



Australian Government
The Treasury

TSY/AU

CONSULTATION REGULATION IMPACT STATEMENT

PAPER BILLING

November 2017

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CONSULTATION PROCESS

REQUEST FOR FEEDBACK AND COMMENTS

On 31 August 2017, the Legislative and Government Forum on Consumer Affairs (CAF)¹ noted that the Australian Treasury would undertake a regulatory impact assessment of paper billing fees. As required by Council of Australian Government Regulation Impact Guidelines, a Consultation Regulation Impact Statement (RIS) and Decision RIS will be prepared ahead of Ministers formally considering the issue in the first half of 2018.

This consultation process is designed to allow interested parties to provide views on options to improve outcomes and protections for consumers who pay paper billing fees. The consultation process will run for a period of four weeks. If you would like to make a written submission, please provide it before **Friday 22 December 2017**.

The earlier that you provide a submission, the more time Treasury has to consider your views. Treasury is particularly interested in hearing from consumers and their advocates, businesses that charge paper billing fees and environmental organisations. Stakeholders can access details of the consultation process via the consultations page of the Australian Treasury website — www.treasury.gov.au/ConsultationsandReviews/Consultations.

Treasury values your feedback and will facilitate this consultation process through a number of channels, as outlined below.

SUBMISSIONS

Throughout this paper there are questions for you to consider in your submission. There is no obligation to answer any or all of the questions. There is no limit to the length of submissions.

Submissions should be uploaded using the consultations page of the Treasury website. For accessibility reasons, please upload responses in a Word or RTF format. An additional PDF version may also be submitted.

Closing date for submissions: Friday 22 December 2017

1 The Legislative and Governance Forum on Consumer Affairs (CAF) consists of all Commonwealth, State and Territory Ministers responsible for fair trading and consumer protection laws. CAF's role is to consider consumer affairs and fair trading matters of national significance and where possible, develop a consistent approach to those issues.

Please Upload Submissions via the Australian Treasury Website

Website	www.treasury.gov.au/consultation
Mail	Paper Billing Consultation Paper Small Business and Consumer Policy Division The Treasury Langton Crescent PARKES ACT 2600
Enquiries	Ms Peta Dixon, Consumer Policy Unit consumerlaw@treasury.gov.au
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The principles outlined in this paper have not received Government approval and are not yet law. As a consequence, this paper is merely a guide as to how the principles might operate.

All information (including name and address details) contained in submissions will be made available to the public on the Treasury website, unless it is indicated that you would like all or part of your submission to remain confidential. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submissions to remain confidential should provide this information marked as such in a separate document.

A request made under the *Freedom of Information Act 1982* (Commonwealth) for a submission marked 'confidential' to be made available will be determined in accordance with that Act.

BRIEF FEEDBACK AND INFORMAL COMMENTS

Brief feedback can be provided through the informal comment facility on Treasury's Consultation Hub, which can be accessed at www.treasury.gov.au/consultation.

STAKEHOLDER MEETINGS

Treasury will conduct targeted meetings with key stakeholders to discuss the matters outlined in this paper. Key stakeholders will be contacted directly to arrange meeting times.

If you would like further information on stakeholders meetings, please contact Ms Peta Dixon on 02 6263 2886 or peta.dixon@treasury.gov.au.

GLOSSARY OF TERMS

ACCC	Australian Competition and Consumer Commission
ACL	Australian Consumer Law
CAANZ	Consumer Affairs Australia and New Zealand
CAF	Legislative and Governance Forum on Consumer Affairs
COAG	Council of Australian Governments
IGA	Intergovernmental Agreement for the Australian Consumer Law
RIS	Regulation Impact Statement

1. EXECUTIVE SUMMARY

INTRODUCTION

The provision of bills in a digital format, when compared to paper billing is often seen as a simpler, lower-cost and more environmentally friendly option for businesses and a more convenient option for consumers. Digital bills can also be integrated with other digital services and information such as electronic reminders or notifications, access to previous billing information, and online changes to personal details. For these reasons, it is viewed by some as being in the interest of business and the broader community to transition customers to digital bills. Paper billing fees – a charge for customers who elect to receive a paper bill – are a common mechanism used to encourage consumers to make the change to digital bills.

While many consumers may have the option to transition to digital bills, but choose to pay paper billing fees due to personal preference, there is a concern that this is not the case for all consumers. These consumers may pay paper billing fees out of necessity, because they do not have the ability to access digital bills. There may be scope for the Government to take action to protect these consumers.

The policy options analysed in this RIS are:

- **Option 1** — the status quo, with an industry led consumer education campaign;
- **Option 2** — prohibition (ban) on paper billing fees;
- **Option 3** — prohibiting essential service providers from charging consumers to receive paper bills;
- **Option 4** — limiting paper billing fees to a cost recovery basis;
- **Option 5** – promoting exemptions through behavioural approaches.

