

IMPROVING RETAIL SERVICE QUALITY

Draft Baseline Report

Date: 14 September 2021



Foreword

Tēnā koutou

Competition continues to deliver a range of benefits to telecommunications consumers in New Zealand.

However, competition by itself has not addressed all of the retail service quality issues that matter to consumers.

This can be seen in the persistently high level of consumer complaints in the sector over the past decade.

Part 7 of the Telecommunications Act 2001 was developed to address these issues and enables the Commission to take steps to improve retail service quality for consumers.

Over the past six months, we have consulted extensively to better understand retail service quality issues, building on the information we already have from earlier work with consumers and industry.

This has included partnering with Consumer New Zealand and Research New Zealand in one of the largest surveys in New Zealand on what issues matter to telecommunications consumers and why.

Our work has given us a deep and detailed view of retail service quality issues. These issues are far-reaching and span all stages of the telecommunications service lifecycle. There is significant opportunity for improvement.

This document summarises the results of our work to date and will serve as a baseline for our work going forward to systematically address these issues for consumers.

I would like to thank the many groups and individuals who took the time to share their experiences with us and encourage them to stay involved in the next stage of our process.

After this consultation, which will lock down the initial range of retail service quality issues that need to be addressed, we will focus on identifying and implementing solutions that will make a meaningful difference for consumers.

We look forward to continuing our engagement with stakeholders on these important matters.

Ngā mihi nui

Tristan Gilbertson
Telecommunications Commissioner

Contents

ASSOCIATED DOCUMENTS	5
GLOSSARY	6
CHAPTER 1 – INTRODUCTION	7
PURPOSE OF THIS PAPER.....	7
STRUCTURE OF THIS PAPER.....	7
PROCESS TO DATE	8
REVISED RSQ PROCESS	8
TABLE 2: UPDATED PROCESS STEPS	9
INFORMATION FOR INTERESTED PARTIES ON MAKING A SUBMISSION	10
NEXT STEPS.....	10
CHAPTER 2 – CONSULTATION AND RSQ MATTERS FOR IMPROVEMENT	11
TABLE 3: CONSULTATION QUESTIONS	11
TABLE 4: KEY RSQ MATTERS FOR IMPROVEMENT	12
CHAPTER 3 – CONTEXT	13
WHY WERE WE GIVEN POWERS TO IMPROVE RSQ?	13
<i>Our RSQ code powers</i>	<i>14</i>
<i>RSQ guidelines</i>	<i>14</i>
<i>Industry RSQ codes</i>	<i>14</i>
<i>Commission RSQ codes</i>	<i>15</i>
CHAPTER 4 – RSQ IDENTIFICATION PROCESS	16
INFORMATION GATHERING	16
RSQ SCOPE.....	18
KEY RSQ MATTERS FOR IMPROVEMENT	18
<i>Billing</i>	<i>18</i>
<i>Customer service.....</i>	<i>18</i>
<i>Product disclosure.....</i>	<i>19</i>
<i>The switching process</i>	<i>19</i>
<i>Contract issues.....</i>	<i>19</i>
<i>Debt practices and affordability</i>	<i>19</i>
RSQ CRITERIA.....	19
RSQ EVIDENCE	20
CHAPTER 5 - EVIDENCE FOR THE KEY RSQ MATTERS	21
BILLING	21
<i>Consumer Telecommunications Survey 2021</i>	<i>21</i>
<i>Consumer NZ Survey 2019</i>	<i>22</i>
<i>Consumer Group Workshops</i>	<i>22</i>
<i>Consumer Telecommunications Survey 2021</i>	<i>22</i>
<i>Consumer Group Workshops</i>	<i>22</i>
<i>Open letter Submissions</i>	<i>23</i>
<i>Consumer Telecommunications Survey 2021</i>	<i>23</i>
<i>Consumer NZ Survey 2019</i>	<i>23</i>
<i>Consumer Group Workshops</i>	<i>23</i>
CUSTOMER SERVICE	24
<i>Consumer Telecommunications Survey 2021</i>	<i>24</i>
<i>Other Supporting Evidence</i>	<i>24</i>
<i>Consumer Group Workshops</i>	<i>25</i>
<i>Open Letter Submissions.....</i>	<i>25</i>
<i>Consumer Group Workshops</i>	<i>26</i>
<i>Open Letter Submissions.....</i>	<i>26</i>
<i>Consumer Telecommunications Survey 2021</i>	<i>26</i>
<i>Consumer Group Workshops</i>	<i>26</i>

