing paper bills and the fees charged, noting that the fee charged was often less than the cost to the business of producing and sending the paper bill.

Keep Me Posted

The vast majority of submissions from the print and paper industry were from members of Keep Me Posted.⁷⁰

These submissions reflected consumer concerns and noted declining levels of post in Australia as well as the potential negative impact on the print and paper industry.

"Consumers should be able to choose to receive paper bills without penalty."⁷¹

"When some businesses argue that they can't absorb the cost of paper communications without threatening jobs, we respond that jobs, often regionally based, are also on the line in the Australian P&P industry when natural transition to digital communications is artificially accelerated under the pressure of fees on paper communications."⁷²

70 Keep Me Posted describes itself as "a consumer advocacy campaign run by TSA Limited, a not-for-profit organisation, and is a partnership of advocate groups, charities, consumer groups, employer and employee representatives, industry and local and federal representatives who believe in the consumer's right to choose the way companies communicate with them". TSA Limited is a not-for-profit industry funded organisation developing sales and marketing campaigns to promote the paper and print industries (TSALimited.org.au, 2017).

71 Submission from Australia Post, December 2017.

72 Submission from Australian Forest Products Association, December 2017.

Many submissions from these parties also disputed the treatment of ‘paper waste’ as a cost and argued that it was misleading to suggest there were environmental benefits associated with digital billing.

“Paper recycling rates in Australia are amongst the highest in the world with over 87% of all paper and paperboard consumed being recovered.”⁷³

Some businesses noted in their submissions that funding and support for Keep Me Posted came from industries that stood to gain the most from a ban on paper billing fees.

Many consumers provided form letters from the Keep Me Posted campaign.

Summary of feedback by consultation options

The consultation sought views on five options ranging from minimal intervention to a total ban on paper billing fees. The feedback from stakeholders allowed Treasury to evaluate those options with more informed views and led to the revised three options as analysed in this Decision RIS.

Option 1 — the status quo, with an industry led consumer education campaign

There were concerns from consumers, advocates and the public that paper billing fees were being disproportionately paid by disadvantaged consumers and a change to the status quo is warranted. Option 2 in this Decision RIS essentially expanded the option 1 proposed in the consultation RIS, encouraging the industry to increase subscription to their exemption programs to reduce the disproportionate financial burden on disadvantaged and vulnerable consumers.

Option 2 — prohibition (ban) on paper billing fees

This option remained in the Decision RIS (now option 3) and is discussed in previous chapters.

Option 3 — prohibiting essential service providers from charging consumers to receive paper bills

Consultation did not suggest paper billing fees were prevalent in industries that would not meet the likely definition of ‘essential services’ and almost all essential services had exemption programs in place. Additionally, many submissions noted difficulties associated with identifying ‘essential services’.

Option 4 — limiting paper billing fees to a cost recovery basis

No submissions that asserted paper billing fees were above cost recovery supported limiting paper billing fees. Consultation did not support the assertion that paper billing fees are in fact routinely above cost recovery. Additionally this approach would not remove detriment being caused to those individuals who are not already receiving an exemption. Industry codes covering a range of services also prohibit charging above cost recovery (for example telecommunications and banking).

73 Ibid.

Option 5 — promoting exemptions through behavioural approaches

This option was considered similar to an education campaign and required prescriptive criteria such as including a ‘nudge’ statement at the bottom of paper bills to alert consumers to exemption programs. This option was not included in the decision RIS as it would likely result in similar outcomes to an education campaign, that is, Option 2 in this RIS.

6. CONCLUSION

This paper has outlined a number of options that could be pursued to achieve the policy objective of ensuring that vulnerable and disadvantaged consumers who cannot easily access digital bills are not disproportionately paying fees to receive paper bills.

It was initially assumed that market intervention in the form of regulation may be required to address this inequity, however further research and consultation did not validate this assumption.

Instead stakeholder consultation indicated that the vast majority of industry already offers programs that exempt a broad range of consumers from paper billing fees, such as pensioners and those without internet, and no evidence is required to access these programs.

Through consultation it also became apparent that these programs are undersubscribed and that industry could do more to ensure vulnerable consumers are aware of them.

Therefore option 2 (a 12-month education period to allow businesses to increase uptake of existing exemption programs) is expected to be the most effective option to resolve the identified problems for vulnerable and disadvantaged consumers with comparably low impact on economic efficiency.

Option 2's formal review process establishes a clear target for businesses to achieve through education programs - a minimum of 30 per cent of consumers of a business who receive paper bills being covered by an exemption program.

This option offers businesses with flexibility on how to promote their exemption programs while providing disadvantaged and vulnerable consumers with information and choice to be exempt from paying for bills. It also provides an explicit warning to business that if the increase in exemption program subscription is not met, consideration will be given to the need for regulatory intervention, including a complete ban on paper billing fees.

Both the quantification of compliance costs and a qualitative comparative analysis of the costs and benefits of the options indicate option 2 is likely to offer the greatest net public benefit. It is the most appropriate and least costly option overall.