Further evidence on the likely impact of all options is required to conduct an informed evaluation of the options and to determine which approach should be pursued. The views of stakeholders will inform a final, Decision Making Council of Australian Governments (COAG) RIS.

2. KEY FOCUS QUESTIONS

Throughout this consultation paper there are a number of questions for stakeholders to answer to help better define the problem and assess the costs and benefits of the different policy options.

Stakeholders lodging formal submissions are encouraged to refer to these questions in their submissions. Where possible, Treasury encourages stakeholders to provide data and evidence to support their views.

For quick reference, the key questions are listed below. However throughout this consultation paper these questions have also been included under each relevant section.

THE PROBLEM

For businesses

- How much does it cost your business to produce and provide a paper bill?
- How much does it cost your business to produce and provide a digital bill?
- Do you charge customers for a digital bill? If so, why?
- Does your business charge a paper billing fee? If so, why? How does your business calculate the cost it charges consumers to receive a paper bill? Would your business consider this amount to be equal or below the cost to provide a paper bill?
- How does your business calculate the cost it charges consumers to receive a paper bill? Would your business consider this amount to be equal or below the cost to provide a paper bill?
- Does your business charge a paper billing fee? Does the amount you charge as a paper bill fee cover the cost to produce and send the bill?
- Do you offer an exemption program from paper billing fees? What criteria must be satisfied to access your exemption program? Do you require evidence from a consumer to satisfy the criteria for an exemption?
- What percentage of your customers use the exemption program? What has been the trend over time, and is this likely to continue?

For consumers and community groups

- How much would you pay in paper billing fees per month?
- How many bills do you receive each month? How many businesses charge you a paper billing fee for these bills?
- Of the bills that you receive, how many of these do you consider to be a bill for an “essential services”?

- Did you know that many businesses have exemption programs for paper billing fees?
- Have you ever applied for an exemption from paper billing fees? If so, were you successful/unsuccessful in your application? If you were unsuccessful, why?

For environmental groups

- What is the environmental impact of paper and of digital billing?

THE POLICY RESPONSE

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

For Consumers and consumer advocates

- Is the current law sufficient? If not, would it be if exemption programs were better promoted?

Option 2 – prohibition (ban) on paper billing fees

For businesses

- What would the cost be to your business if paper billing fees were banned? How would your business deal with these costs?
- How many of your customers pay to receive paper bills? What is the frequency with which they receive those bills?
- If you were unable to charge for paper bills would you invest in alternative means of encouraging consumers to transition away from paper billing?

For consumers and consumer advocates

- Are you currently receiving digital bills? If so, would you expect to move back to paper billing if fees were banned?
- Are you currently receiving paper bills? If so, would you be more likely to transition to digital bills if they were provided in a different (more user friendly) manner?
- Would you be persuaded to use digital bills if you were offered a digital billing discount as opposed to a fee for a paper bill?
- If your preference is to receive paper bills can you please provide an explanation of your preference?

Option 3 – prohibiting essential service providers from charging paper billing fees

For businesses

- What would the cost be to your business if you are an “essential service provider” and were no longer able to charge paper billing fees?

For consumers and consumer advocates

- What do you consider to be an essential service?

Option 4: Limiting charges to cost recovery

For businesses

- What is an appropriate definition of cost recovery?
- What would be the cost for a bill provided on a cost recovery basis? Do you expect this figure to change over time?

OPTION 5 – Promoting exemptions through behavioural approaches

For Businesses

- What would be the cost associated with, including on your paper bills, a statement advising consumers how they can access exemptions from paper billing fees?

3. THE PROBLEM

SUMMARY

Bills are common documents that state an amount of payment or set out a regular charge for supplying ongoing goods and services. Traditionally businesses have provided bills in a paper format to consumers, with the costs of producing and providing these documents absorbed by businesses and included in the final price paid by consumers.

In recent years, however, businesses have shifted from paper billing 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 paper billing.

Digital billing is typically offered to consumers as a cost free alternative to paper billing. Those who are capable, willing and able to access the internet can avoid paying fees to receive paper bills by choosing to receive them digitally. However, those who cannot access the internet have no choice but to pay to receive a paper bill. Preliminary analysis suggests consumers from disadvantaged groups who cannot transition to digital bills are being disproportionately impacted by fees for paper billing.

BILLING IS SHIFTING TO THE DIGITAL WORLD

Businesses provide bills to their customers so that they know how much and when they are required to pay charges for the provision of goods and services. Traditionally businesses would print and post paper bills to consumers. As there was no lower cost alternative to provide bills, businesses treated printing and postage as a necessary overhead and component of the overall unit cost. This meant these expenses were not specifically identified in the bill, but were instead absorbed in the overall price paid by consumers.

In recent decades an increasing majority of Australians have access to the internet, which has created opportunities for businesses to provide a cheaper option to deliver bills to their customers. Instead of only providing paper bills, many businesses now also offer digital billing. This generally involves sending bills (or links to bills) to the consumer by email, through a webpage or via an app.

