

Mobile Matters - Young People and Mobile Phones

The Communications Law Centre recently published the report of a year long research project on young people and mobile phones. Written by Andrew Funston of Victoria University and Kate MacNeill of the Melbourne office of the Communications Law Centre, the research was funded by the Victorian Consumer Credit Fund and the Commonwealth Department of Communications, Information Technology and the Arts.

obile Matters - Young People and Mobile Phones” has produced a detailed picture of young people’s experience of mobile phone use. It describes a culture where mobile phones are firmly established within the social lives of the users, represent an ongoing monthly financial commitment for those responsible for paying the bill, and invariably involve this commitment extending over a lengthy contract period.

Methodology

Three main methods of data collection for the research were employed to explore the circumstances of young mobile phone users. They were: a large scale survey, focus groups and secondary data analysis. Some 750 young mobile phone users were surveyed across metropolitan and regional Victoria and New South Wales. Many of the more important questions were completed by about 500 or two-thirds of the total number of respondents. The locations identified for interviewing sought to ensure a range of participants across socio-economic indicators.

The sample profile was not directly proportionate to the total youth population as it was a sample of the mobile phone-owning and/or -using population - one which may have different characteristics.

The focus group research provided an additional source of data to assist in analysing the significance of the large scale survey results. Eight focus groups were conducted in metropolitan and regional areas of Victoria and New South Wales. These allowed for the unfolding of a narrative about the individual experiences of young people and self identification of problem areas.

Data was gathered from a variety of government and industry agencies both through publications and direct contact. Industry data collection sought to contextualise the mobile phone market within the broader framework of telecommunications and consumer regulation. Figures were obtained on market penetration, the size of the mobile phone market, the rate of “churn” or disconnection, the growth of pre-paid systems, and the nature of retail arrangements.

The public documents and reports of the Telecommunications Industry Ombudsman’s Office, the Australian Competition and Consumer Commission (ACCC) and State Offices or Departments of Fair Trading all proved a useful source of data on telecommunications related consumer concerns. Additional information in this area was obtained through consultations with consumer advocates, legal services and financial counsellors. Public files held by the Victorian Office of the Insolvency and Trustee Service of Australia were also examined.

Mobile culture

The research project provided a picture of young people’s mobile phone use and role in their lives. Focus group discussions suggested that many young people’s take up of mobile phones appeared to be associated with key life events such as leaving home, looking for accommodation, purchase of a vehicle or commencement of employment. There was little impression of a typical mobile phone user though most participants presented as confident in relation to their role as a consumer. The focus groups also revealed that while some purchases were a snap response to a sales initiative, others were based on consideration of the relative merits and features of the handsets in particular and, less so, the available choice of plans.

While the specific uses to which the mobile phone was put and the motivation for obtaining a phone varied across the sample and among the focus groups, an impression was received of a commodity firmly established among the key necessities of life for these young people. With age, the role of the phone changes from a sign of dependency, needing to call in with parents, to a symbol of independence, a means of contact with the outside world, friends and potential employers. Participants in focus groups overwhelmingly assumed that they would continue to use a mobile phone throughout their life. The

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Composition of Sample

	Sample	ABS closest fit data
Age ranges		
16	2%	17%
17	8%	17%
18	26%	16%
19	24%	16%
20	17%	17%
21	23%	17%
Educational Status		
Full time study	64%	50%
Part time study	7%	9%
Not a student	29%	41%
Gender		
Male	47%	51%
Female	53%	49%
Residence		
Capital city	82%	64%
Regional	18%	36%
Language spoken at home		
English	85%	81%
Other than English	14%	19%
Household type		
Parents	58%	62%
Living independently	42%	38%

Sources: Participation in Education, Australia 1998 (6270.0); Victoria's Young People 1996 (4123.2); New South Wales' Young People 1996 (4123.1); Australian Demographic Statistics 1998 (3101.0)

mobile phone is having an impact on other forms of telecommunication with 40% of respondents reporting less public payphone use, and 23% less use of the home fixed-line phone.

