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**Public** version

## **Fibre regulation emerging views**

### **Consumer focus group session**

#### **Summary of views expressed**

**Date of publication:** 18 July 2019

**Session held:** 1 July 2019

## Purpose

1. This paper provides a summary of views as they were expressed by participants of the consumer focus group session in relation to the Fibre Regulation Emerging Views paper.<sup>1</sup>
2. This summary of views is a submission on our Fibre Regulation Emerging Views paper. Parties are invited to cross-submit on points raised in this document. Please send cross-submissions to TelcoFibre@comcom.govt.nz by 5pm on 30 July 2019.

## Consumer focus group session purpose

3. The purpose of the session was to seek views of consumer representative groups on our Fibre Regulation Emerging Views paper. In doing so, we aim to have increased representation of the consumer voice through our process to create input methodologies for fibre.

## Session format and process

4. The consumer focus group session was held on Monday 1 July at 2pm. The session was held at our offices in Wellington, with participants also videoconferencing from our Auckland office. The session was attended by representatives from Consumer NZ InternetNZ and TUANZ.<sup>2</sup> We used a round table format to allow an open discussion and exchange of information between participants.
5. The first part of the session focused on understanding more about the attendees' organisations and how we can engage with them and other consumer groups throughout our processes to implement fibre regulation. The second part of the session was a discussion on our Fibre Regulation Emerging Views paper, with a focus on the capital expenditure and quality dimensions input methodologies.
6. Commission staff took notes throughout the session, prepared this summary of views and obtained approval by attendees to publish it as a submission. Participants agreed the session was a good way to seek their input and welcomed the opportunity for similar sessions in future.
7. Any views expressed by our staff at the session were for the purpose of stimulating discussion and were not intended to reflect the views of the Commission. The Commission's position will be provided in our draft decisions in November.

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<sup>1</sup> Commerce Commission "Fibre Regulation Emerging Views: Summary Paper" and "Fibre Regulation Emerging Views: Technical Paper" (21 May 2019), available at <https://comcom.govt.nz/regulated-industries/input-methodologies/projects/fibre-input-methodologies#projecttab>

<sup>2</sup> A list of the attendees can be found in Attachment A

### Summary of views expressed

8. This section is a summary of the views expressed at the session. The summary of views has been grouped into the two main areas of discussion: quality dimensions and capital expenditure.

#### *Quality dimensions input methodology*

9. The discussion on the quality dimensions input methodology (quality IM) focussed on two themes:
- 9.1. approach to setting the quality IM and use of quality measures; and
  - 9.2. which quality dimensions should be included in the IM, including which dimensions are most important to end-users.

#### Approach to setting the quality IM

10. TUANZ expressed the view that the need to balance flexibility and certainty in the dynamic environment is a difficult issue for the Commission in setting the quality IM. On one hand, it would be useful for the IM to cover a wide range of quality dimensions in order to measure all relevant aspects of fibre quality. On the other hand, having too many quality measures may cause fibre providers to become overly focussed on satisfying these reporting requirements.
11. InternetNZ agreed with the points TUANZ made about quality measures, adding that any quality measures fibre providers were not required to report against may be exploited. It suggested that to alleviate this risk, it might be useful if the Commission could add to the quality dimensions in the IM.
12. TUANZ agreed with Internet NZ about the need for flexibility in choosing the quality dimensions, especially given the rapid pace of technological change and the relatively slow pace of regulatory change. It suggested that it would be useful if the Commission could add or remove quality measures (with suitable notice).
13. TUANZ suggested the Commission could identify a few quality measures and dimensions, guided by principles, in order to drive the right behaviours. One example of such a principle could be “good performance”, without the IM going into great detail about what makes up good performance.
14. TUANZ also suggested that the Commission should set quality measures in a way that shows trends over time. It made the point that if reporting requirements were punitive, fibre providers would comply, but such an approach would not necessarily show whether or not service quality is improving.

15. TUANZ made the point that because the telecommunications environment is always changing, the Commission should think about how end-users' preferences may change in the future. More flexibility in our approach to setting the quality IM would allow us to focus on what quality issues are impacting the customer experience. For example, while ordering may be an important dimension today, another aspect may be more important in future (and the wholesale fibre provider may not be able to control that aspect).