For many businesses the costs associated with generating the actual contents of the bill are low, because these processes are generally automated by computer billing systems. This means that printing and postage is often the largest cost component associated with paper billing.

FOCUS QUESTIONS

For businesses

1. How much does it cost your business to produce and provide a paper bill?
2. How much does it cost your business to produce and provide a digital bill?
3. Do you charge customers for a digital bill? If so, why?
4. Does your business charge a paper billing fee? If so, why? How does your business calculate the cost it charges consumers to receive a paper bill? Would your business consider this amount to be equal or below the cost to provide a paper bill?
5. How does your business calculate the cost it charges consumers to receive a paper bill? Would your business consider this amount to be equal or below the cost to provide a paper bill?

The prevalence of paper billing fees

Charging for paper bills is one way that businesses can encourage consumers to switch to digital bills. The Keep Me Posted Campaign² has provided the details of 19 businesses that imposed a surcharge of some sort to the provision of paper bills. The Keep Me Posted Campaign indicated that these businesses represent approximately 33 per cent of the main energy providers and 70 per cent of the main telecommunications providers. According to the Keep Me Posted campaign the price charged for paper bills in Australia varies from \$1.50 to \$2.75 per bill. Treasury notes that this incidence of charging may overstate the problem, as preliminary industry stakeholder feedback indicates that a low number of customers actually pay paper billing fees, with the remainder receiving exemptions. Feedback is sought from consumers and businesses as to the number of consumers who in fact pay paper billing fees.

Data provided by the Keep Me Posted Campaign indicates that Australian households receive an average of 7 to 8 bills a month and argued that an increasing number of these documents will attract a paper bill fee.

² 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).

FOCUS QUESTION

For Consumers and consumer advocates

6. How much would you pay in fees per month for paper bills?
7. How many bills do you receive each month? How many businesses charge you a paper billing fee for these bills?
8. Of the bills that you receive, how many of these do you consider to be a bill for an “essential service”?

Business stakeholders have indicated that the charges applied to the provision of paper bills reflects the additional expenses associated with printing and posting and that allocating charges to consumers who want to receive paper bills leads to a more equitable outcome for all (that is, all customers do not bear the cost of producing a paper bill for the minority). 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).

Submissions to previous reviews conducted by Consumer Affairs Australia and New Zealand (CAANZ) and the Productivity Commission have provided evidence to suggest that the real cost to produce a paper bill is significantly lower than the fees currently being charged. These submissions argued that paper bill fees are an attempt to generate an additional revenue stream, and also question the environmental benefit of digital billing. They also submitted that the total cost of paper bills is sufficient to cause significant hardship for some disadvantaged consumers.

FOCUS QUESTION

For Businesses

9. Does your business charge a paper billing fee? Does the amount you charge as a paper bill fee cover the cost to produce and send the bill?

For Environmental Groups

10. What is the environmental impact of paper and of digital billing?

DISADVANTAGED CONSUMERS ARE AFFECTED BY PAPER BILLING FEES MORE THAN OTHER CONSUMERS

Disadvantaged consumers will pay fees at a disproportionate rate if the fees can only be avoided by accessing the internet. Paper billing fees are one such fee, as consumers can only avoid them if they are able to access digital bills.

Who is a disadvantaged consumer?

Some consumers may need additional support to protect them from business practices that may play on their vulnerability or disadvantage. While not all consumers with these characteristics will experience vulnerability or disadvantage, historically, concerns have been raised in relation to a number of groups including consumers who:

- have a low income;
- have a disability—e.g. an intellectual, psychiatric, physical, sensory, neurological or a learning disability;
- have a serious or chronic illness;
- have poor reading, writing and numeracy skills;
- are homeless;
- are very young or old;
- come from a remote area; or
- have an Indigenous background.

There is evidence that individuals from the above disadvantaged groups are overrepresented among Australians who either have no access to the internet or are comparatively digitally excluded compared with the wider population.

DISADVANTAGED CONSUMERS TYPICALLY CAN'T SHIFT TO DIGITAL BILLING

Characteristics of Australians with no access to the internet

Changes in mobile and fixed level infrastructure mean more Australians gain internet access each year. Australian internet services are becoming comparatively less expensive, meaning many do have the option to comfortably switch to digital statements and the NBN Co forecasts that 94 per cent of households will have internet access by 2020, and 100 per cent by 2030 (Nbnco.com.au, 2017). However, there is still a sizeable minority – 1.3 million households as of 2015 – who do not have access to the internet. These consumers currently have no practical way to transition to digital billing.

Individuals surveyed provided a variety of reasons for not accessing the internet. Many of the reasons provided do not suggest that the individuals fall into disadvantaged groups. However many cite a lack confidence or knowledge to access the internet or cost as the main reason for not accessing the internet (ABS, 2016). Based on the number of households who indicated cost or knowledge as their reason for not accessing the internet, Treasury estimates there are approximately 1.2 million Australians who do not have internet access at home because they either cannot afford it or because they believe they do not have sufficient technical skills. Given the relatively low cost and large benefits associated with having internet access, Treasury assumes a majority of the consumers who indicated cost as coming from one of the disadvantaged groups described. Additionally, trends

in digital inclusion (outlined below) suggest many consumers who indicated lack of knowledge as a reason not to access the internet also likely come from one of the disadvantaged groups identified above.

