

AMTA Submission to ACMA

11 November 2014

Proposed new ID verification

Draft Telecommunications (Service Provider – Identity Checks for Prepaid Mobile Carriage Services) Amendment Determination 2014 (No.1)

Introduction

The Australian Mobile Telecommunications Association (AMTA) is the peak industry body representing Australia's mobile telecommunications industry. Its mission is to promote an environmentally, socially and economically responsible, successful and sustainable mobile telecommunications industry in Australia, with members including the mobile Carriage Service Providers (CSPs), handset manufacturers, network equipment suppliers, retail outlets and other suppliers to the industry. For more details about AMTA, see amta.org.au.

Background

AMTA welcomes the proposed amendments

AMTA welcomes the amendments proposed by the Australian Communications and Media Authority (ACMA) to the *Telecommunications (Service Provider – Identity Checks for Prepaid Mobile Carriage Services) Determination 2013* (the Determination) as contained in the *Draft Telecommunications (Service Provider – Identity Checks for Prepaid Mobile Carriage Services) Amendment Determination 2014 (No.1)* (the draft Amendment Determination).

AMTA believes that the proposed amendments will address concerns that have been raised by industry around the implementation of the Determination and will enable industry to realise efficiencies in their compliance systems as well as provide greater convenience to the benefit of customers.

AMTA submits that the proposed amendments will not impact adversely on the robustness of the ID validation processes allowed under the Determination and will meet the requirements of Law Enforcement and National Security Agencies (LENSAs).

Industry position on the regulation of prepaid ID checks

While AMTA supports the proposed amendments as they will provide significant consumer benefits and efficiencies for industry; we also note that AMTA believes, in general, that the regulation of prepaid mobile services is ineffective and unnecessary. AMTA has accordingly requested the Government to review the cost-benefit of the regulation as part of its red-tape reduction review processes and give serious consideration to its repeal.¹

Also, AMTA's analysis of the costs to industry of the regulation of mobile prepaid services shows that using the DVS method for verification of customer ID will result in increased costs as compared to methods regulated under the previous Determination.²

It is therefore important to note that the proposed amendment to enable verification of an existing prepaid customer relationship will allow industry to minimise its costs in relation to use of the DVS method.

The ACMA's Consultation Paper states that the Determination's requirements are "*intended to assist law enforcement agencies to obtain accurate information for the purpose of their investigations, where needed.*"³

¹ [AMTA Submission](#) – Deregulation Initiatives in the Communications Sector – Dec 2013

² AMTA – The Costs of Prepaid Regulation – March 2014 provided to DoC

AMTA believes that the Determination will not achieve this requirement as:

- Prepaid mobile services are easily transferable between end-users;
- Stolen identity information can be used to verify identity (which actually provides an incentive for identity theft); and
- Prepaid mobile services can be imported from overseas.

Identity theft is one of the most prevalent crimes affecting between 750 000 and 900 000 Australians each year with an estimated an annual cost of at least \$1.6 billion.⁴

A recent report on identity theft and misuse reported:

“Key finding: As use of the DVS increases and counterfeit credentials become more easily detected, criminals are more likely to seek legitimately issued documents with fraudulent details.”⁵

AMTA submits that requiring consumers to undergo ID checks to obtain a prepaid mobile service actually provides an incentive for criminals to steal an identity in order to obtain a service. While most prepaid mobile users are not criminals and are inconvenienced by the need to provide ID details; those with criminal intent will have an incentive to find a way to obtain a service without providing legitimate ID details.

In conclusion, AMTA believes that the Determination imposes an unreasonable regulatory burden and cost on CSPs for the following reasons:

- It duplicates existing requirements to collect customer name and address for the IPND (N.B. the existing IPND obligation to capture the name and address associated with every type of service using a public number meet the needs of Triple Zero operators and emergency services. LENSAs have ready access to this same data);
- The ID capture requirements for prepaid services are too prescriptive and make it unduly complex to provide services to customers affected by emergencies and natural disasters who may have difficulty accessing the required means of ID;
- There is no evidence that the regulation reduces crime or identity theft;
- The regulation may actually be counter-productive by encouraging identity theft as stolen ID documents can easily be used. AMTA notes that the GSMA’s White Paper on The Mandatory Registration of Prepaid SIM Card Users that surveyed global practices found that *“to date there is no evidence that mandatory registration leads to a reduction in crime”*;⁶
- There is no business requirement to verify a prepaid customer’s ID. The sole beneficiaries of this regulatory requirement are LENSAs who do not bear any of the costs associated with the