#### Quality dimensions to include in the IM

16. TUANZ made the point that end-users want the fibre service they ordered to be installed on the date they agreed. End-users also want minimal faults, but for any faults to be rectified in timely fashion. It suggested fault repair times are particularly important to business end-users.
17. TUANZ also suggested that faults and availability are more relevant in the context of measuring copper service performance, and that fewer issues would be expected in a fibre context given the fibre network is made up of new infrastructure. It expressed the view that the fibre network is very capable, and that its full capacity is not yet being realised. It made the point that in future, end-users are likely to demand more data and lower latency, and that this could drive fibre providers' need to invest.
18. Consumer NZ expressed the view that "customer service" should be encompassed in other suggested quality dimensions (ordering, provisioning, switching, faults, availability, performance) rather than be treated in isolation. Clarity was also needed about who was identified as the "customer". It noted end-users tend to deal with their retail service provider (RSP), and the customer service they receive from wholesale fibre providers is largely limited to the installation process. It made the point that RSPs needed an incentive to ensure wholesale fibre providers complete the installation correctly.
19. Consumer NZ also made the point that it is important to end-users that they do not have to chase both the retailer and wholesaler if a quality issue occurs.
20. TUANZ made the point that end-users care about aspects of their fibre service performance such as congestion, bandwidth and latency, but that these are not necessarily entirely within the control of the wholesale fibre provider.
21. InternetNZ expressed the view that when end-users experience fibre installation problems, this leaves a lasting negative impression, and that ideal fibre installation would cause minimal disruption to the end-user's life. The issue here, is that a good end-consumer experience of a wholesaler is one where the consumer does not even notice the wholesaler in the process. This makes it difficult to derive customer satisfaction, as consumers will only be aware of problems.

22. Consumer NZ made the point that its survey research found end-users also report problems with fibre installation, as well as performance issues, such as speed.
23. Consumer NZ also expressed the view that “consultation with access seekers and end-users” would need more specificity if it was going to be meaningful as a quality dimension. It noted that just because fibre providers are consulting with their stakeholders, it does not necessarily demonstrate responsiveness to access-seekers and end-users. It suggested that a better option may be for the Commission to do our own research on how fibre providers could be innovating.
24. TUANZ mentioned that if the fibre regime sets the correct incentives, fibre providers will be encouraged to innovate and improve quality anyway.

#### *Capital expenditure input methodology*

25. The discussion on the capital expenditure input methodology (capex IM) focussed on two themes.
  - 25.1. The differences between the telecommunications sector and other sectors where we assess capex proposals.
  - 25.2. How we can build the “consumer voice” into our capex approval process.
26. A summary of the views provided are set out below.

#### Differences between telecommunications sector and other sectors

27. TUANZ expressed the view that there is a greater level of uncertainty in future expenditure in the telecommunications market compared to other markets we regulate. It proposed that Chorus has a bigger challenge in developing reliable forecasts compared to Transpower as the owner and operator of electricity transmission lines in New Zealand.
28. TUANZ proposed that our rules around timing would need to be more flexible than the rules we have for Transpower, in order to allow Chorus the opportunity to more accurately forecast their capex. Specifically, it suggested that our rules should be able to accommodate where there are changes in the market through innovation or unexpected demand changes. TUANZ suggested one example of unpredicted change in the market was the need to prepare the network to accommodate streaming the 2019 Rugby World Cup. The group also discussed the potential challenge that the more flexible and shorter the timeframes for expenditure processes, the harder it may be to engage consumers as part of the process.
29. Consumer NZ and InternetNZ shared the view that there was an opportunity to consider how effective the consumer engagement requirements have been for

Transpower's regime; and to test the benefit of including similar requirements in fibre.

30. InternetNZ suggested that we should ensure that we consider the relevance of network resilience as part of our regime, noting that there may be links with how we think about network performance as a dimension of quality.

#### How we can build the "consumer voice" into our capex approval process

31. InternetNZ suggested that there could be benefit in having capex proposals published and as transparent as possible. This is because if they were made available to the public, then there could be parties that could review the proposal and feed into the process on behalf of consumers.
32. Consumer NZ suggested that the more that the material impacts of proposals can be explained, the more tangible it would be for consumers and consumer bodies; and therefore easier for them to input. For example, there could be benefits for Chorus to set out in a proposal that the impact would be \$X additional on a consumer bill every year, in return for a defined benefit.
33. TUANZ mentioned that they are keen to work with the Commission on how we can make information available in a way that is simple and easy to share with their members – which could help with getting engagement in our processes in the future.

**Attachment A: Consumer focus group session attendees**

<b>Representing</b>	<b>Name</b>
Consumer NZ	Jessica Wilson
InternetNZ	Nicola Brown
TUANZ	Craig Young
TUANZ	Tristan Illich
Commerce Commission	Hazel Burns
Commerce Commission	Simon Copland
Commerce Commission	Philippa Wright
Commerce Commission	Ben Oakley
Commerce Commission	Thomas Jones
Commerce Commission	Anna Paterson