Characteristics of Australians with lower digital inclusion

In addition to those with no internet access there are also many Australians who lack the technical skills or appropriate technology to enable them to pay bills online. Digital inclusion is a measure of groups and individuals ability to access and use information and provides some insight into the makeup of this group.

Digital inclusion tends to decline with age and is lower among Australians with a disability and Indigenous Australians (Barakett et al, 2017). Additionally, one in five Australians only has access to the internet through a mobile device (Barakett et al, 2017). Modern mobile devices allow users to complete a majority of tasks that previously required a laptop or desktop, however some users may have difficulty reviewing their bills on a three to five inch screen. Mobile only internet access has been linked with socioeconomic factors including low income and low education levels (Barakett et al, 2017).

Consumers who elect to receive paper bills and pay fees due to fear of online scams are an important subset of this group, although paper bills may also lead to identity fraud through mailbox theft. Unfamiliarity with the internet has been raised by many stakeholders as key reason why consumers do not want to transition to digital billing and justification for opposing paper billing fees.

Some consumers with lower levels of digital inclusion will still chose to receive digital bills. However a subset of this group will face significant barriers that may prevent them from accessing bills online and will instead pay paper billing fees. This suggests that there are likely disadvantaged consumers who have access to the internet, but still have no choice but to pay paper billing fees.

DISADVANTAGED CONSUMERS MAY BE ELGIBLE FOR EXEMPTIONS FROM PAPER BILLING FEES

It is important to note that many businesses offer programs where certain consumers can apply for an exemption from paper bill fees. Exemption programs impact the size of the problem, as they prevent disadvantaged consumers paying paper billing fees if they are appropriately targeted.

Treasury researched the policies of a number of businesses provided by the Keep Me Posted Campaign and identified several exemption programs that may cover many disadvantaged consumers. However, it is unclear how many consumers access these programs. Whilst the Keep Me Posted Campaign has suggested many Australians may find it difficult to access these exemption programs industry stakeholders have suggested that a majority of consumers who receive paper bills do not pay paper billing fees.

Further information is sought as to the role played by exemption programs in mitigating the problems identified above.

FOCUS QUESTIONS**For Businesses**

11. Do you offer an exemption program from paper billing fees? What criteria must be satisfied to access your exemption program? Do you require evidence from a consumer to satisfy the criteria for an exemption?
12. What percentage of your customers use the exemption program? What has been the trend over time, and is this likely to continue?

For Consumers and consumer advocates

13. Did you know that many businesses have exemption programs for paper billing fees?
14. Have you ever applied for an exemption from paper billing fees? If so, were you successful/unsuccessful in your application? If you were unsuccessful, why?

The need for government intervention

Differences in the level of digital inclusion among consumer may mean that those with the least capacity to pay are disproportionately bearing the cost of paper billing fees. Government intervention may be justified to prevent already disadvantaged consumers facing further detriment.

The Australian Consumer Law (ACL) has an important role to play in protecting disadvantaged groups. The Intergovernmental Agreement for the Australian Consumer Law (IGA) lists meeting the needs of consumers who are most vulnerable or at greatest disadvantage as one of the IGA's six operational objectives. Additionally, ACL regulators prioritise work to engage with, inform and protect vulnerable consumers.

As outlined in the options, intervention could be administered in various ways ranging from non-regulatory to regulatory interventions.

4. OBJECTIVES

The policy objective is to ensure that disadvantaged consumers are not paying paper billing fees at a disproportionately high rate when compared with the wider community.

The options proposed seek to improve outcomes for disadvantaged consumers who are unable to access digital bills.

5. POLICY OPTIONS AND IMPACT ANALYSIS

SUMMARY

There are a range of policy options to ensure that disadvantaged consumers are not disproportionately affected by paper billing fees.

To address the problem defined, this RIS explores five options:

- **OPTION 1** – the status quo, with an industry led consumer education campaign;
- **OPTION 2** – prohibition (ban) on paper billing fees;
- **OPTION 3** – prohibiting essential service providers from charging paper billing fees;
- **OPTION 4** – limiting paper billing fees to cost recovery; and
- **OPTION 5** – promoting exemptions through behavioural approaches.

The options explore the gamut of interventions from outright bans and restrictions to lighter touch regulation.

OPTION 1: STATUS QUO WITH INDUSTRY LED CONSUMER EDUCATION CAMPAIGN

Under this option, existing laws would continue to operate. The market will continue to determine whether or not to charge for paper bills and the price to charge for the bills. An industry led consumer education campaign would be developed to promote and educate consumers about exemption programs.

