

Via email: market.regulation@comcom.govt.nz

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Improving Retail Service Quality (RSQ): Product Disclosure

Mercury welcomes the opportunity to provide feedback to the Commerce Commission (**Commission**) on its emerging views paper, *Improving Retail Service Quality: Product Disclosure*, 12 October 2022 (**Emerging Views Paper**).

The Emerging Views Paper seeks stakeholders' feedback on proposals across six aspects of product disclosure that the Commission considers could be improved to enable consumers to more easily compare plans and retail service providers (**RSPs**).

Mercury agrees with the Commission that:

A competitive market is one in which consumers are able to make informed choices. Improving the ability of consumers to make appropriate comparisons between plans and providers is therefore critical to improving competition and RSQ.¹

Through its marketing, sales and customer care processes, Mercury aims to provide its customers with product pricing and service quality information in a transparent and understandable form so that they can make informed purchase and ongoing usage decisions. Enabling consumers to make informed decisions results in customers that acquire services they value and keep over the longer term.

Mercury, however, has two general concerns regarding the Commission's proposals. Firstly, if the proposals are not appropriately designed and implemented then they may make consumers' decisions more difficult, not easier, particularly if consumers struggle to understand the relevance of the additional information for their own individual circumstances. The other concern is that the proposals may result in RSPs offering services with standardised prices and service quality that may lessen service innovation.

Mercury's response to the Consultation Paper addresses these concerns in order to better enable consumers to make informed decisions and promote competition. In summary, Mercury proposes in response:

- *Comparing Prices, Comparing Total Costs, and Comparing Bundle Pricing* aspects of product disclosure should not be developed in isolation of each other, as Consultation Paper implies. They are derived from the same product pricing information and consumers will need to understand how they relate to each other. A common framework should be specified that brings together the scope of services covered, calculation methodologies, and communication plan across these aspects.
- *Comparing Plan Inclusions* aspect of product disclosure should focus on mobile product disclosure and give the recently updated TCF Broadband Product Disclosure Code time to become established.

¹ Consultation paper, paragraph 13.

- *Comparing Customer Numbers* is best addressed by the Commission's market monitoring framework. Including it as an aspect of product disclosure raises the risk that it may slow market entry for new entrants or slow the introduction of innovative new services.
- *Mobile Coverage* aspect should recognize the value of this information, along with fibre network coverage, is not limited to enabling consumers to make better decisions. If appropriately designed and implemented, access to network coverage information can also greatly enhance RSPs' and Government's decisions. The starting point for the development of standardized fibre and mobile coverage maps should be a database that brings together network coverage information in a standardised format.

Mercury expands on these points in its responses to the Commission's consultation questions, which set out in the attached annex.

Mercury looks forward to engaging with the Commission on the RSQ product disclosure.

Yours sincerely



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Annex: Mercury response to the Commerce Commission's proposals and consultation questions

Comparing Prices Proposal: Provide reference price alongside advertised price (where different) to show true monthly cost Delivery: RSPs Implementation: <ul style="list-style-type: none"> • Commission guidelines • Voluntary implementation by RSPs ahead of industry code 	
Commission question	Mercury response
1. What are your views on the option set out above for addressing this issue?	<p>Mercury notes that the Commission seems to envision that reference prices would be added to any marketing material that includes pricing information. This could impact significantly the marketing of products and services, and its implementation could consume significant resource within the business.</p> <p>Mercury also notes that the <i>Comparing Prices</i>, <i>Comparing Total Costs</i>, and <i>Comparing Bundle Pricing</i> aspects of product disclosure are derived from the same product pricing information and relate to each other.</p> <p>Mercury proposes, therefore, in order to manage the risk of unintended adverse consequences, that the Commission with the industry should as a first step fully develop the reference price concept. This should address as a minimum how the reference price would be calculated, communicated to customers, and relate to the <i>Comparing Total Costs</i> and <i>Comparing Bundle Price</i> aspects of product disclosure.</p>
2. What are your views on the proposed 24-month period for calculating the average monthly cost? For example, would a shorter timeframe of 12 months or a longer timeframe of 36 months be more meaningful to consumers?	<p>Mercury considers that there is insufficient information at this point to determine an appropriate timeframe, or timeframes, for calculating the reference price.</p> <p>This an important question that should be addressed in the process of specifying the reference price, as proposed above.</p>
3. Do you support the implementation approach set out above?	<p>RSPs voluntarily implementing a reference price ahead of an industry code raises the risk that they take different, inconsistent, approaches to calculating and communicating a reference price to consumers. Such an outcome may create rather than address issues with consumers being able to compare offers. It also raises the risk that RSPs may need to rework and amend marketing material after the industry code is finalised.</p> <p>Mercury proposes the following process, leading up to the implementation of reference prices:</p> <ol style="list-style-type: none"> Commission prepares a reference price guidelines, which sets out general principles; RSPs through the TCF prepare a reference price specification in coordination with the <i>Comparing Total Costs</i> and <i>Comparing Bundle Price</i> aspects, which includes the scope of services covered, calculation methodologies, and communications plan; RSPs through the TCF prepare a reference price industry code based on the specification; and RSPs implement the code.
4. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?	<p>Prioritisation of this aspect of product disclosure should be addressed when project plans for this and the other aspects are being prepared, in order to identify whether and when there might be conflicts for resources, and if so how these might be addressed.</p>

