



APP PURCHASES BY AUSTRALIAN
CONSUMERS ON MOBILE AND
HANDHELD DEVICES

Issues Paper
Consumer Affairs Advisory Council

AIA Response

31 January 2013

INTRODUCTION

AIIA welcomes the opportunity to provide comment on the Commonwealth Consumer Affairs Advisory Council (CCAAC) issues paper on app purchases by consumers on mobile devices. While AIIA does not specifically represent apps developers many of our members such as Apple, Microsoft and Google operate platforms which make apps available to consumers, and would be affected any new regulatory changes.

The Australian Information Industry Association (AIIA) is the peak national body representing multinational and domestic suppliers and providers of a wide range of information technology and communications (ICT) products and services. We represent over 400 member organisations nationally, including global brands such as Apple, EMC, Google, HP, IBM, Intel, Microsoft and Oracle; international companies including Telstra; national companies including Data#3, SMS Management and Technology, Technology One and Oakton Limited; and a large number of ICT SME's.

With an annual revenue exceeding \$82 billion coupled with an almost 8% contribution to GDP and some 554,700 employees¹, the Australian ICT industry has a critical place in the Australian economy. Indications are that in the next 50 years this growth will accelerate with predictions that ICT will generate some one trillion dollars of revenue by 2050.²

The rapid growth of the services sector supported by the internet and the ICT industry, has already delivered productivity benefits to all economies globally who have recognized its potential to facilitate “business without borders” and smarter ways to work.

¹ Australian ICT Statistical Compendium, ACS, 2011,p11

² A snapshot of Australia's Digital Future to 2050, IBISworld 2012

THE IMPACT OF THE ONLINE WORLD

With the global transformation that is currently taking place in many industry sectors due to the disruptive impacts of digital technologies³, this is a time when Australia needs to recognise the current and potential contribution of the digital economy on employment, productivity, innovation, business growth and exports and seize the opportunity to actively encourage greater investment by high technology services companies and apps developers. This opportunity is set in a global competitive context where growing services economy and global online trading enterprises can quickly re-locate to more favourable jurisdictions, thus depriving the former jurisdiction of employment, innovation and productivity.

Uniquely, the digital economy is borderless and content makers are not licensed or controlled through narrow channels. Content moves seamlessly across jurisdictions and is created by end users, meaning that the checkpoints available in the offline world such as the publisher, or the licensed broadcaster, do not exist. These attributes need to be taken into account as governments contemplate making regulations in a global market.

Apps development is an important part of the trend towards online productivity and services delivery, and applications development itself needs to be understood as more than merely games (although these are important and valuable) but encompassing business applications, health and disability applications etc.

³ See Deloitte, Digital Disruption. Short Fuse Big Bang. Mapping disruptive innovation across Australia's digital landscape. http://www.deloitte.com/view/en_AU/au/news-research/luckycountry/digital-disruption/index.htm

THE ISSUES PAPER

Given the disruption caused by rapid adoption of both technology and applications, the AIIA commends the CCAAC and the Treasury Department for seeking to learn more about the experiences of consumers with downloading apps, and making in-app purchases, on mobile phone and handheld devices in Australia. The AIIA notes that the paper references media comments and stakeholder concerns about the impact of in-app purchases but recommends that the first step would be quantify the actual nature of the perceived problem. There are in excess of 30 million apps downloads per annum in Australia and it would assist future policy development if research could be produced to determine the relative level of concern. The AIIA recognises the Council's concern and is happy to work with the Government to address any concerns surrounding the current regulatory or administrative systems surrounding consumer use of applications on mobile devices.

THE APPS SECTOR

Given that the facilitation of in-app purchases is a relatively new phenomenon, it is also important to raise awareness about both the benefits and potential risks consumers might face when downloading apps and to explore what actions that can be taken by consumers, industry and governments to help improve consumer experiences when making in-app purchases.

It is important to note that the app industry is in its relative infancy, both in Australia and globally, and to-date, the app industry has been able to grow and thrive because it has not been encumbered by excessive regulation. AIIA considers the future facilitation of the apps development sector is critical to Australia's ongoing ability to embrace the services economy, and would suggest that light handed approaches to regulation should be the government's default position.

That said, this should not excuse the behaviour of those who willingly deceive consumers (especially children) into making excessive purchases without proper disclosures. The industry recognizes that providing consumers with optimal experiences online is a win-win situation. We believe that there is a shared responsibility between mobile carriers, store

platform providers, application developers and consumers themselves to enable safer online experiences. We support the proposition that education is key.

The apps development market is nascent and emerging, but nevertheless very competitive; new apps are peer reviewed and will inevitably fail by being abandoned by users if they either do not meet market needs or contain 'traps' for unwary consumers. In the era of instant and many-to-many communications, consumer feedback is instantaneous, unforgiving and final.

SUGGESTED ACTIONS

At the outset, AIIA notes that Australia already provides some of the most comprehensive and broad consumer protection under the Australian Consumer Law, and consumers are well served currently by the legislative and regulatory environment. We do not believe that additional regulation is necessary; consumers need to be educated as to their rights and the availability of supportive tools.

AIIA members have established rigorous internal practices to ensure their end-consumer experiences are positive and beneficial; to do otherwise would be commercially fatal. These practices include removal of offending apps, automated and manual policy reviews of apps, and transparent links to developer's own privacy and complaints policies. Industry-wide, further initiatives by our members and others globally have provided possible solutions to the issues raised in the Paper. Parental Controls can be easily accessed on most mobile devices to prevent access to specific features. The range of features includes the ability to prevent access to specific content types such as in-app purchases. An example is the Google 'set PIN code for purchasing' tool; <http://goo.gl/VtEkR> and Apple provides full details about in-app purchases to customers to access *any time* at http://support.apple.com/kb/ht4009?locale=en_AP&viewlocale=en_AP#

There have also been a number of recent cross-industry initiatives in the US and elsewhere that could be replicated locally to bring education to smaller entities and bring consistent industry approaches to online app purchases. The **ACT 4 Apps Initiative** was recently

launched with broad support from mobile industry leaders including Apple, AT&T, BlackBerry, Facebook, Microsoft, PayPal and Verizon. ACT 4 Apps will educate app makers on issues including privacy and data security to promote continued industry growth through improved developer education. <http://actonline.org>

A global solution for online consumers has also been established through the joint participation of twenty-eight nations. Known as Econsumer.gov, this facility deals with cross-border complaints about foreign companies concerning online transactions. It has a consumer focus and incorporates consumer protection agencies in the participating nations. It also focuses on resolutions that do not involve costly formal legal action.

While platform providers can and should ensure that consumers are guided in their behavior through tools such as disclosures, user empowerment tools to control or turn off purchasing capability and developer reviews and guidelines, it is not feasible for the platform providers to be the absolute gatekeepers of consumer behavior and police hundreds and thousands of apps. Most platform providers have app certification guidelines and complaints processes, which they act on when concerns about apps are reported.

Finally, the AIIA notes that a number of our member companies have strived, and will continue to strive, to provide platform level controls that put consumers (especially parents) in control when it comes to economic decisions that flow from technology.