<i>Consumer Telecommunications Survey 2021</i>	27
<i>RSQ Facebook Survey</i>	28
<i>Consumer Group Workshops</i>	28
<i>Open Letter Submissions</i>	28
<i>Consumer Telecommunications Survey 2021</i>	29
PRODUCT DISCLOSURE	29
<i>Consumer Telecommunications Survey 2021</i>	30
<i>Consumer Telecommunications Survey 2021</i>	30
<i>Other Supporting Evidence</i>	30
<i>Open Letter Submissions</i>	31
<i>Consumer NZ Survey</i>	31
<i>Open Letter Submissions</i>	31
<i>Consumer Telecommunications Survey 2021</i>	32
<i>RSQ Facebook Survey</i>	32
<i>Open Letter Submissions</i>	32
<i>Consumer Group Workshops</i>	33
THE SWITCHING PROCESS	33
<i>Consumer Telecommunications Survey 2021</i>	34
<i>Consumer NZ Survey</i>	34
<i>Open Letter Submissions</i>	34
<i>Consumer NZ Survey</i>	35
<i>Open Letter Submissions</i>	36
<i>Consumer Group Workshops</i>	36
CONTRACT ISSUES	36
<i>Consumer Telecommunications Survey 2021</i>	36
<i>RSQ Facebook Survey</i>	37
<i>Consumer Group Workshops</i>	37
<i>Other Supporting Evidence</i>	37
<i>Open Letter Submissions</i>	37
<i>Consumer Telecommunications Survey 2021</i>	38
<i>Other Supporting Evidence</i>	38
<i>Open Letter Submissions</i>	39
DEBT PRACTICES AND AFFORDABILITY	39
<i>Consumer Group Workshops</i>	39
<i>Open Letter Submissions</i>	40
<i>Consumer Group Workshops</i>	41

Associated documents

Publication date	Reference	Title
14 September 2021	n/a	Consumer Telecommunications Survey 2021
14 September 2021	n/a	RSQ Facebook survey 2019
30 March 2021	ISBN 978-1-869458-82-9	Improving Retail Service Quality – Statement of Process
29 October 2021	n/a	Improving Retail Service Quality for Consumers – Open letter
30 November 2018	n/a	Telecommunications Retail Service Quality Framework

Glossary

Term	Definition
The Act	Telecommunications Act 2001
CAB	Citizens Advice Bureau
Commission	Commerce Commission
Consumer group workshops	The series of workshops we held in 2020/2021 with consumer advocacy groups
Consumer Telecommunications Survey 2021	The survey undertaken by Research NZ on our behalf for the purposes of this document
CPE	Customer-premises equipment
ETF	Early termination fee
FWA	Fixed wireless access
ISP	Internet service providers
MBIE	Ministry of Business, Innovation and Employment
Open letter	Improving retail service quality for consumers open letter
RSQ	Retail service quality
RSQ Facebook survey	The Facebook survey we undertook in 2019
RSQ Framework	The RSQ Framework we published in 2018
RSP	Retail service provider
Statement of Process	The Statement of Process we published 30 March 2021
TDRS	Telecommunications Dispute Resolution Scheme
UDL	Utilities Disputes Limited
Wi-Fi	Wireless technology used to connect computers, tablets, smartphones and other devices to the internet

Chapter 1 – Introduction

Purpose of this paper

1. In October 2020, the Commerce Commission (the **Commission**) published an open letter (the **open letter**) outlining our intention to ramp up our efforts to improve retail service quality (**RSQ**) for telecommunications consumers using our powers under Part 7 of the Telecommunications Act 2001 (the **Act**).¹
2. The purpose of this paper is to present our baseline evidence and seek feedback on the key RSQ matters that we consider need improving and could be addressed by our RSQ code powers under the Act.
3. Our draft views are informed by the RSQ information we have gathered, including through responses to the open letter, industry engagement, and a consumer survey.
4. This paper does not cover solutions for the key RSQ matters, how they could be addressed by RSQ codes, or the order in which RSQ matters should be addressed. This will be covered in the next phase of our work programme.

Structure of this paper

5. This paper has the following structure:
 - 5.1 **Chapter 1 – Introduction** including the purpose and structure of this paper, the process to date and next steps.
 - 5.2 **Chapter 2 – Consultation and RSQ matters for improvement** sets out the consultation questions and outlines the proposed key RSQ matters we consider need improving.
 - 5.3 **Chapter 3 – Context** explains the context for this paper, including the developments that have led to the Commission undertaking its RSQ work and an explanation of our RSQ code powers.
 - 5.4 **Chapter 4 – RSQ identification process** explains the process we have undertaken to determine the proposed key RSQ matters.
 - 5.5 **Chapter 5 – Evidence on RSQ matters** sets out the baseline evidence that has informed our proposed key RSQ matters.
 - 5.6 **Attachment A** – summarises the key RSQ matters for improvement, consultation questions and the next steps in the process.

¹ All references in this paper are to the Act unless stated otherwise.

