

2 September 2016

Ministry of Business, Innovation and Employment  
PO Box 1473  
WELLINGTON 6140

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## **Telecommunications Act Review: Options Paper**

### **1. Introduction**

Thank you for the opportunity to make a submission on the *Telecommunications Act Review: Options Paper*. 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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### **2. General comments**

In the time available for making submissions, we have not been able to undertake a detailed analysis of the options paper. We have focused our submission primarily on issues raised in section 10 of the Options Paper, commenting on areas where we consider consumer protection needs to be improved.

Should the ministry decide to extend the submission deadline, we may be able to provide additional comment on other sections of the paper.

### **3. Consumer information**

From a consumer perspective, a well-functioning telecommunications market should ensure:

- retail services and prices can be easily compared to enable informed choice
- contracts for services are fair and specify minimum service levels
- consumers have access to effective dispute resolution
- high standards for protection of personal data are maintained
- processes for determining regulated prices are independent, transparent and result in fair outcomes for consumers
- consumer interests are effectively represented in regulatory processes.

We've outlined below key gaps in the current framework that are affecting the delivery of these outcomes for consumers.

### 3.1 *Informed choice*

Product disclosure remains a significant issue in the telecommunications industry. The ability of consumers to make informed choices and assess value for money is hampered by the difficulty of comparing offerings from different providers. Where products are bundled, comparisons are even more complex.

Confident and well-informed consumers play an important role in the competitive process.<sup>1</sup> However, where search and switching costs are pronounced, competition will be inevitably undermined.<sup>2</sup>

The results of our latest survey of customer satisfaction with telco providers indicate consumers continue to find comparisons in this market difficult. Fifty-three percent of internet customers felt it was difficult to compare providers and services. Just 14 percent agreed comparisons were very easy.

More than a third (37 percent) also considered it difficult to switch. Only 11 percent had switched providers in the past year while 12 percent considered they were very likely to change in the next 12 months. The majority (60 percent) had been with the same company for five years or more.

In the mobile market, 50 percent of respondents felt it was difficult to compare providers and 23 percent thought it was difficult to switch. Only 15 percent agreed product comparisons were very easy. Just eight percent thought it was very likely they'd switch in the next 12 months.

We believe consumers' ability to navigate the market would be enhanced if they were able to more easily compare the products on offer. We've previously recommended funding from an industry levy be used to provide support for a comparison site. This remains our preferred option.

While there are comparison sites operating, we consider the existing options do not provide comprehensive information for consumers.

### 3.2 *Dispute resolution*

As discussed in previous submissions, we consider the existing voluntary complaints scheme (the Telecommunications Dispute Resolution scheme) is not serving consumers well. The number of complaints to the Commerce Commission is one indicator of the ongoing issues in this industry that are causing consumer detriment.

We would like to see a mandatory disputes scheme with a broader scope to hear complaints, including complaints about Chorus and local fibre companies.

Our customer satisfaction survey found a significant proportion of those switching to fibre had experienced problems. The main issue was timeframes for installation not being met, identified by 27 percent of those who has switched. Typical comments included:

- *"we have been given five connection dates but not once has anyone turned up on those dates to actually do the install nor have we been contacted about why"*

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<sup>1</sup>The New Zealand Productivity Commission. *Boosting Productivity in the Services Sector: chapter Six Addressing search and switching costs*, June 2014, retrieved on 4 November 2015 from <http://www.productivity.govt.nz/sites/default/files/services-inquiry-final-report.pdf>

<sup>2</sup> *Ibid.*, p97

- *"have been trying to get UFB for 10 months, keep going in circles getting nowhere. All the contractors and subcontractors blame each other".*

Smaller numbers reported other problems with the switch to UFB. Six percent complained of damage caused during installation and five percent said there had been unexpected costs, an issue that may arise where installation involves shared access ways.

Complaints to our advisory service also show consumers switching to fibre may not always be aware some services aren't compatible with fibre. One example is monitored home alarms. Problems can occur when providers fail to inform customers, in advance of the switch, about services that may or may not be supported by fibre.

The lack of appropriate processes to resolve these issues means fibre companies rarely face penalties for failing to perform their services with reasonable care and skill. An effective dispute resolution process is essential to ensure consumers have access to redress in these cases.

### *3.3 Consumer participation in telecommunications regulation*

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

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