³ ACMA Proposed new ID Verification, Consultation Paper, October 2014, p2

⁴ [Identity Crime and Misuse in Australia](#), Key Findings from the National Identity Crime and Misuse Measurement Framework Pilot, 2014

⁵ Ibid p8

⁶ GSMA White Paper 2013, [The Mandatory Registration of Prepaid SIM Card Users](#)

regulation (despite the recommendation from the Productivity Commission that cost sharing arrangements should be reviewed). LENSAs have not provided any quantitative evidence of the benefit of the regulation; and

- Industry's cost of compliance runs into millions with regard to capex to implement the new online verification system and the complex rules for verification of ID against an existing prepaid service. The transaction costs associated with online verification are high in proportion to the average revenue generated by prepaid mobile services.

Comments on the Amendment Determination

1) Visual checking of identity documents at the time of activation

AMTA strongly supports this proposed amendment.

The amendment will allow a customer who purchases a mobile prepaid service but finds they are unable to activate using the current methods allowed under Part 5 of the Determination to seek assistance at a CSP store (noting that the original purchase may have been made at another retail outlet).

While the majority of customers may not be in this situation, it would seem to be an oversight that the CSP would be prevented from being able to activate the service by completing a visual check of ID in-store, simply because the prepaid SIM was purchased from a retail partner of the CSP.

AMTA notes that LENSAs have advised that face-to-face visual checks provide the preferred 'gold' standard of ID verification and that these checks will only be made in CSP branded stores.

The face-to-face process also needs to be streamlined and convenient for customers, especially as customers will generally be using this process when they have not been able to activate their service online. There can be many reasons a customer cannot activate online, including:

- lack of access to the relevant evidence ID information;
- lack of access to an internet connection; or
- technical problems e.g. DVS or other system outage.

AMTA notes that this proposed amendment is consistent with the outcomes from the Prepaid Working Group (PWG) and AMTA believes that a visual check method was intended by the PWG to be a "catch all" under the new regulation. This issue only came to light as a result of questions raised by operational staff during implementation of the Determination.

AMTA does not believe that allowing this amendment will result in any increased risk. A visual check of the customer's ID in a CSP store with the ability to activate the service is considered robust as a point of sale process. In the scenario outlined above, the customer would be frustrated and disadvantaged if they were not able to have a visual check completed, simply because they purchased their service from another retail outlet and have been unsuccessful in their attempts to activate the service using Part 5 methods.

AMTA believes that this amendment will ensure broader community access to a prepaid mobile service, as it will cater for those who lack adequate documentation or for other reasons are not able to access the activation methods under Part 5.

This amendment will benefit customers, particularly those in the community who are living in temporary situations (e.g. the homeless, children in foster care, women living in shelters and refugees) and may lack access to the forms of ID that can be checked online or over the phone. It will also provide a fall-back process for any situation where there is a loss of access to the DVS.

Suggested changes to the proposed amendment

AMTA suggests however, that the list of acceptable forms of ID contained in the draft Schedule 4, item 9 (2) is not sufficient to cover all likely customer circumstances.

Particularly for customers who lack adequate documentation to access the online activation methods, it is important that the in-store process provides as broad a range of acceptable forms of ID as possible.

We suggest that it should also contain:

- International passports (to provide for international visitors to Australia who have no other means of acceptable ID);
- Evidence of a post-paid account;
- Various State issued ID cards e.g. Victoria's Keypass, NSW and WA photo cards ; and
- Any document accepted as proof of identity under a Commonwealth, State or Territory law.

AMTA also suggests that in order to cover changes to use and acceptability of various forms of ID, it could contain a clause that would enable the ACMA to maintain a list (outside of the regulation itself) of acceptable forms of evidence of ID that CSPs could rely on as a guide to compliance. This would make further amendments unnecessary while allowing for various forms of evidence of ID be added or removed to keep abreast of changing government and business practices as well as evolving technology.

2) Confirming the customer is the holder of an existing eligible prepaid account

AMTA strongly supports the inclusion of an ability to verify the ID of a prepaid mobile customer by confirming the customer is a holder of an existing prepaid account held with the CSP.

AMTA believes that this will not only provide important efficiencies for CSPs it will also provide a better customer experience and match customer expectations based on their existing relationship with the CSP.

AMTA notes that the Determination already includes an ability to verify the ID of a customer relying on an existing post-paid service. AMTA does not believe there is any reason to discriminate against a customer with an existing prepaid service and require them to have to undergo the same verification process for any subsequent prepaid services.