Many participants reported that there was more than one phone in the household, in some cases up to four. Where the respondents lived with their parents this either resulted from "hand me down" mobile phones remaining in the family, or parents buying phones for each of their children at the one time. In shared households it was often a response to the complexities of sharing bills and the transient nature of rental accommodation.

Managing bills

The majority of questionnaire respondents paid their own mobile phone bill, regardless of who signed the contract. Respondents were asked to nominate both the amount of their last bill and of their normal bill, with results showing little discrepancy between the two: 61% of respondents reported that their last bill was \$60 or under, and 41% reported a last bill of \$40 or under.

The focus groups confirmed that the majority of participants had moderate bills and reported no great difficulty with paying. The first bill was

described as more of a problem, often because of the connection charge. But 25% either had difficulty with, or were struggling to pay, their normal bill. Some 18% of questionnaire respondents found the normal phone bill a bit difficult and for seven per cent it was usually a struggle. Some 23% reported having been "really late" paying a bill; something that may have implications for their credit rating. And 17% of the total surveyed felt some anxiety or depression arising from difficulty in paying their bills.

For those who paid their own bills, the bill was usually more than expected for 32% of them. The frequent appearance of unexpected charges related to additional features was also reported. For those who bought their phones outright, the incidence of higher than expected bills was significantly less than for those on a plan. Those who bought outright were also less likely to find paying the bill a struggle. The reason for the easier situation for those that pay for the phone outright might be that they are better able to pick and choose between the cheap deals on offer, or it may merely be an indication that they are better off financially.

Respondents were prompted as to the reasons why their bills were larger than expected, with more than one explanation nominated. Some 36% of those with larger than expected bills thought that one explanation might be an inability to help themselves when using their phone. 22% felt that they were not taking advantage of cheaper call times, 17% agreed that they were not thinking through the cost implications of contracts and eight per cent indicated that they felt that their contracts were not clear.

English language spoken at home, having read and understood the mobile phone contract, and whether the phone was bought outright, were

all factors in regular bills being consistent with expectations. Those who consistently received bills higher than expected had bought their phone on a plan and were disproportionately from homes in which English was not the main language. Those who reported that they signed the contract without understanding it were also more likely to have bills higher than expected.

The study did not identify a causal link between mobile phone usage and bankruptcy among a small sample of files of applicants for bankruptcy aged 25 and under. But 30% of the 42 files examined did contain an outstanding mobile phone bill in the statement of liabilities.

Mobile phone (digital) subscribers and market share

	Telstra ⁽ⁱ⁾	C&W Optus	Vodafone
Subscribers	2.2 million	1.8 million	1.1 million
Market share	43%	35%	22%

Sources: Telstra Public Affairs August 1999; C&W Optus Annual Report 1999; Paul Budde, Carriers and Service Providers, 1999

Notes: (i) Telstra figures are as of December 1998, current figures to be released with float documents

Signing contracts

There appears to be an inconsistent approach on the part of dealers and agents in determining the capacity of the consumer to meet the ongoing financial commitment required by a mobile phone contract. Cases were reported where people were refused a mobile phone because of a credit check. But a credit check alone does not determine whether a consumer can meet future commitments. While some are asked whether they are working, no serious attempt appears to be made to determine the income from, or permanency of, the work.

Ascertaining the contract status of survey participants proved difficult due to the self defining nature of responses and the different terminology used within the industry, e.g. plan, contract, agreement. While 70% of the total sample had bought a phone on a plan, or contract, 91% of the total sample reported either having signed a document themselves or having had someone else sign one for them. Some 48% reported signing for the contract themselves, with 43% on a contract signed by someone else.

Focus groups confirmed the extent of contracts being signed by parents. This apparent discrepancy between those reporting buying the phone on contract (70%) and those answering a question as to who signed (91%) may be explained by the fact that mobile phone users can be on a call plan

TIO Digital mobile phone complaints (1996-1999)

Complaint Category	1998-99	1997-98	1996-97
Contracts	3,147 (60.2%)	2,495 (60.9%)	1,618 (60.3%)
Coverage	1,095 (21%)	876 (21.4%)	446 (16.6%)
Equipment	796 (15.2%)	503 (12.3%)	410 (15.2%)
Network	187 (3.6%)	220 (5.4%)	212 (7.9%)
Totals	5,225	4,094	2,685

Sources: TIO Annual Reports 1997 and 1998 and annual data 1998-99

which does not include the purchase of the phone.