Process to date

6. Table 1 summarises our process to date:

Table 1: Summary of process to date

Date	Key process step
18 November 2018	We published a “Telecommunications Retail Service Quality Framework” setting out a high-level process for our RSQ code work (RSQ Framework). ²
October 2020	We published the open letter. ³
November 2020	We had one to one sessions with consumer groups on issues raised in the open letter.
November 2020 – February 2021	We held workshops in Auckland, Wellington, Masterton and Christchurch with representatives from 17 consumer advocacy and community groups about issues consumers are experiencing (consumer group workshops).
February – July 2021	We commissioned social and market research organisation, Research New Zealand, to conduct a survey of New Zealand consumers’ RSQ experience (Consumer Telecommunications Survey 2021).
30 March 2021	We published a Statement of Process setting out the scope of, and timeframes for, our RSQ work programme (Statement of Process). ⁴
March – August 2021	We undertook data gathering and analysis activities to inform our proposed key RSQ matters, including submissions received on the open letter.

Revised RSQ process

7. We have made a small number of changes to our RSQ process, and updated the key process steps, as set out below.
8. In our Statement of Process, we indicated that we would seek submissions and cross-submissions on this paper. As we have received considerable feedback on our open letter and the Commission consumer survey, we now consider that with submissions on this paper, we will have sufficient information to finalise the key RSQ matters for the next phase of our work programme. Accordingly, we will not seek cross-submissions on this paper. There will be further opportunities to comment later in the RSQ process.
9. At the start of this process, our open letter sought feedback on consumer pain points, being any telecommunications matters with which consumers were unhappy. As we move into the next stage of our RSQ process and consider the potential application of our RSQ code powers, we will refer to RSQ matters, as defined in s 5.

² Commerce Commission “Telecommunications Retail Service Quality Framework” (30 November 2018).

³ Commerce Commission “Improving Retail Service Quality for Consumers: Open letter” (29 October 2018).

⁴ Commerce Commission “Improving Retail Service Quality: Statement of Process” (30 March 2018).

10. We had indicated in our Statement of Process that this paper would be our “draft prioritisation paper”. We have, however, renamed this paper to reflect the focus on improving rather than prioritising RSQ matters. While we would like views on the order in which RSQ issues should be addressed, we have not proposed any priority for RSQ matters at this stage.
11. We have revised the key process steps for improving RSQ going forward, which were set out in the Statement of Process (Key process steps for Improving Retail Service Quality in 2020/2021). Table 2 shows the updated steps and timings.

Table 2: Updated process steps

Key process steps	Description	Expected timing	How you can contribute and remain informed
Prioritising pain points July – October 2021			
Improving retail service quality – draft baseline report	Publish our Improving retail service quality – draft baseline report.	14 September 2021 (Now)	You will be invited to comment via our submission portal and feedback form.
Submissions on Improving retail service quality – draft baseline report	Period for parties to submit on our Improving retail service quality – draft baseline report.	15 October 2021	The Commission submission portal will be made available for submissions. Submissions will be published on our website.
Improving retail service quality – baseline report	Publish final Improving retail service quality baseline report on our website.	30 November 2021	

12. In late 2021 and early 2022, we will undertake activities to identify and test potential solutions to improve the key RSQ matters. We will provide an update on the opportunities to contribute to the identification of solutions and their design and implementation once we have considered feedback on this paper and finalised the key RSQ matters that need improving.

Information for interested parties on making a submission

13. We are seeking feedback on this paper by **5pm, Friday 15 October 2021**.
14. The questions that we want your feedback on are set out in the next chapter (Chapter 2: Consultation and RSQ matters for improvement).
15. Please make your submission via the Telecommunications Retail Service Quality project page at <https://Commission.govt.nz/regulated-industries/telecommunications/projects/retail-service-quality>. The project page will direct you to a form with instructions on how to upload your submission.
16. When including commercially sensitive or confidential information in your submission, we offer the following guidance:
 - 16.1 Please provide a clearly labelled confidential version and public version. We intend to publish all public versions on our website;
 - 16.2 Please provide reasons alongside any information in the confidential version as to why it is commercially sensitive or confidential information; and
 - 16.3 The responsibility for ensuring confidential information is not included in a public version of a submission rests entirely with the party making the submission.
17. If we consider disclosure of information for which confidentiality is claimed to be in the public interest, we will consult with the party that provided the information before any public disclosure of that information is made.

Next steps

18. Once we have reviewed the feedback on this paper, we will finalise the list of RSQ matters that need improving. We recognise that there will be a range of potential solutions to improve these RSQ matters. As set out above, this paper does not cover solutions for the key RSQ matters or how they could be addressed by RSQ codes. This will be covered in the next phase of our work programme.

Chapter 2 – Consultation and RSQ matters for improvement

19. This chapter sets out the consultation questions and the key RSQ matters that we consider need improving and could be addressed by our RSQ code powers under the Act.
20. We explain our RSQ code powers in more detail in the following chapter (Chapter 3: context).

Consultation questions

21. Once you have considered the key RSQ matters proposed below, and our process and baseline evidence in the following chapters, please provide us with your feedback on the questions outlined in Table 3.
22. Information for interested parties on making a submission is set out from paragraph 13 of Chapter 1.