Comparing Total Cost



Proposal: Provide total cost summary before contract is signed Delivery: RSPs Implementation: <ul style="list-style-type: none"> • Commission guidelines • Voluntary implementation by RSPs ahead of industry code 	
Commission question	Mercury response
5. What are your views on the option set out above for addressing this issue?	<p>Mercury offers, during staffed interactions with customers, pricing information that allows customers to make comparisons across services and with their current spend. Whether customers take up this offer of information depends on their individual circumstances.</p> <p>As noted above <i>Comparing Prices</i>, <i>Comparing Total Costs</i>, and <i>Comparing Bundle Pricing</i> aspects of product disclosure are derived from the same product pricing information, and relate to each other.</p> <p>Mercury proposes, therefore, in order to manage the risk of unintended adverse consequences, that the Commission with the industry should as a first step fully develop the total cost summary concept. This should address as a minimum how the total cost summary would be calculated, communicated to customers, and relate to the <i>Comparing Prices</i> and <i>Comparing Bundle Price</i> aspects of product disclosure.</p>
6. Do you support the implementation approach set out above?	<p>RSPs voluntarily implementing a total cost summary ahead of an industry code raises the risk that they take different, inconsistent, approaches to calculating and communicating a total cost summary to consumers. Such an outcome may create rather than address issues with consumers being able to compare offers. It also raises the risk that RSPs may need to rework and amend marketing material after the industry code is finalised.</p> <p>Mercury proposes the following process, leading up to the implementation of reference prices:</p> <ol style="list-style-type: none"> a) Commission prepares a total cost summary guidelines, which sets out general principles; b) RSPs through the TCF prepare a total cost summary specification in coordination with the <i>Comparing Prices</i> and <i>Comparing Bundle Price</i> aspects, which includes the scope of services covered, calculation methodologies, and communications plan; c) RSPs through the TCF prepare a total cost summary industry code based on the specification; and d) RSPs implement the code.
7. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?	See Mercury's response to question 4.

Comparing Plan Inclusions Proposal: Provide standardised plan summaries for mobile and broadband services to consumers Delivery: TCF Implementation: <ul style="list-style-type: none"> • Build on existing 'TCF Broadband Product Disclosure Code' 	
Authority question	Mercury response
8. What are your views on the option set out above for addressing this issue?	<p>Mercury would support the development of mobile product disclosure code.</p> <p>This should be separate from the TCF Broadband Product Disclosure Code. Mercury does not consider there is any need at this point to amend the TCF Broadband Product Disclosure Code as it was only recently introduced. Furthermore, mobile and fixed line broadband services differ significantly and layering the two into one summary offer risks confusing consumers and making it</p>

	harder for consumers to compare service offerings.
9. 10. 11. What views do you have on the key fields of information that should be included in a broadband and mobile offer summary?	<p>Mercury proposes the Commission with RSPs should as a first step fully develop the mobile product inclusions concept.</p> <p>Development of the concept should describe as a minimum the set of the product information, including key fields that would be communicated to consumers, and how it should be communicated. The codification and implementation would then follow from a fully developed mobile product disclosure specification.</p>
12. What views do you have on the prescribed standard template format and length that should be included in a broadband and mobile product offer summary?	See response to question 9.
13. Do you support the implementation approach set out above?	<p>Mercury proposes the following process leading up to the implementation of a mobile product disclosure:</p> <ol style="list-style-type: none"> Commission prepare mobile product disclosure guidelines, which sets out the general principles; RSPs through the TCF prepare a mobile product disclosure specification which includes the scope of mobile services covered, key fields, and communication plan; RSPs through the TCF prepare a mobile product disclosure industry code; and RSPs then implement the code
14. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?	See Mercury's response to question 4.