The existing law includes a number of safeguards to ensure consumers have access to some form of billing free of charge (such as one-off invoices or bills, however the form in which it is to be provided is not specified). Businesses who provide one-off bills could continue to charge consumers for paper bills as well as for the provision of regular paper bills. Businesses would continue offering exemptions from fees for certain disadvantaged consumers if they already do so.

Current and existing law

The Australian Consumer Law – Current Scope

The ACL is a national law applied in all States and Territories since 1 January 2011 which aims to protect consumers and ensure fair trading in Australia.³ 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, this means companies can charge paper billing fees as long as bills can be provided for free through another method.

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

The ACL also requires transparent pricing, that suppliers provide consumers with an itemised bill, and contains unfair contract terms protections for standard form contracts. 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.

Other regulation

Similarly, the *Electronic Transactions Act 1999* (Cth) (ETA) does not specifically regulate the amount of fees associated with billing processes. However, 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.

Some industries, and particularly those associated with essential services, are also governed by relevant codes of conduct. For example, the Telecommunications Consumer Protections Code 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.

Voluntary fee exemptions

Some businesses that charge paper billing fees are willing to waive the fees for certain consumers. The criteria for an exemption and the steps consumers need to undertake vary from business to business. In some cases, exemptions are automatically applied to a wide range of customers (such as recipients of a pension), in other cases exemptions may be available, but are not actively promoted and require consumers to research any exemptions and contact the service provider. Box 1 provides an overview of a number of exemption programs identified during Treasury's research.

The Council of the Ageing (Victoria) also publishes on its website some examples of banking, energy and telecommunications suppliers offering voluntary exemptions for eligible customers, such as concession card holders, senior citizens and hardship customers.

The website also includes a template letter that consumers can download to request an exemption (Cotavic.org.au, 2017).

BOX 1: EXEMPTION PROGRAMS

Exemption programs that waive fees for certain consumers are a practical, industry led, method of minimising any detriment caused by paper billing fees. If programs are easy to access and correctly targeted they can exempt many disadvantaged consumers from fees and vastly reduce the impact of changing practices on disadvantaged consumers.

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 or Disability Equipment Program or who hold an Australian Government Health Care Card will not be charged paper billing fees and Telstra applies an automatic exemption for customers with no registered email (Telstra.com.au, 2017);
- Commonwealth Bank customers who are under 18 or who register a disability with the bank will not be charged a paper billing fee and accounts into which age or service pensions are paid are exempt from fees (Commbank.com.au, 2017); and
- AGL provides a range of customer exemptions including but not limited to customers registered for a concession (Community.agl.com.au, 2017).

Industry led consumer education

While reviewing exemption programs, Treasury found a number of exemption programs took significant effort to locate. This may suggest low consumer awareness of the programs existence may be an impediment preventing disadvantaged consumers accessing exemptions. It is also an unrealistic expectation that those who cannot access the internet can conduct research into these programs easily.

This leads to a concern that many eligible disadvantaged consumers may not be accessing programs. Feedback from advocacy bodies that work on behalf of pensioners (a group commonly eligible for exemptions) suggests this concern may be valid.

A campaign, led by businesses that charge paper billing fees could help to improve consumer understanding and awareness of any available exemptions from paper billing fees. It could be targeted at consumers who are likely to be eligible for exemption programs, but may not be aware of their existence. The campaign should provide information in a number of forms that could include postcards, presentations and through advocacy and support groups who already have ties within disadvantaged communities.

This industry led campaign would supplement a CAANZ education program being undertaken following the direction of Consumer Affairs Ministers on 31 August 2017. The campaign is currently in development and is expected to run for 4 weeks in March 2018.

Preliminary impact analysis for option 1**Impact on businesses**

If the status quo is maintained current laws would continue to operate. The status quo will not impose additional compliance costs on businesses. Those businesses that charge paper billing fees

could continue to do so. Competitive pressures will continue to determine which businesses charge paper billing fees and how much they charge. Businesses could continue to choose whether to charge fees in line with their costs or at a different rate and whether they provide exemption programs for certain consumers.

A consumer education campaign could alert consumers to the existence of these programs with the goal of increasing the level of uptake.

Impact on consumers

The costs associated with maintaining the status quo will stem from whether or not the aforementioned policy objectives can be met through an education campaign. A portion of consumers not already benefiting from an exemption program could experience a saving. Although some consumers will likely be alerted to the existence of exemption programs, maintaining the status quo would likely still result in a portion of disadvantaged consumers continuing to pay to receive bills.