Table 3: Consultation questions

Consultation questions
1. Do you agree the proposed key RSQ matters need improving? Please tell us why, or why not.
2. Do you agree that debt and affordability practices fall within the scope of RSQ? Please tell us why, or why not.
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.
4. Of the proposed key RSQ matters, which ones do you think we should address first? Please tell us why.
5. Do you think an industry or Commission RSQ code would improve the proposed RSQ matters? Please tell us why, or why not.

Key RSQ matters for improvement

23. We consider the proposed key RSQ matters, set out in Table 4, need improving and could be addressed by our RSQ code powers under the Act.

Table 4: Key RSQ matters for improvement

RSQ category	RSQ matters
Billing	<ul style="list-style-type: none"> • Consumers experience errors in their bills. • Consumers struggle to understand their bills. • Consumers experience bill shock.
Customer service	<ul style="list-style-type: none"> • Consumers face long wait times and multiple transfers when dealing with their RSP. • RSPs keep poor records of previous dealings with customers. • Consumers find it difficult to understand customer service representatives. • Consumers find it difficult to resolve issues. • Consumers lack information about the installation process.
Product disclosure	<ul style="list-style-type: none"> • Consumers find marketing of new technologies inconsistent and confusing. • Product information and service quality do not always match or line up. • “Up-to” advertised performance indicators do not give an accurate indication of expected performance. • Consumers find it difficult to compare plans: <ul style="list-style-type: none"> - Plans are complex with a lot of add-ons and bundled offers. - Usage information is inadequate to assess appropriate plans. - Coverage maps can be inconsistent, inaccurate, or difficult to interpret.
The switching process	<ul style="list-style-type: none"> • Consumers experience issues with the switching process such as double-billing errors, long delays and unreliability. • Consumers expect switching to be difficult.
Contract issues	<ul style="list-style-type: none"> • Consumers face high exit and early termination fees (ETFs). • RSPs unilaterally vary contract terms.
Debt practices and affordability	<ul style="list-style-type: none"> • RSPs do not appear to have adequate consumer support, or debt management, policies. • RSPs do not appear to perform basic affordability checks.

Chapter 3 – Context

Why were we given powers to improve RSQ?

24. In 2018, recognising the importance of telecommunications services and the need for improvements in RSQ, Parliament reviewed the Act and gave us new powers and a clear direction to look more closely at consumer outcomes in retail telecommunications markets.
25. At the time, the Ministry of Business, Innovation and Employment (**MBIE**) noted a high level of customer dissatisfaction and complaints generated by the telecommunications sector, including issues of “poor customer service, poor quality products (coverage and speed), difficulties with installations, misleading information and billing disputes”.⁵
26. MBIE also noted that the number of consumers affected by these issues, and the frequency with which the same complaints were raised, suggested that there is a systemic problem in how telecommunications providers engage with consumers.⁶
27. MBIE assessed that the regulatory settings at the time:⁷
 - 27.1 had delivered insufficient information to support effective consumer choice in a rapidly changing environment;
 - 27.2 were over-reliant on industry self-regulation;
 - 27.3 left room for improved consumer responsiveness by retailers; and
 - 27.4 were modest in their attempts to safeguard consumer interests, compared to other similar overseas jurisdictions (for example the UK and Australia).
28. MBIE suggested that relying on competitive influences and regulation focussed on the wholesale level had not been as effective as hoped. Reducing information asymmetries between suppliers and consumers, having codes and standards of delivery at the retail level, and a credible threat of mandatory consumer code regulation was thought likely to incentivise better coverage and depth of information to consumers and greater responsiveness to consumer preferences (in both price and quality) by suppliers.⁸

⁵ Ministry of Business, Innovation and Employment “Regulatory impact statement – Telecommunications Act Review: consumer matters” (30 March 2017), paragraph 5.

⁶ Ibid, at paragraph 18.

⁷ Ministry of Business, Innovation and Employment, “Cabinet paper - Review of the Telecommunications Act 2001: Final Decisions on Fixed Line Services, Mobile Regulation and Consumer Protection” (June 2017), paragraph 8.

⁸ Ministry of Business, Innovation and Employment “Regulatory impact statement – Telecommunications Act Review: consumer matters” (30 March 2017), paragraphs 45-47.

29. We were therefore given powers to improve RSQ across all relevant dimensions including, but not limited to, customer service, faults, installation, contracts, product disclosure, billing, switching, service performance, speed and availability.

