

Submission on Improving RSQ - Product disclosure emerging views

7 December 2022

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Submission

1. This is Chorus' submission on the Commerce Commission's (**Commission**) emerging views paper, *Improving Retail Service Quality: Product Disclosure*, dated 12 October 2022 (**EV paper**).
2. Industry structure has been shaped by interventions designed to support the development of competition in retail markets. Retail competition can better thrive where consumers make informed choices and can easily compare products and services.
3. As outlined in the EV paper, consumers are not always given consistent or accurate product disclosure information to enable them to make meaningful comparisons and well-informed choices for themselves or their households. Product disclosure is a key element of the telecommunications framework and, if well implemented, can improve RSQ outcomes for consumers.
4. We encourage the Commission to consider whether a Commission led code development process would best provide for the industry wide consistency and transparency required to meet its objectives. A Commission RSQ code can be applicable to all retail service providers (**RSPs**), which would provide for this consistency.
5. An additional benefit of a Commission led code development process is that it is likely to provide more transparency for stakeholders. Transparency is important for driving trust and confidence in industry and Commission processes. Trust is also supported by the knowledge that the Commission has the ability to monitor and enforce compliance with the code if necessary.
6. We do not support the Commission's expectation that RSPs will implement disclosure principles ahead of a formal Commission decision and/or code. This could risk misalignment between RSP actions and RSQ outcomes. A better approach would be to require RSPs to implement changes once a code has been developed. Given that RSPs will likely be highly engaged in the code development process, shorter implementation timeframes may be appropriate.
7. Below, we outline our views on the Commission's proposals and recommend additional principles. We would be happy to discuss our recommendations with the Commission.

Comparing prices

8. We agree that better transparency and consistency of prices would enable consumers to better compare plans across services and providers. We recommend the following additional principles be included in the price comparison guideline:
 - a. **Upfront disclosure of whether a plan is capped or uncapped.** *Plans with restricted data use must be explicitly clear upfront, including information on the price impacts of the data restriction. For the avoidance of doubt, this includes plans that are subject to "fair use" policies. If the cap is reached and extra costs are then automatically, or by choice, incurred it should also be explicitly communicated at the point of sale and when price comparisons are made.*

- b. It is vital for consumers to know whether prices are tied to data use. Data caps are not necessarily a bad thing but if consumers are not informed and do not properly understand the limitations of the price and plan, they may not get the deal they expected and would face extra costs if they decide to change their plan. Information about caps or “fair use” policies are not easy to find, and such limitations may not be disclosed upfront, e.g., in retail plan cards.
- c. **Fair and accurate representation of price changes.** *When providers disclose information about price changes, including a non-retail price or cost component, providers must do so accurately and not mislead consumers.*
- d. Price changes can be complex for consumers to understand, and providers should ensure any explanations are simple, clear and accurate. Inaccurate or false representations can mislead and drive artificial churn, where consumers could face additional fees.
- e. Recent examples of misleading communications include a retailer suggesting monthly fibre broadband price increases of “over \$6 a month” because of fibre network price increases.¹ This was misleading because Chorus’ fibre price increase was \$3 for the Fibre 300/100 plan, only half of the retail price increase.
- f. **Upfront disclosure of variability.** *Providers must disclose any variability of service performance and / or service availability.*
- g. Some technologies vary in performance due to factors such as the underlying technology, location and distance and number of users (i.e., market share); and services will vary in location depending on provider and the network. Consumers should have this information available when choosing the plan at the price that best suits their needs.

Comparing total prices

- 9. We agree that comprehensive disclosure of costs at the point of sale will help consumers to understand their total minimum cost commitment. We support the proposed guidelines and recommend additional principles to complement the disclosure of ‘costs’:
 - a. **Upfront information about how to get the claimed benefits of a plan, including whether it requires certain equipment to enable the experience / benefit claimed.** *Providers must, at the point of sale, explain whether certain equipment is required to support a broadband plan and / or its claimed benefits, such as minimum router specifications.*
 - b. Consumers have a range of broadband plans to choose from, however there is little benefit in choosing a plan if you don’t have the right equipment or set up to support its capable speed and performance. Ensuring consumers receive information about why equipment cost is included in a plan, or an optional ‘extra cost’, will support their understanding.
 - c. **Upfront disclosure of any costs and processes related to the termination of a plan or service.** *Providers must disclose whether any fees and processes apply, including key information (e.g., associated with returning equipment and*

¹ Email from an RSP to customers, “Important changes to your broadband plan”, dated 17 August 2022.

notice periods etc), so that consumers can understand the fixed vs optional fees related to the termination process.

- d. It can be difficult to understand the timeframes, steps and fees involved when terminating a plan or service. We think consumers would benefit from greater certainty regarding any fixed and variable fees so they know what they can proactively do to avoid any extra / optional costs and any process related barriers to switching plans or providers.

Comparing plan inclusions

10. We support the Commission's proposals to explore opportunities to improve the current TCF Broadband Product Disclosure Code. The "offer summaries" can be difficult to find, and their consistency and accessibility could be improved. While standardisation is important, our primary concern is that providers are providing consumers with consistent salient, accurate, and easily understandable information to enable them to make better informed decisions – before they commit to a contract.
11. We also encourage the industry to ensure that offer summary information supports other disclosure requirements, such as those under the TCF Broadband Marketing Code where speeds and consumer experience are described upfront and based on reported industry averages.

Comparing bundle pricing

12. We agree that savings and discounts from bundles can be difficult to understand. While we support the Commission's proposal to improve the transparency of bundled discounts, we recommend that the guidelines go further and require simple explanations:
 - a. ***Disclosing price elements of bundles must include whether a price component is fixed or variable.*** *To properly compare bundled vs unbundled prices, consumers need to understand whether a price or tariff is variable or fixed and what costs may be controllable or not (i.e., extra data use prices for mobile and fixed-wireless).*
 - b. For example, Figure 3 on page 20 of the EV paper provides a helpful example of bundled and unbundled price per month for electricity and broadband. However, for consumers to properly understand what this means for them it should be clear whether the broadband price is subject to a usage cap vs unlimited, and that the variable component of the electricity tariff varies based on daily use.
 - c. Although the EV paper talks about all bundling, it doesn't include an example of mobile and fixed-line broadband bundles. When it comes to mobile + fixed-wireless broadband vs mobile + fibre broadband, the price components may differ, and this could be due to whether a plan has data caps or not. Tables alone can be complicated - simple explanations would complement the information and help consumers better understand.
 - d. We encourage the Commission to consider how pricing in relation to "free" appliances can be meaningfully communicated to consumers.

Comparing customer numbers

13. We agree that there should be consistency on how “customers numbers” are defined and reported. We note reported customer numbers are not necessarily indicative of a provider’s service quality – therefore, it’s unclear how this information helps consumers choose a provider.
14. “Customer numbers” may be better suited to Commission monitoring through its annual industry questionnaire.

Comparing mobile coverage

15. We support the Commission’s proposal to improve consumers’ ability to understand the service quality and availability of mobile coverage. We agree this is an area consumers should have better transparency; particularly as other access technologies have maps to show availability. This is a step in the right direction for mobile services and consumers – given the choice of providers and networks.