It is acknowledged that consumers, consumer advocates and representatives of the print and paper industry would prefer to see an immediate ban on paper billing fees. However, the cost benefit analysis contained in this paper has shown that self-regulation in the form of an education campaign administered sympathetically by the industry, could move the market towards an optimal outcome by itself.

7. IMPLEMENTATION AND REVIEW

The Legislative and Governance Forum on Consumer Affairs (CAF) will meet in August 2018 to discuss an appropriate policy response to the issues raised in this RIS, and vote on a preferred option.

If the preferred option was chosen, the industry stakeholders would be informed and encouraged to utilise the twelve month education period to prompt their exemption programs through traditional or other media channels which are accessible to disadvantaged consumers.

During the twelve month education period, businesses would be expected to use traditional communication channels (for example, postcards, letters and phone) and other channels that are accessible to disadvantaged consumers to improve awareness of their exemption programs.

As appropriate, state and territory regulators would monitor any efforts from businesses to prompt their exemption programs and dependant on each jurisdictions specific requirements and capabilities may decide to relaunch their education campaign along with the businesses' education programs.

REVIEW

The preferred option requires a review to be conducted at the completion of a twelve-month education and promotion period.

As identified in the impact analysis, option 2 establishes a clear target for businesses education programs, to increase the proportion of consumers of a business who are exempt from paying paper bills fees to a minimum of 30 per cent of consumers who receive paper bills. For businesses that already exempt 30 per cent or more of consumers who receive paper bills, they are expected to take actions to reach 40 per cent. Ultimately, every business is expected to exempt all disadvantaged consumers from paying paper bills.

It is hoped that this signalling, coupled with a potential ban will send a strong message to industry to increase subscription to exemption programs.

In addition to the formal review, throughout the twelve-month period Treasury will hold informal discussions with businesses to check on the progress of their education and promotion programs. To ensure that this change is sustained and that businesses cannot re-impose fees after scrutiny has finished, a five year formal review will be considered.

APPENDIX 1 – STAKEHOLDER ENGAGEMENT

IN PERSON CONSULTATION

Advocates for elderly Australians:

- Council on the Ageing
- National Seniors Australia
- The Age Discrimination Commissioner
- The Combined Pensioners and Superannuants Association

Consumer Advocates:

- Choice
- Consumer Action Law Centre
- Disability Advocacy Network Australia
- Energy Consumers Australia
- Financial Rights Legal Centre
- The Deafness Forum of Australia

General advocates:

- Australian Chamber of Commerce and Industry
- Business Council of Australia
- Keep Me Posted

Banks/Banking and Finance Industry Representatives:

- Australian Bankers' Association
- Australian Finance Industry Association
- Commonwealth Bank of Australia
- Customer Owned Banking Association

Telecommunications:

- Communications Alliance
- Telstra

Energy retailers and representatives:

- Australian Energy Council
- AGL
- EnergyAustralia

FORMAL SUBMISSIONS

Advocates for elderly Australians:

- Albury Wodonga branch Australian Independent Retirees
- Australian Manufacturing Workers' Union (AMWU) Retired Members
- Council on the Ageing
- Fair Go For Pensioners Coalition Victoria Incorporated
- National Seniors Australia
- The Combined Pensioners and Superannuants Association

Advocates for Australians with a disability:

- Blind Citizens Australia
- Disability Advocacy Network Australia and Deafness Forum of Australia
- Leadership Plus

General advocates and print industry

- Andrew Wilkie MP
- Anne Urquhart, Senator for Tasmania
- Australia Post
- Australian Council of Trade Unions
- Australian Forest Products Association
- Australian Human Rights Commission

- Australian Manufacturing Workers' Union (AMWU)
- Australian Nursing and Midwifery Federation
- Bottcher Australia Pty Ltd
- Caxton Legal Centre
- Colin Ormsby
- Communications Workers Union, Postal and Telecommunications Branch of Victoria
- Consumer Action Law Centre
- Digital Finance Analytics
- Federation of Ethnic Communities' Councils of Australia (FECCA)
- Ferdinand Nicoletti
- Financial Rights Legal Centre
- Gail Doyle
- Joan Doyle
- John Ostler
- Julie Matheson
- Keep Me Posted (TSA Limited)
- Keep Me Posted UK
- LPO Group Limited
- Margaret Shiellds
- National Farmers' Federation
- Pam Estella
- Post Office Agents Association Limited
- Printing Industries New Zealand Incorporated
- Queensland Advocacy Incorporated
- Rosa Walden
- Sierra Delta Creative Pty Ltd
- Steve Dimopoulos MP

- Valda King
- Victorian Trades Hall Council

Energy retailers and representatives

- AGL
- Momentum Energy
- Origin Energy
- Simply Energy

Banks/Banking and Finance Industry Representatives:

- Australian Bankers' Association
- Australian Finance Industry Association
- Commonwealth Bank of Australia
- Customer Owned Banking Association
- Westpac

Telecommunications:

- Communications Alliance
- Optus
- Telecommunications Industry Ombudsman
- Telstra

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