

Improving Retail Service Quality

Commerce Commission

2degrees submission, 15 October 2021





1 Introduction

Thank you for the opportunity to comment on the Commerce Commission *Improving Retail Service Quality Draft Baseline Report* (**the Draft Report**).

2degrees is a strong supporter of improving retail service quality (**RSQ**). We strive to provide our customers with great services and great customer care. It's an area we're constantly looking to improve and compete on, and it's a reason Kiwis choose 2degrees over our competitors.

Reflecting our commitment to RSQ, and our purpose of 'Fighting for Fair to Make New Zealand a Better Place to Live', 2degrees have been ranked by Colmar Brunton as not just NZ's fairest telco, but as one of the 'fairest' companies in New Zealand¹. We're also pleased to have received numerous awards for customer service, including most recently Consumer NZ's People's Choice award for both our mobile services and broadband services.²

As part of the Commission's RSQ work programme to date, we appreciate the Commission has been collecting a substantial amount of consumer feedback, including from the Research NZ consumer survey conducted. It's important to get consumer feedback and we support this. While we understand the Commission's focus to date has been on consumers, there has not yet been similar engagement with industry, who is in a position to provide significant insight into these areas. It will be important to recognise the need to further engage with industry as the Commission explores next steps and focus areas if RSQ issues are to be understood and effectively addressed.

Industry engagement will include understanding the extent and scope of concerns, whether the concerns are cross-industry or specific operator issues, what industry or individual operators already do and/or have planned in these areas, the merits of some of the concerns raised (including whether these are consumer awareness or deeper issues), and whether and how best to address issues, including realistic and reasonable timeframes proportionate to the issues identified.

We understand and appreciate that this is the Commission's intent, and recognise that this Draft Report does not cover solutions for RSQ matters, including whether or not they should be addressed in RSQ Codes or the order they should be addressed. We understand that the Commission will consider potential solutions in the next phase of the Commission's work programme, following the Final Report expected in November, and we look forward to engaging further in that process.

The remainder of this response sets out some high-level comments in relation to the Commission's specific questions. This submission should be considered complementary to the TCF submission that 2degrees support.

1 Do you agree the proposed key RSQ matters need improving? Please tell us why, or why not

While also identifying some very positive feedback on the industry (for example, 78% of customers were satisfied with their telecommunications provider and 90% of customers had

¹ [Corporate Reputation Index 2021 \(colmarbrunton.co.nz\)](https://www.colmarbrunton.co.nz/research/corporate-reputation-index) – page 13

² [Mobile and internet satisfaction survey 2021 - Consumer NZ](https://www.consumer.org.nz/mobile-and-internet-satisfaction-survey-2021)



no issue with their mobile bill), the Commission has identified potential areas for improvement following its consumer engagement process across broad areas.

As set out in the TCF submission, given the broad nature of some of the issues identified, the Commission will need to provide further, more specific information obtained from its consumer engagement to industry so that it can better understand the concerns and, if relevant, to support the development of effective solutions.

2degrees supports improving RSQ matters where evidence, including industry evidence, suggests an issue (and 2degrees makes changes of our own accord to improve its customer experience). This includes over many of the high-level themes identified by the Commission, for example within 'Product Disclosure', 'the Switching Process' and 'Billing'. However, as set out to the Commission previously, we're keen to ensure the Commission's process and any potential subsequent actions:

- Are supported by evidence regarding the scope and size of any issue: any regulatory interventions should be proportionate to the size of a problem identified, considering problem definition and cost versus benefits. Ensuring steps are practically implementable and within reasonable timeframes is critical for us to ensure great consumer experience. This requires that the Commission effectively engage with industry to understand the true impact of any actions it proposes, and that practicable potential solutions are being considered.
- Respect and don't distort competition in the relevant market(s). For example, a particular issue with one provider, but not another, does not necessarily mean regulatory intervention is the answer. Some actions could unintentionally harm competition, including by diverting competitive resources.
- Recognise that any Commission interventions are not costless, and can result in delays and reduced resources to other planned initiatives, including those focussed on improving consumer experience.

In addition, we note that the Commission has several parallel pieces of work that fall under RSQ matters. For example, this includes the *Marketing of alternative services to consumers during copper/PSTN withdrawal* work the Commission has indicated it will publish industry 'guidelines' on shortly. It is important that the Commission ensure that all these pieces of work are aligned as work progresses towards a final version of this Report and associated next steps. This will ensure clear implementation plans and allow our internal teams to appropriately prioritise resources.

It will also be important to understand the work currently being undertaken by the industry and competitive operators prior to developing solutions. Much of this work is addressing issues identified in the Draft Report as requiring improvement. For example, as part of mobile transparency work 2degrees, along with industry, and the TCF are working with comparison providers to ensure that for mobile products it is easier for consumers to compare plans. 2degrees (and we expect other MNOs) are also investing substantial resource into increasing mobile usage and spend information availability to its consumers.