BENEFITS	COSTS
<ul style="list-style-type: none">• Consumers who elect to receive digital bills still receive a saving.	<ul style="list-style-type: none">• Consumers who cannot access the internet will be required to pay paper billing fees in some circumstances.
<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">• Businesses may need to allocate funds for the consumer education campaign.
<ul style="list-style-type: none">• Businesses can continue to compete on the basis of paper billing fees.	
<ul style="list-style-type: none">• Consumers have more information to inform their purchasing decisions	
<ul style="list-style-type: none">• Some consumers eligible for exemption programs who are not currently accessing programs may experience a saving	

FOCUS QUESTIONS

For consumers and consumer advocates

15. Is the current law sufficient? If not, would it be if exemption programs were better promoted?

OPTION 2: BAN ON ALL BILLING FEES

Paper billing fees impose a cost on consumers who elect to receive paper bills from businesses that charge paper billing fees and do not access (or are not eligible for) 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 paid by these individuals is disproportionate.

A ban on paper billing fees can overcome this problem by removing businesses ability to apply fees to individual consumers. The costs associated with providing paper bills to individuals who receive them would be incorporated into the overall cost of providing the service to all consumers and would effectively be shared among all consumers.

Under this option businesses would be prohibited from charging consumers to receive 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 get consumers 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 (Fiserv, 2014).

Legislation to accomplish a ban could take a number of forms. The law could be drafted to focus on the application of a fee or more broadly on a financial penalty.

Preliminary impact analysis for Option 2

Impact on businesses

Businesses that provide a no fee option to attract customers will lose that ability. The ultimate cost to businesses will 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 will need to use alternative options to encourage consumers to transition to digital billing. Businesses involved in the manufacture and distribution of paper bills may also benefit from increased business.

Proposed methodology for calculating regulatory burden

The Keep Me Posted Campaign has provided the details of 19 companies in Australia who currently charge consumers to receive paper bills. These businesses will 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 organisations cost to produce a paper bill by the number of customers paying for paper bills.

A preliminary estimation is possible based on public data in relation to the businesses size and customer base. For the purpose of this estimation it has been assumed that each business provides paper bills to 40 per cent of their customers and that 30 per cent of their customers who receive paper bills pay for those bills. The Keep Me Posted Campaign has submitted that the cost to produce a paper bill is between \$0.88 and \$1.02. However, it is not clear whether this figure takes into

account only printing and postage costs, or wider administrative costs and human resources associated with the maintaining paper-based systems.

Treasury has produced an estimate for the 16 largest businesses customer bases based on publicly available information. From this Treasury has estimated a total annual cost of between \$80 and \$93 million dollars.

Impact on consumers

The key benefit associated with this option is the positive outcome for consumers, including disadvantaged consumers currently paying for paper bills. No consumer would be required to pay a fee to receive a paper bill. The costs associated with generating a paper bill would once again be incorporated into the overall price of the provision of goods and services, as was traditionally done.

Consumers who are currently paying paper billing fees will pay less overall, as the costs of producing their bills would be shared amongst all customers. Consumers who elect to receive digital bills would effectively subsidise those who do not – meaning they could pay marginally higher monthly bills.

Impact on other stakeholders

This option limits the tools available to businesses with which they can encourage consumers to transition to paper bills. This may lead to increased production of paper waste that may be viewed unfavourably by some in the community.

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">Businesses are not able to pass costs to consumers leading to an increase in overall prices for all consumers.
<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">Some businesses lose a basis on which they can attract customers.
<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">Increased paper waste.

FOCUS QUESTIONS**For businesses**

16. What would the cost be to your business if paper billing fees were banned? How would your business deal with these costs?
17. How many of your customers pay to receive paper bills? What is the frequency with which they receive those bills?
18. If you were unable to charge for paper bills would you invest in alternative means of encouraging consumers to transition away from paper billing?

For consumers and consumer advocates

19. Are you currently receiving digital bills? If so, would you expect to move back to paper billing if fees were banned?
20. Are you currently receiving paper bills? If so, would you be more likely to transition to digital bills if they were provided in a different (more user friendly) manner?
21. Would you be persuaded to use digital bills if you were offered a digital billing discount as opposed to a fee for a paper bill?
22. If your preference is to receive paper bills can you please provide an explanation of your preference?

OPTION 3: BAN ON ESSENTIAL SERVICE PROVIDERS CHARGING FOR PAPER BILLS

Essential services are services which all households require, meaning that participation in these markets is not a choice but a necessity. Essential services provide the necessities of day-to-day living and make up a large portion of individuals spending. A majority of the invoices received by disadvantaged consumers are likely to meet the definition of essential. Therefore, a ban that only applied to essential services may be an efficient method to achieve the stated policy objective.

A definition of “essential services” would need to be drafted if this option is pursued. A definition would most likely include common recurrent items such as water, gas, electricity, telecommunications and banking services. It may also be necessary to include other essential services such as medical services. Box 2 provides a list of alternative definitions on which feedback is sought.