More than 70% of contracts ran for 12 months or more; with 37% being 18 month contracts. Some 19% didn't know or could not remember how long the contract lasted, and 18% of respondents signed the contract despite either reading, but not understanding, the contract (11%), or not reading it at all (seven per cent). Age did not appear to be a factor in determining those who read and understood, didn't read, or didn't understand but signed anyway. Some 16% had not kept a copy of their contract. Focus groups confirmed that most young people understood the important connection between the amount paid upfront for a phone on contract, the duration of the plan and the minimum monthly payments. But some participants were concerned that they had signed up to deals with very low entry costs yet were subject to seemingly excessive call charges with few special rates available. Costs associated with a so-called free service for message retrieval confused several participants. In many of these cases only the connection to the service, and not the cost of using it, was free.

Implications

The primary focus of the research project was to develop a detailed picture of young people's mobile phone use. In the course of the research the question often arose as to how certain undesirable outcomes for individuals might have been avoided on their part. The research project itself contributed to the level and quality of information in the hands of young people through the focus groups and dissemination of material to survey participants. But young people might be better assisted in, and rewarded for, their efforts to make informed consumer choices in their purchase and use of mobile phones. The report makes a series of recommendations aimed at

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ensuring young people make the best possible choice when purchasing a mobile phone service. Additional assistance for consumers appears warranted in the areas of improved information and education (both about the mobile phone purchase and available mechanisms for redress), greater disclosure on the part of retailers about all cost implications under the

range of plans on offer, and opportunities to renegotiate or cancel contracts after receipt of the first bill.

Mobile Phone Complaints, TIO annual data (1996-1999)

	1998-99	1997-98	1996-97
Analogue	115 (2.2%)	157 (3.7%)	305 (10.2%)
GSM (89.8%)	5,225 (97.8%)	4,094 (96.3%)	2,685
Total mobiles complaints	5,340	4,251	2,990
Total TIO complaints	63,069	46,471	34,844

Sources: TIO Annual Reports 1997 and 1998 and annual data 1998-99

Andrew Funston and Kate MacNeill (drawn from "Mobile Matters - Young People and Mobile Phones" and a paper presented at the Communications Research Forum, Canberra, September 1999). The report is available for sale from the Communications Law Centre for \$35. Telephone (02) 9663 0551 or email admin@comslaw.org.au

Report Recommendations

Education: educators, regulators, telephone companies, dealers and consumer organisations should enhance their efforts to provide telecommunications customers with precise and tailored information about the financial and other implications of their particular purchases and intended use of mobile phones. Departments of Education and Departments/Offices of Fair Trading should examine and explain mobile phone purchases in the same manner as car purchase, credit provision and accommodation are treated in information for school leavers. The Telecommunications Industry Ombudsman's office should undertake a program of promotion to ensure that awareness of the services of the office is as high among young people as it is among the population in general.

Disclosure: telephone companies should require retail outlets to provide consumers with full disclosure of all the costs associated with use of a mobile phone prior to signing a mobile phone agreement. This information should be in such a form that it allows for ready comparison between plans offered by the one telephone company and between the range of plans offered by other companies. Telephone companies should require retail outlets to provide consumers with information on all possible payment options for mobile phone purchase prior to purchase, including pre-paid call packages.

Existing disclosure provisions in the Australian Communications Industry Forum Industry Code on Customer Information on Prices, Terms and Conditions (ACIF Code) should be expanded to require explicit specifica-

tion of available dispute resolution processes, and of the following price elements of a mobile phone contract:

- Call charges, peak and off peak rates and charging periods;
- Itemised charges for connection, and use of, additional features such as "Message Bank";
- Penalties for cancellation.