Our RSQ code powers

30. We consider the proposed key RSQ matters, set out in Table 4 above, need improving and could be addressed by our RSQ code powers under the Act. We explain these RSQ code powers below.
31. Part 7 sets out provisions for us to:
- 31.1 issue guidelines on RSQ codes, including advice on what matters are appropriately dealt with by RSQ codes;⁹
 - 31.2 review industry RSQ codes;¹⁰ and
 - 31.3 create Commission RSQ codes.¹¹
32. An RSQ code means a code of conduct relating to RSQ that applies to the provision of one or more types of telecommunications service.¹² The purpose of an RSQ code is to improve RSQ to reflect the demands of end users of telecommunications services.¹³

RSQ guidelines

33. The Commission can issue guidelines on RSQ codes under s 234. The Commission is currently consulting on guidelines (and is considering a Commission RSQ code) in relation to the marketing of alternative technologies during copper withdrawal.¹⁴

Industry RSQ codes

34. The Commission may at any time review an industry RSQ code. After each review we must advise the New Zealand Telecommunications Forum (TCF), the dispute resolution provider for the code, and the Minister, of any recommendations for improving the code, and of any recommendations for creating a new code.
35. We must also advise the Minister if previous recommendations have been implemented, and if in our opinion the code fails to achieve, or a Commission RSQ code would better achieve, the purpose of s 233.

⁹ Telecommunications Act 2001, s 234.

¹⁰ Telecommunications Act 2001, s 235.

¹¹ Telecommunications Act 2001, s 236.

¹² Telecommunications Act 2001, s 5.

¹³ Telecommunications Act 2001, s 233.

¹⁴ On 4 August 2021 we published an [open letter](#) outlining principles for consultation that RSPs should adhere to when marketing alternative services to consumers during copper/PSTN withdrawal.

Commission RSQ codes

36. We can create a Commission RSQ code in relation to the provision of one or more types of telecommunications service if: no industry RSQ code has been made in relation to the service; or an industry RSQ code has been made in relation to the service, but in our opinion the code fails to achieve, or a Commission RSQ code would better achieve, the purpose of s 233.
37. The enforcement provisions under Part 4A of the Act apply in respect of Commission RSQ codes. This includes issuing a civil infringement notice, applying to the High Court for a pecuniary penalty (a maximum of \$300,000), and accepting an undertaking under s 156B.
38. The Telecommunications Dispute Resolution Scheme (**TDRS**) is the industry dispute resolution scheme available to ensure that, if a consumer has a dispute with an RSP in relation to a Commission code (the Commission 111 Contact Code or a Commission RSQ code) or an industry RSQ code, the consumer has access to a dispute resolution scheme for resolving that dispute in accordance with the dispute resolution principles in the Act.

Chapter 4 – RSQ identification process

39. This chapter sets out the process we have undertaken to determine the key RSQ matters that we consider need to be improved and could be addressed by our RSQ code powers under the Act.

Information gathering

40. The first step in our process was to identify and gather data from a wide range of sources so that we could compile a list of potential RSQ matters and understand them better.
41. The sources that we used to compile this list included:
- 41.1 Complaints to the Commission and the TDRS (2012 – 2020);
 - 41.2 Consumer NZ’s mobile and internet provider satisfaction surveys (2018 – 2020);
 - 41.3 Improving retail survey quality - Facebook survey (2019) (**RSQ Facebook survey**);
 - 41.4 Data from our Mobile Bill Review (2020);
 - 41.5 SamKnows Measuring Broadband NZ data (2019 – 2020);
 - 41.6 MBIE’s New Zealand Consumer survey (2018, 2020);
 - 41.7 Analysys Mason data - Connected Consumer NZ & AU (2018 – 2019);
 - 41.8 Submissions on the open letter (2020 - 2021);
 - 41.9 Consumer feedback from advocacy groups and individuals;¹⁵ and
 - 41.10 Consumer Telecommunications Survey (2021) – our first large scale, statistically significant consumer survey to measure actual experience of specific areas of RSQ.¹⁶

¹⁵ Commerce Commission “Summary of individual feedback: Improving retail service quality for telecommunications consumers” (30 March 2021).

¹⁶ We have published a report from Research New Zealand alongside this paper on our website, which provides detail on the methodology used and the results of the survey. The questions for the survey were developed in partnership with Consumer NZ to ensure consistency with previous Consumer NZ surveys.