BOX 2: DEFINITION OF ESSENTIAL SERVICES

The International Labour Organisation defines essential service as *"services, by whomsoever rendered, and whether rendered to the Government or to any other person, the interruption of which would endanger the life, health or personal safety of the whole or part of the population."*

In Victoria Section 4 of the Essential Services Commission Act 2001 defines an essential service as *"a service (including the supply of goods) provided by:*

- a. the electricity industry;*
 - b. the gas industry;*
 - c. the ports industry;*
 - d. the grain handling industry;*
 - e. the rail industry;*
 - f. the water industry;*
 - fa. the taxi non-cash payment transaction industry;*
 - fb. the taxi industry;*
- any other industry prescribed for the purpose of this definition."*

In New South Wales Section 4 of the *Essential Services Act 1988* deems a service an essential service *"if it consists of any of the following:*

- a. the production, supply or distribution of any form of energy, power or fuel or of energy, power or fuel resources,*
- b. the public transportation of persons or the transportation of freight (including the provision of rail infrastructure for those purposes),*
- c. the provision of fire-fighting services,*
- d. the provision of public health services (including hospital or medical services),*
- e. the provision of ambulance services,*
- f. the production, supply or distribution of pharmaceutical products,*

BOX 2: DEFINITION OF ESSENTIAL SERVICES (CONTINUED)

- g. the provision of garbage, sanitary cleaning or sewerage services,*
- h. the supply or distribution of water,*
- i. the conduct of a welfare institution,*
- j. the conduct of a prison,*
- k. a service declared to be an essential service under subsection (2),*
- l. a service comprising the supply of goods or services necessary for providing any service referred to in paragraphs (a)-(k)."*

Section 600F Corporations Act 2001 defines essential service to mean:

- a. "electricity; or*
- b. gas; or*
- c. water; or*
- d. a carriage service (within the meaning of the Telecommunications Act 1997)."*

Sector specific prohibitions have been introduced in a number of jurisdictions. In some jurisdictions, including Ireland and Pennsylvania, these prohibitions have the following administrative interpretations of existing rights to receive billing information. The findings of the Pennsylvania Public Utility Commission outlined in **Box 3** are an example of this reasoning.

BOX 3: FINDING OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Section 1509 of the Pennsylvania Public Utility Code (Code):

- imposes the obligation on all energy, water, wastewater and telecommunications utilities, including all varieties of telecommunications utilities certificated by the Commission, to send customers a monthly bill; and
- establishes the right of the customer to receive that bill.

Following an application from a carriage provider, the Pennsylvania Public Utility Commission was called to investigate if paper billing fees were inconsistent with the Code.

The commission, in finding that paper billing fees were inconsistent with section 1509 concluded that "if the bundled price truly is a comprehensive charge at a single price, the charge for generating a paper bill should be included in this single price".

New South Wales prohibition on energy retailers charging for paper bills

Electricity consumers in New South Wales will be exempt from paper billing fees under the Energy Affordability Package announced on 3 September 2017. This option would expand upon, and implement at a national level, New South Wales's prohibition on electricity providers charging paper billing fees.

Preliminary impact analysis for Option 3

The key benefit associated with this option comes from the partial protection of disadvantaged consumers currently paying for paper bills for essential services.

Impact on businesses

Businesses who meet the definition of an “essential service” provider will face the same burden as all businesses under option 2. Based on these figures Treasury has estimated a total annual cost of between \$76 and \$80 million dollars.

Under this option businesses involved in the manufacture and distribution of paper bills may also benefit from increased business.

Impact on consumers

For essential services the impact of this option is the same as for option 2. This option will partially protect disadvantaged consumers. The extent to which disadvantaged consumers are protected will depend on the definition of essential service.

Impact on other stakeholders

Similar to option 2, this option may lead to increased production of paper waste that may be viewed unfavourably by some in the community.

FOCUS QUESTIONS

For businesses

23. What would the cost be to your business if you are an “essential service provider” and were no longer able to charge paper billing fees?

For consumers and consumer advocates

24. What do you consider to be an essential service?

BENEFITS

- A majority of disadvantaged households' recurrent bills would be captured and exempted from billing fees.
- Businesses that provide non-essential services will be able to continue operating per the status quo.
- Businesses that provide essential services will be incentivised to invest in alternative means of transitioning customers to digital bills – such as user friendly interfaces.
- Businesses involved in the manufacture and distribution of paper bills may benefit from increased business.

COSTS

- Some services used by disadvantaged consumers will not meet the definition of essential service.
- Increased paper waste.

OPTION 4: LIMITING CHARGES TO COST RECOVERY

The impact on consumers is greatest when paper billing fees are high. The harm caused can be minimised by restricting the amount businesses can charge consumers to the cost incurred to produce the bill (cost recovery).

This option would require a definition of cost recovery. A legislative definition could be designed to provide scope for courts to determine cost recovery in individual proceedings or alternatively to deem amounts higher than a certain price to be beyond cost recovery.

Preliminary impact analysis for option 4

Impact on businesses

Businesses who charge paper billing fees will face a regulatory burden associated with calculating their cost recovery and changing their billing systems to ensure that the amount is billed to consumers.

Under this option businesses involved in the manufacture and distribution of paper bills may also benefit from increased business.