The ACIF Code should require disclosure in a plain English format of all price elements of the contract.

Penalties and Fairness: the Federal Government, in conjunction with the ACCC, should examine the effectiveness of existing statutory provisions, particularly those dealing with unconscionable, misleading/deceptive and anti-competitive conduct, in addressing legitimate consumer complaints about the terms and conditions in mobile phone contracts. This should include the appropriateness of introducing

legislative provisions which test the "fairness" of the substance of contract provisions rather than the circumstances in which contracts are concluded.

ACIF should develop an industry code addressing the terms and conditions of supply of services subject to Standard Forms of Agreement obligations under federal telecommunications legislation, to complement the Industry Code on Customer Information on Prices Terms and Conditions. Such a code should include provisions:

- Providing an extended "cool-ing-off period" enabling a customer to cancel a mobile phone contract with minimal penalty within two weeks of receiving the first bill, provided any handset included in the arrangement is returned; and
- Enabling a customer to change mobile phone "plans" with a service provider without penalty, other than the reasonable costs of effecting the transfer.

Any relevant code developed by ACIF (addressing customer information on prices terms and conditions or selling practices) should require retail outlets, prior to completing a sale, to disclose the likely total cost of the package, including call charges, based on reasonable projections of the customer's likely calling pattern.

Representation: there should be enhanced direct representation of young people in all key policy making forums where young people's telecommunications futures are likely to be affected. <

What young people said about mobile phones

o on a plan - go on a \$10 one, it's cheap, it's just like four cappuccinos a month!"

New South Wales regional

"Yeah, for two bucks now you can buy them, you go in to a bar and order a beer and they give you a mobile phone."

Victoria regional

"I'm always out - that's why I got it."

Melbourne west

"Mum and Dad got it for me for emergencies."

Sydney outer west

"I've got it at the moment because when I came back to Sydney...I didn't have a place to live, so I had it for convenience because I didn't have a phone at that time and I wasn't contactable and also because it was convenient for house hunting."

Sydney city

"Lots of people get mobile phones in their last year at uni 'cos they feel they need them when they are looking for jobs."

Victoria regional

"People can contact me 'cos I've always got three jobs on the go."

Sydney outer west

"Like it's not my problem if you quit work next week or get fired...if you get

the phone it's good for me 'cos I get the money, you might be in debt but that's your bad luck not mine."

Melbourne west

"We've both got one...we bought it over the phone...never signed anything."

Victoria regional

"They ask you where you work and how many hours a day...I was working at the time but then the boss said no more work, see you later..."

Melbourne west

"The first thing I looked at was the fine print to see exactly what you had to pay to have it for the set time and there was a massive amount of difference [between plans]."

Victoria regional

"I was in debt, one minute it's \$75 then it's \$150. The deal was \$1 phone and the plan was minimum \$30 per month...I thought that's pretty cool I can handle that, my call rate was about 30 cents for 30 seconds, and I was using it like crazy...for about six months...then I thought stuff it."

Melbourne west

"If I was doing it again I wouldn't get such a large plan."

New South Wales regional

"Calls were something like a dollar a minute but 'cos I didn't look into it I

just thought it's cheap [\$1 down] it was all a flat rate, no off peak. About three months later, I thought my bills were so high 'cos I was making too many calls, but it wasn't. I got a bill for \$450 and thought that's it. Tried to get out of it but had to pay \$30 per month for the rest of the contract."

New South Wales regional

"\$15 a month plan, actually paying \$30 a month...I didn't know this until I got my first bill...pay \$30 every month...we understood \$15 pre-paid calls...I was a bit mad because I can only afford a certain amount...it's pre-paid calls by us not by them!"

Victoria regional

"They have different call charges for different access fees...I don't really understand."

Victoria regional

"If you own the phone you are still going to pay the same as someone who got the phone for free, on a contract...that's their catch."

Victoria regional

"I paid \$160 for a phone, well \$260 with \$100 cash back, and I still had to pay the same \$10 as a friend who got his for free on the same contract."

Victoria regional <