42. Using the data we gathered from sources above, we compiled the following long list of potential RSQ matters:

- 1 Exaggerated benefits e.g., not mentioning a large ETF accompanying sign-up bonus offers
- 2 Post-paid mobile products are on a monthly basis, whereas some prepaid products are 28 day - this makes it difficult to compare the price, and some consumers may perceive a 28-day plan to be the same as a monthly plan
- 3 Bundling is prominent in mobile and fixed and makes it more difficult to compare plans and choose the right one
- 4 Maximum "up-to" speeds - unable to understand expected experience level or compare between technologies or providers
- 5 Wi-Fi routers - quality and performance varies - difficult to compare between providers.
- 6 Coverage information is lacking
- 7 Consumer ability to pay for their plans or hardware
- 8 Issues with the installation experience
- 9 30-day notice periods on open term plans and expired fixed-term plans
- 10 Flat rate ETFs (early termination fees) - no reduction over time during contract
- 11 Technology choice - increasingly being determined by RSP based on input costs rather than consumer needs
- 12 There are no contract notifications when contract terms or introductory offers expire
- 13 Switching Wi-Fi routers is complex and can be difficult for consumers
- 14 Switching process takes too long (currently 30-day period allowed)
- 15 Double-billing for consumers when switching between providers
- 16 RSP non-return of credit
- 17 Performance is not meeting expectations - speed, reliability, Wi-Fi
- 18 Experience does not meet user expectations (combination of speed and coverage)
- 19 Existing customers excluded from offers - Long term customers can suffer a 'loyalty penalty'
- 20 Uni-lateral update to terms by RSP
- 21 Mismatch between plans and usage
- 22 Bill clarity
- 23 Billing errors
- 24 Bill shock
- 25 Additional fees including: paper bills, post-shop, credit card
- 26 Auto-renewal of plans can sometimes lead to unintended purchases
- 27 Late payments fees are rarely proportional to the size of the overdue amount
- 28 Overall satisfaction is low
- 29 Wait times for contacting providers
- 30 Getting to the right person who has the knowledge or authority to resolve an issue
- 31 Limited resolution for poor speeds/performance
- 32 Persistent unresolved issues
- 33 Warranties and bonds for repairs
- 34 Difficulty identifying source of issues (wholesaler or retailer or customer)
- 35 Technician site visit fees charged if fault is deemed "user error" - consumers lack confidence to take the risk in case they are charged a site visit fee
- 36 RSPs keep poor records of previous dealings with customers
- 37 Consumers find it difficult to understand customer service representatives
- 38 Consumers lack information about the installation process
- 39 Consumers expect switching to be difficult
- 40 Consumers face high exit and ETFs

RSQ scope

43. Once we compiled the list, we considered the following criteria to determine the RSQ matters that need improving and could be addressed by our RSQ code powers under the Act. We looked at whether:
- 43.1 these matters met the definition of RSQ in s 5 of the Act; and
 - 43.2 there is sufficient evidence to support further action.

Key RSQ matters for improvement

44. Following this assessment and applying the baseline evidence, we identified the following key RSQ matters that we consider need improving and could be addressed by our RSQ code powers under the Act.

Billing

45. The RSQ matters we identified are:
- 45.1 Consumers experience errors in their bills.
 - 45.2 Consumers struggle to understand their bills.
 - 45.3 Consumers experience bill shock.

Customer service

46. The RSQ matters we identified are:
- 46.1 Consumers face long wait times and multiple transfers when dealing with their RSP.
 - 46.2 RSPs keep poor records of previous dealings with customers.
 - 46.3 Consumers find it difficult to understand customer service representatives.
 - 46.4 Consumers find it difficult to resolve issues.
 - 46.5 Consumers lack information about the installation process.

Product disclosure

47. The RSQ matters we identified are:

47.1 Consumers find marketing of new technologies inconsistent and confusing.

47.2 Product information and service quality do not always match or line up.

47.3 “Up-to” advertised performance indicators do not give an accurate indication of expected performance.

47.4 Consumers find it difficult to compare plans:

47.4.1 Plans are complex with a lot of add-ons and bundled offers.

47.4.2 Usage information is inadequate to assess appropriate plans.

47.4.3 Coverage maps can be inconsistent, inaccurate, or difficult to interpret.

The switching process

48. The RSQ matters we identified are:

48.1 Consumers experience issues with the switching process such as double-billing errors, long delays and unreliability.

48.2 Consumers expect switching to be difficult.

Contract issues

49. The RSQ matters we identified are:

49.1 Consumers face high exit and ETFs.

49.2 RSPs unilaterally vary contract terms.

Debt practices and affordability

50. The RSQ matters we identified are:

50.1 RSPs do not appear to have adequate consumer support, or debt management policies.

50.2 RSPs do not appear to perform basic affordability checks.

RSQ criteria

51. The RSQ matters in the first five RSQ categories come within the listed examples of RSQ matters set out in s 5 of the Act. These are: billing, customer service, product disclosure, the switching process, and contract issues.

52. Debt and affordability practices are not expressly included in the listed examples of RSQ matters in s 5. However, this list is not intended to be exhaustive and, in our view, these matters directly relate to the way an RSP treats and deals with its customer over the course of a service contract, such that they could reasonably be regarded as falling within the scope of RSQ under s 5. These matters are similar to, and could be considered an aspect of, customer service, contract issues and billing that are listed examples of RSQ matters in s 5. We are interested in stakeholder feedback on this RSQ matter.

RSQ evidence

53. After assessing the data, it is not clear that we have sufficient evidence to suggest that the following are RSQ matters that need improving at this time:
- 53.1 Exaggerated benefits e.g., not mentioning a large ETF accompanying sign-up bonus offers.
 - 53.2 No contract notifications when introductory offers expire, or the end of a contract is reached.
 - 53.3 RSPs not returning built up credit when a customer switches.
 - 53.4 Existing customers are excluded from new offers - 'loyalty penalty'.
 - 53.5 Additional fees - paper bills, post-shop, credit card.¹⁷
 - 53.6 Late payments fees are rarely proportional to the size of the overdue amount.
 - 53.7 RSPs require warranties and bonds before sending handsets off for repairs.
 - 53.8 Overall satisfaction is low.
54. We therefore propose to maintain a watching brief on these matters at this time. We are interested in stakeholder views in relation to this set of issues.

