

30 January 2018

Economic Development, Science and Innovation Select Committee
Parliament Buildings
WELLINGTON

By email

Telecommunications (New Regulatory Framework) Amendment Bill

1. Introduction

- 1.1 Thank you for the opportunity to make a submission on the *Telecommunications (New Regulatory Framework) Amendment Bill*. This submission is from Consumer NZ, New Zealand's leading consumer organisation. It has an acknowledged and respected reputation for independence and fairness as a provider of impartial and comprehensive consumer information and advice.

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- 1.2 We wish to be heard on our submission.

2. General comments

Our submission focuses on amendments relating to consumer protection in Parts 3 and 7 of the bill. While we strongly support measures to improve consumer protection in the telecommunications industry, we are concerned the proposed amendments are insufficient to address existing problems.

Our annual satisfaction surveys show consumers experience significant shortfalls in service in this industry. A major issue for consumers is the difficulty of resolving problems when they arise. Our latest survey (published February 2018) found:

- more than 60 percent of consumers had experienced problems with their internet connection, such as slow speeds or drop-outs
- 24 percent had a billing dispute with their retailer
- 33 percent experienced unhelpful customer service
- 61 percent reported long wait times to speak with a customer service representative.

Our survey also found a significant proportion of consumers (22 percent) think it difficult to switch retailers. Just 33 percent consider it is very easy to switch.

Among consumers who are switching to fibre, our survey found one in three encountered issues during installation. The most common problem was agreed timeframes not being met (20 percent). One in eight also said their property was either damaged during installation or wasn't restored properly.

In light of the ongoing service issues in this industry, we consider stronger measures are needed to improve consumer protection.

3. Comments on specific amendments

3.1 Part 3

Clause 24 (new sections 9A(d) and (e)): We support increasing the Commerce Commission's functions to require it to monitor retail service quality in the industry. However, we consider the bill should specify the aspects of service provision which the commission will report on and the frequency of those reports.

Clause 30 (new section 156T): Access to effective dispute resolution is essential for consumers. However, awareness of the existing voluntary complaints scheme (the Telecommunications Dispute Resolution scheme) is low and we consider the scheme is not serving consumers well.

Complaints to the Commerce Commission indicate the ongoing issues causing consumer detriment. In its 2017 *Consumer Issues* report, the commission stated:

"The provision of telecommunications services continues to generate more complaints to the Commission than any other industry; the number of complaints received increased by 31 percent in the 2016/17 financial year over 2015, continuing an upswing in complaints observed since 2014".¹

Given the service issues in the industry and the high level of complaints, we consider it should be mandatory for retailers to belong to a dispute scheme. This is already the case for electricity retailers and we consider telecommunications retailers should be subject to the same requirement.

Legislation should also require the dispute scheme to publish decisions on complaints and regularly report on the number of complaints per provider.

3.2 Part 7

Clause 33 (new sections 230-233): The bill proposes giving the Commerce Commission the ability to review industry service codes. Where it considers these codes insufficient, the commission will be able to issue its own retail service quality codes (RSQ codes).

We consider a higher level of intervention is required. Our preference is for mandatory codes which set expected service standards (similar to the Customer Service Guarantee Standard that applies in the Australian telecommunications industry).

The existing arrangements (which rely on industry standards and a voluntary dispute scheme) have been in place for some time but have failed to deliver meaningful improvements to consumers. We therefore do not consider it's consistent with the Act's purpose to continue to rely on these arrangements.

¹ 1. Commerce Commission. 2017. *Consumer Issues 2016/17*. Wellington: New Zealand, p21.

If the committee proceeds with the amendments as proposed, additional provisions should be included requiring the commission to act on requests from consumer organisations for specific codes to be developed. The commission should be required to investigate these requests promptly.

New sections 235-239: If the proposals relating to RSQ codes proceed, we are also concerned that appeals on consumer disputes would be heard by the District Court. We do not consider the District Court is an appropriate appeal body for an industry dispute scheme.

Cost would be a major barrier for consumers wishing to appeal scheme decisions. The expense of taking appeals to the District Court would prevent this avenue being open to many consumers. Our preferred option is to:

- Require telecommunications companies to belong to a dispute scheme
- Require scheme decisions to be binding on member companies
- Give consumers the choice to take cases to the Disputes Tribunal or appeal to the District Court if they're dissatisfied with a scheme decision.

New section 240: Under the proposed section, the Commerce Commission will be required to review the industry dispute resolution scheme at least once every three years. We support the commission having the power to regularly review the scheme's performance.

However, we consider the commission should also be required to act on requests from consumer organisations for the scheme to be reviewed. The commission should be required to investigate these requests promptly. If it determines a review is not required, it must be able justify its decision.

4. Other matters

4.1 Participation funding

Consumer participation in telecommunications regulation has been constrained by a lack of resources. We remain strongly of the view that funding needs to be allocated to support consumer representation. We're previously recommended ring-fencing revenue collected through the Telecommunications Development Levy for this purpose. We ask the committee to include provision for this in the bill.

Thank you for the opportunity to provide comment. If you require any further information on the points raised, please do not hesitate to contact me.

Yours sincerely



Sue Chetwin
Chief Executive