2 Do you agree that debt and affordability practices fall within the scope of RSQ? Please tell us why, or why not.

Given RSPs are bound to obligations and policies that sit outside of the remit of the Telecommunications Act, and our view that consumer representative understanding of the level of debt and affordability checks undertaken by operators is likely to be limited in the



context of consumer engagement to date, 2degrees support the TCF view that these matters should not fall within the RSQ work programme.

In its Draft Report, the Commission identified that ‘RSPs do not appear to have adequate consumer support or debt management policies’. However, we had not been asked about our policies in this area.

2degrees have checks and balances in place to ensure that our customers in both mobile and broadband are receiving an appropriate product (for example including credit checks). To prevent 2degrees customers from incurring excessive bills, we have put in place measures such as spend controls limits. We also allow customers to change plans monthly to suit their situation, even if connected to mobile repayment options.³

We also have a financial hardship policy for when times do get tough financially for our consumers. Under this policy and we work with customers to find the best solution for their needs. Possible solutions considered (non-exclusive) include changing plans, transferring customers from pay monthly to prepay, payment arrangements and account holidays. While our 2degrees financial hardship process includes measures to address COVID-19 financial hardship, during the Covid-19 Level 4 lockdowns, 2degrees also implemented additional measures to support customers with work and education connectivity. This included measures such as removing of data caps at no cost to consumers to ensure that New Zealand could remain connected to one another, and waiver of late payment fees.⁴

3 Do you agree that we should only maintain a watching brief over the matters in paragraph 53? Please tell us why, or why not.

2degrees support that the matters raised in paragraph 53 should not be included as RSQ matters that need improving at this time. We agree with the Commission that there is insufficient evidence to indicate that these warrant interventions.

4 Of the proposed key RSQ matters, which ones do you think we should address first? Please tell us why.

As a challenger brand 2degrees have worked hard to reduce switching barriers. We were disappointed to see the Commission results that “Consumers experience issues with the switching process such as double-billing errors, long delays and unreliability” and “Consumers expect switching to be difficult”.

While we understand the definition of ‘switching’ used in the Draft Report may differ from the typical industry definition of ‘switching’ (as set out in the TCF submission), we consider that this is an area the Commission should address. We suggest some of the Commission’s response may be increasing consumer awareness of the ease of the switching process.

It’s important to recognise neither 2degrees nor the industry are ‘sitting still’ on addressing RSQ issues. The following areas have been identified as priority RSQ areas and we are working towards making improvements in these areas:

³ Note that minimum repayments are still required.

⁴ <https://www.2degrees.nz/media-releases/2degrees-reinstates-support-for-customers-during-covid-19-lockdown/>



- *Fibre switching issues:* Fibre installations continue to be an issue for consumers. To address this, the Customer Transfer Code is being reviewed. This review will consult with key stakeholders and consumer groups on the changes to the Code with the aim to address complaints related to fibre issues.
- *Marketing of alternative services to consumers during copper/PSTN withdrawal:* As previously acknowledged, this work seeks to address some of the issues identified in the Draft Report, including regarding customer service and product disclosure to copper customers. We are expecting further clarity from the Commission at the extent of changes shortly. We understand this is a priority given the current transition away from copper technology.
- *Review of the Broadband Product Disclosure Code:* This review includes expanding the scope of the Code to be technology neutral and fit for purpose for all broadband technologies including Fixed Wireless Access services. The Code's purpose is to reduce complexity for consumers when choosing a broadband plan, including by ensuring Broadband Service Providers describe their plans to consumers (including such factors as access speed, traffic shaping, price) in a consistent, comparable way.
- *Increased mobile usage and spend information:* Significant work is currently underway by mobile operators to improve mobile usage and spend information presented to customers, as well as introduce new annual summaries for consumers from the end of 2021. These changes will further improve mobile billing transparency.
- *Development of a Mobile Comparison framework:* 2degrees and other mobile operators are developing a framework for sharing mobile plan information with comparison tool providers which will help consumers compare plans more easily.
- *TDRS Amendments:* Industry has already started working through potential changes to improve RSQ as part of the current TDRS review, and are planning for significant future work in this area in the short term.

As the Commission considers RSQ matters, we encourage it to ensure RSQ standards like 'product disclosure' and 'marketing' are directed at all layers of telecommunications providers. Although RSPs are primarily those with a direct relationship with consumers, to support effective and fair consumer outcomes the wholesale providers need to be held to the same standard when engaging in these activities.

5 Do you think an industry or Commission RSQ code would improve the proposed RSQ matters?

As noted above, the TCF is already looking at updating several codes related to RSQ, including the Broadband Product Disclosure Code Review, the Customer Transfer Code and the TDRS/Customer Complaints Code. In addition, we are expecting to develop a code regarding marketing of services to copper consumers in the short term. Whilst these substantial RSQ-related reviews are underway, we are unclear that additional codes should be progressed. 2degrees considers more information, including on the size, extent and reasons for issues would be required before identifying whether such additional codes are needed to improve RSQ for consumers.