¹⁷ Except where these are hidden/unexpected and contribute to bill shock.

Chapter 5 - Evidence for the key RSQ matters

55. This chapter sets out the baseline evidence that has informed the key RSQ matters that we consider need improving and could be addressed by our RSQ code powers under the Act.

Billing

56. Evidence suggests that consumers regularly encounter errors in their bills. Further to this, data suggests that billing issues can be particularly difficult to resolve with customer services. This applies to home internet, landline and mobile markets.
57. Evidence also suggests that some consumers do not regularly open and inspect their bills in detail. According to the Consumer Telecommunications Survey, 87% of respondents who view their bill look at the amount owing. 15% of consumers either infrequently or never check the itemised parts of their bill. Some consumers check the amount owing either from an email from their RSP, or from their banking transactions, and may not open their bill at all. We understand that some consumers may only open and review their bill if the amount falls outside of a “normal” expected range.
58. Billing has been the highest category of complaints made to the TDRS in each of the years from 2013 to June 2020, and complaints and enquires related to billing have increased almost every year.¹⁸ While the billing category was the second highest category of complaints in the second half of 2020, it still made up 27% of all complaints and enquiries to the TDRS for that period.¹⁹
59. Billing-related complaints make up approximately a quarter of all telecommunications complaints made directly to the Commission.

RSQ category	RSQ matter
Billing	<ul style="list-style-type: none"> Consumers experience errors in their bills.

Consumer Telecommunications Survey 2021

60. The Consumer Telecommunications Survey 2021 found that:
- 60.1 For broadband, 13% of respondents had an issue with a bill they had received. This was seen across the larger RSPs ranging from 11% (Trustpower) to 19% (Vodafone). However, Skinny (6%) and Orcon (7%) customers had fewer issues.

¹⁸ TDR “TDR Annual report 2019/20” (2020).

¹⁹ TDR “TDR Biannual report – July to December 2020” (2020).

- 60.2 For mobile, 10% of respondents had an issue with a bill they received. Skinny customers had fewer issues than other RSPs with 3%. This compares to 8% for 2degrees, 11% for Spark and 12% for Vodafone customers.
- 60.3 Of respondents who viewed their bill, 16% experienced errors in their bill either often, most times or always.

Consumer NZ Survey 2019

61. Consumer NZ's 2019 ISP survey found that 19% of mobile customers experienced incorrect billing for their mobile service.²⁰

Consumer Group Workshops

62. Participants of our consumer group workshops indicated that consumers are experiencing 'more billing errors than they should'.²¹

RSQ category	RSQ matter
Billing	<ul style="list-style-type: none"> Consumers struggle to understand their bills.

Consumer Telecommunications Survey 2021

63. The Consumer Telecommunications Survey 2021 found that of the respondents who viewed their bill, the following issues were experienced either often, most times or always:
- 63.1 21% had difficulties understanding the language and terms RSPs use in their billing;
- 63.2 22% had difficulties understanding how their bill is calculated; and
- 63.3 20% had confusion around the cost of their service because it is bundled with other services or utilities.

Consumer Group Workshops

64. Participants of our consumer group workshops indicated that:

²⁰ Raw data from the Consumer NZ ISP survey 2019 provided to the Commission.

²¹ Commerce Commission "Summary of views expressed: Consumer representative group workshop" (30 March 2021) at paragraph 23.

- 64.1 consumers struggle to understand the information provided in their bills; and
- 64.2 consumers find billing documentation is confusing, overcomplicated and includes a lot of jargon. They also noted that it is often difficult to identify billing errors due to the complexity of the bill.²²

Open Letter Submissions

65. Consumer feedback to the open letter noted that bills often have a complicated layout and do not clearly display the required information.²³
66. In its submission to the open letter, Citizens Advice Bureau (CAB) said:²⁴

We regularly get clients who are unable to understand their billing from telco companies, particularly where there are multiple services or bundled services involved.

RSQ category	RSQ matters
Billing	<ul style="list-style-type: none"> Consumers experience bill shock.

Consumer Telecommunications Survey 2021

67. The Consumer Telecommunications Survey 2021 found that of the respondents who viewed their bill, the following issues were experienced either often, most times or always:
- 67.1 19% experienced unexpected charges (e.g., roaming); and
- 67.2 20% had unexpected fees (e.g., late fees).

Consumer NZ Survey 2019

68. Consumer NZ's 2019 mobile survey found that 24% of mobile customers experienced an unexpected charge in 2019.²⁵

Consumer Group Workshops

69. Participants of our consumer group workshops indicated that:

²² Commerce Commission "Summary of views expressed: Consumer representative group workshop" (30 March 2021) at paragraph 24.

²³ Commerce Commission "Summary of individual feedback: Improving retail service quality for telecommunications consumers (30 March 2021) at pages 10 and 22.