In most cases, a customer activating subsequent services is likely to rely on the same evidence of identity each time they activate a service so it should be permissible for the CSP to make this process more efficient and customer friendly.

AMTA believes that allowing the existing account method to be used for existing prepaid customers will enable industry to realise efficiencies in implementation of the Determination. This will lessen the regulatory cost burden on industry and provide consumer benefit without any detriment or risk to the robustness of the validation processes under the Determination.

The percentage of mobile prepaid customers who purchase a subsequent mobile prepaid service is, on average across industry, 35% of customers.

This means that industry could save significantly on the compliance costs associated with the Determination in around 35% of activations.

Validating an existing customer account takes less time than other methods available under Part 5 and is the least expensive option.

Also, if a CSP is not required to make multiple DVS queries for the same customer, the CSP's transaction costs for DVS use will also be reduced. AMTA notes that the DVS method is the most expensive method available under Part 5.

Reducing this transaction cost for on average 35% of prepaid activations will therefore provide a superior customer experience and lessen the regulatory cost burden on industry.

Customers who purchase and activate multiple services

AMTA also supports this amendment because it will enable CSPs to streamline the ID check process for customers who activate multiple prepaid services.

Depending on system capabilities, a CSP will be able to activate multiple services for a customer under one ID verification process. This will provide both a superior customer experience as well as streamline the ID check process and allow the CSP to realise efficiencies and savings.

AMTA requests that the ACMA clarify that where a customer requests activation of multiple prepaid mobile services at the one time, the CSP only needs to verify the customer ID once, provided the CSP system has the capability to link multiple services to the one customer. Further, we ask the ACMA to clarify that when services are activated together under the one ID check process that each of those services would be considered eligible 'type 1' services.

Suggested changes to the proposed amendment

AMTA believes that the proposed two year limitation for type 1 services will impose substantial cost on CSPs to build complex rules into IT systems and will inconvenience the majority of customers who provide accurate details.

AMTA notes that from a customer perspective, their expectations will be higher if they have held a service with a CSP for longer. That is, a customer who has held a service for three years will find it difficult to understand why they must undergo a new ID verification process when a customer who has held a service for only 3 weeks will not need to do this in order to activate a subsequent service.

Customers with an existing relationship with the CSP and will also have a history of re-charges, call records and service use. We strongly believe the risks of allowing a known customer who has already undertaken an ID verification process, to activate a subsequent service is small. The longer a customer has held a service, the more likely they are to be legitimate and to have provided accurate ID details.

Whereas an individual attempting to avoid detection is more likely to rely on different stolen ID each time to activate a service, use each service for a limited time and discard them, and probably will not want to have subsequent services connected in any way with previously used and/or discarded services. AMTA considers that the two year limitation for type 1 services will not significantly reduce

the overall risk that the user of a prepaid mobile service is not correctly identified, despite driving up industry compliance costs.

The two year time limit for type 1 services introduces an extra complexity to an already complicated process from a customer service and operational perspective. Most customers choose prepaid services for the convenience they provide and ID checking processes that are overly complicated detract significantly from this convenience. CSPs bear the burden of explaining the regulatory obligation to customers who are at times reluctant to provide their personal details for what they perceive should be a hassle free service.

Finally, the substantial costs involved for the complex rules required in the IT development to ensure compliance with the two year time limit may well mean that any benefit that may accrue from adding the existing customer method will be diminished significantly by the costs involved to comply with the two year limitation.

AMTA submits that the two year limitation should not be included. However if this is the only way to enable an existing prepaid account method, AMTA will accept the two year limitation, noting that while there is utility with the type 2 services, this is diminished for type 1 services. Hence the existing account method may not be fully used by CSPs or if it is, it will mean that the CSP will incur significant extra costs to ensure compliance with the type 1 two year limitation.

Conclusion

AMTA strongly supports the proposed amendments to the Determination and believes that they will not impact adversely on the robustness of the validation process and will provide the following benefits to consumers and industry:

- reducing the time needed to undertake an ID Check (validating by existing customer account is the quickest approach); and
- reducing reliance on the DVS method (DVS check is the most expensive method of ID checking); and
- lead to a better customer outcome as customers will not have to revalidate the same information they have already provided the service provider. This will also speed up the time taken for the customer to activate their service; and
- ensure that customers who are unable to activate their service online are able to activate it in a CSP branded store by undertaking a face-to-face visual ID check.

With operational implementation of compliance around point of activation methods in its final stages, it is important the industry has certainty of its regulatory obligations and that these amendments are made as soon as possible over the next few weeks.

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