Impact on consumers

This option may reduce, but will not remove the impact of paper billing fees on consumers, including disadvantaged consumers. Consumers who elect to receive digital bills will continue to receive a saving commensurate with the lower cost of producing digital bills. However, consumers who cannot access the internet will still be required to pay for the production of a paper bill.

Over time as more consumers switch from paper billing to digital billing, the average cost of production per paper bill will increase as the total costs of production are spread among fewer and fewer consumers. Therefore, if cost recovery charging is in place, consumers who remain in the paper billing pool of consumers will continue to pay higher prices for paper bills over time.

Impact on other stakeholders

A small number of consumers may transition back to paper bills if the difference between current charges and cost recovery is significant enough, this may lead to a small increase in paper waste.

FOCUS QUESTIONS

For businesses

25. What is an appropriate definition of cost recovery?
26. What would be the cost for a bill provided on a cost recovery basis? Do you expect this figure to change over time?

BENEFITS	COSTS
<ul style="list-style-type: none">Disadvantaged consumers will only pay an amount commensurate with the actual cost to business.	<ul style="list-style-type: none">Disadvantaged consumers still pay a fee to receive important documents.
<ul style="list-style-type: none">Consumers who do not receive paper bills will not be required to pay a higher overall price.	<ul style="list-style-type: none">Fees for paper bills may increase over time as more people switch to digital bills and the average costs of billing are spread over a small group of 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">Slight increase in paper waste

OPTION 5: PROMOTING EXEMPTIONS THROUGH BEHAVIOURAL APPROACHES

While some businesses may offer certain categories of consumers access to different exemptions from paper billing fees, awareness of these programs is low. When consumers do not have adequate information about exemption programs, they may find it hard to access them and take advantage of the benefits that they provide.

One method of improving consumer information and consumer access to exemption programs is to promote those programs through behavioural nudges. Behavioural nudges are alternatives to standard government interventions in markets and they can help influence the choices that people make. Behavioural nudges are generally a low cost option that can help with consumers with decision making.

Under this option, businesses who charge paper billing fees and also offer exemption programs for certain classes of consumers would be encouraged by government to use behavioural nudges to help promote their exemption programs. Businesses would be asked to include a statement at the bottom of their paper bills that alerts consumers to exemption programs. An example is outlined in Box 4.

BOX 4: 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 waiver. To find out more, please contact [Phone Number].”

Preliminary impact analysis for option 5

Impact on businesses

Businesses who choose to include on their paper bills a statement alerting consumers to exemption programs will face a one-off cost to change their billing templates. Businesses will likely see an increase in the amount of consumers taking advantage of their exemption programs, this means that they will have to absorb the costs associated with providing paper bills to consumers who enter exemption programs.

Impact on consumers

This option will provide consumers with information on exemption programs in a form that is easy to access and understand, thereby increasing their awareness of exemption programs. This option does not rely on consumers seeking out information on exemption programs, rather that information is provided directly to them, resulting in time savings.

Impact on other stakeholders

A small number of consumers may transition back to paper bills, this may lead to a small increase in paper waste.

FOCUS QUESTIONS

For Businesses

27. What would be the cost associated with, including on your paper bills, a statement advising consumers how they can access exemptions from paper billing fees?

BENEFITS	COSTS
<ul style="list-style-type: none">• Consumers are automatically provided with more information on exemption programs.	<ul style="list-style-type: none">• Businesses face a one-off costs associated with changing their paper billing templates.• Businesses will face increased costs that they will have to absorb as more consumers apply for exemptions from paper billing fees.

6. CONSULTATION

SUMMARY

Treasury aims to use the public consultation process to seek feedback on the policy options presented in this paper.

Treasury will accept formal written submissions, conduct face-to-face meetings with key stakeholders and provide the opportunity for consumers to share their experiences with paper billing fees through a comment facility on our website.

Treasury will undertake an extensive public consultation process in relation to the issues explored in this consultation RIS. The objective of the consultation process is to gather additional evidence and data on the extent of the problem and to seek views on the benefits and costs of the four proposed policy options.

The consultation process will consist of:

- a formal written submission process;
- targeted face-to-face and telephone meetings with key stakeholders; and
- a comment facility for consumers to share their experiences.

Treasury intends to reach a broad cross section of stakeholders. It will be important to assess the views of consumers and their advocates, businesses that charge paper billing fees and environmental organisations.

Once the initial consultation process has concluded, a final or decision-making RIS will be produced to discuss the results of the consultation process, the evidence that has been gathered and the preferred policy option. All submissions to the consultation process will be published on the Treasury website, unless authors have indicated that they would like all or part of their submission to remain in confidence.

Specific questions are likely to arise from this consultation paper which may have not been considered at the time of drafting and Treasury may undertake further targeted consultation with key stakeholders if necessary.

Treasury has consistently designed the consultation procedures in line with OBPR consultation principles and has ensured that there is flexibility to maximise stakeholder participation in the consultation process.

Both this consultation RIS and the decision-making RIS will be published on the Office of Best Practice Regulation website.

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