Comparing Bundle Pricing

Proposal: Provide bundled price of each service against best available unbundled price for same service

Delivery: RSPs

Implementation:

- Commission guidelines
- Voluntary implementation by RSPs ahead of industry code

Authority question	Mercury response
15. What are your views on the option set out above for addressing this issue?	<p>As noted above Mercury offers, during staffed interactions with customers, pricing information that allows customers to make comparisons across services and what they currently pay. Whether customers take up this offer of information can depend on their individual circumstances.</p> <p>Mercury notes that Commission envisages that the bundle pricing comparison would also include electricity. The price of electricity varies regionally in line with variations in input costs, which introduces complexity into a comparison regime.</p> <p>Furthermore, as noted above <i>Comparing Prices</i>, <i>Comparing Total Costs</i>, and <i>Comparing Bundle Pricing</i> aspects of product disclosure are derived from the same product pricing information and relate to each other.</p> <p>In line with comments above, Mercury proposes, therefore, in order to manage the risk of unintended adverse consequences, that the Commission with the industry should as a first step fully develop the bundle comparison pricing concept. This should address as a minimum how the bundle comparison prices would be calculated, communicated to customers, and relate to the <i>Comparing Prices</i> and <i>Comparing Total Cost</i> aspects.</p>

16. Do you support the implementation approach set out above?	Mercury proposes the following process, leading up to the implementation of reference prices: a) Commission prepares a bundle pricing comparison guidelines, which sets out general principles; b) RSPs through the TCF prepare a bundle pricing comparison specification in coordination with the <i>Comparing Prices</i> and <i>Comparing Total Costs</i> aspects, which includes the scope of services covered, calculation methodologies, and communications plan; c) RSPs through the TCF prepare a bundle pricing comparison industry code based on the specification; and d) RSPs implement the code.
17. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?	See Mercury's response to question 4.

Comparing Customer Numbers

Proposal: Adopt ITU definition of mobile and broadband subscribers

Delivery: RSPs

Implementation:

- Commission guidelines
- Voluntary implementation by RSPs ahead of industry code

Authority question	Mercury response
18. What are your views on the options set out above for addressing this issue?	Mercury supports the Commission collecting and publishing mobile and broadband customer numbers as part of its regulatory duty to monitor conduct of operators and market performance. If consumers wish to access these numbers, then they should be able to easily access the Commission market monitoring reports on the Commission's website. It should also be noted that RSPs publish their own customer numbers in their financial reports Mercury's concern with the Commission's proposal to compare customer numbers for the purpose of marketing and sale of services is that it could place new entrants and/or RSPs launching innovative new services at a competitive disadvantage. If customers interpret large customer numbers as an indicator of a high-quality service and low customer numbers as a poor-quality service, then new entrants and new services may be placed at a competitive disadvantage compared with the incumbent RSPs and legacy services. This may harm the process of innovation, competition and ultimately the economic welfare of consumers in the long term.
19. Are there other globally accepted measures for defining mobile or broadband customer numbers that would be more appropriate than the ITU definition?	No comment.
20. Do you support the implementation approach set out above?	No comment.
21. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?	No comment.

Comparing Mobile Coverage

<p>Proposal: Three-step process -</p> <ol style="list-style-type: none"> 1. Standardise existing coverage maps 2. Add standardised address check functionality 3. Integrate coverage maps <p>Delivery: MNOs</p> <p>Implementation:</p> <ul style="list-style-type: none"> • Commission guidelines • Voluntary implementation by MNOs under agree roadmap 	
Authority Question	Mercury response
22. What are your views on the options set out above for addressing this issue?	<p>Mercury supports the sector providing standardized information that clearly communicates mobile and fibre access network coverage.</p> <p>The potential value of this information is not limited to enabling consumers to make better decisions. If appropriately designed and implemented such standardized information can also inform RSPs' decisions.</p> <p>Mercury proposes that in order to produce standardised coverage maps, it would be useful to establish a database that brings together network coverage information in a standardised format. Such a database may have a number of applications including the preparation of maps as well as address check functionality envisaged by the Commission. It could also inform RSPs about service coverage and enhance their processes.</p>
23. How long do you consider we should allow for delivering each of the three stages of improvements contemplated in the option set out above?	The electricity industry's development of the Installation Control Point (ICP) identifier may provide of the general indication of timeframe for such a development.
24. Do you support the implementation approach set out above?	Mercury suggests for consideration that the development of a network coverage database may be an appropriate starting point for the implementation of the Commission's proposal.
25. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?	See Mercury's response to question 4.