²⁴ Citizens Advice Bureau NZ "Submission on open letter Improving Retail Service Quality Consumers (26 February 2021) at page 2.

²⁵ Raw data from the Consumer NZ mobile survey 2019 provided to the Commission.

- 69.1 consumers experience bills which include charges that have not been agreed; and
- 69.2 it is often difficult for consumers to identify billing errors due to the complexity of the bill.²⁶

Customer service

70. Evidence suggests that some consumers are dissatisfied with the customer service they receive from their RSPs. This applies to home internet, landline and mobile markets.

RSQ category	RSQ matter
Customer Service	<ul style="list-style-type: none"> Consumers face long wait times and multiple transfers when dealing with their RSP.

Consumer Telecommunications Survey 2021

71. The Consumer Telecommunications Survey 2021 found that of respondents who have had contact with their RSP in the last two years, the following contributed to the effort of dealing with their RSP:
- 71.1 62% said that waiting for a long time before getting to speak/communicate with someone contributed a lot;
- 71.2 61% said that being transferred to and needing to repeat themselves to multiple people contributed a lot; and
- 71.3 57% of respondents said the staff not having knowledge/authority to make decisions/take action contributed a lot.

Other Supporting Evidence

72. Consumer NZ's 2019 survey found that 72% of fixed and 71% of mobile customers experienced long wait times.^{27, 28}
73. MBIE's 2020 NZ consumer survey found that "compared to other categories, problems with home-based telecommunications services can be time consuming to resolve. Those who experienced an issue are more likely than average to say it took five hours or more to resolve (55% compared to 29% across all categories)".²⁹

²⁶ Commerce Commission "Summary of views expressed: Consumer representative group workshop" (30 March 2021) at paragraph 23.

²⁷ Raw data from the Consumer NZ ISP survey 2019 provided to the Commission.

²⁸ Raw data from the Consumer NZ mobile survey 2019 provided to the Commission.

²⁹ Ministry of Business, Innovation & Employment "New Zealand Consumer Survey 2020" (2020) at page 48.

Consumer Group Workshops

74. Participants of our consumer group workshops indicated that:
- 74.1 consumers face long wait times to get through to call centres;³⁰
 - 74.2 RSPs should be more transparent with call waiting times so consumers are aware of how much time they will have to wait;³¹ and
 - 74.3 consumers find it difficult to get through to the right customer services support person and find it frustrating when they are transferred.³²

Open Letter Submissions

75. Feedback to the open letter said that while some issues can be resolved immediately, others can take a significant period of time and require elevation to more senior customer service members, which can cause significant delays.³³
76. In its submission to the open letter, CAB stated:³⁴

Telcos are providing essential, sometimes vital, communication services. Ironically though, our enquiries indicate that customers are often very poorly served when they try to communicate with their telco. Long waiting times and other barriers to communication are unacceptable obstacles to consumers being able to seek assistance, report a problem and exercise their right to complain or seek redress

We regularly have clients who have had significant problems or delays connecting services. There is often confusion for clients about which company is responsible for what when a new service is being installed, often due to poor communication from the retail provider about what the process is.

CABs frequently see clients who are stressed and desperate because the telco has not taken action to resolve their issue or complaint. This may well be a 'side-effect' of the communication problems highlighted above. Sometimes the delayed resolution has had unpleasant consequences for the client, such as debt collectors becoming involved.

³⁰ Commerce Commission "Summary of views expressed: Consumer representative group workshop" (30 March 2021) at paragraph 25.

³¹ Ibid.

³² Ibid, at paragraph 3.

³³ Commerce Commission "Summary of individual feedback: Improving retail service quality for telecommunications consumers" (30 March 2021) at page 8.

³⁴ Citizens Advice Bureau New Zealand "Submission on open letter Improving retail service quality for consumers" (26 February 2021) at pages 2 and 3.

RSQ category	RSQ matter
Customer service	<ul style="list-style-type: none"> RSPs keep poor records of previous dealings with customers.

Consumer Group Workshops

77. Participants of our consumer group workshops indicated that:

77.1 When issues are not resolved the first time, consumers must follow up with customer services and often have to repeat their requests when customer services do not adequately record the initial enquiry, creating frustration for consumers.³⁵

77.2 Consumers are often faced with having to repeat details when contacting an RSP about an existing issue.³⁶

Open Letter Submissions

78. Feedback to the open letter said that consumers are often faced with having to repeat details when contacting an RSP about an existing issue.³⁷

RSQ category	RSQ matter
Customer Service	<ul style="list-style-type: none"> Consumers find it difficult to understand customer service representatives.

Consumer Telecommunications Survey 2021

79. The Consumer Telecommunications Survey 2021 found that of respondents who have had contact with their RSP in the last two years, 49% said that having difficulties understanding the staff (e.g., accent or speaking too quickly) contributed to the effort of dealing with their RSP.

Consumer Group Workshops

80. Participants in our consumer group workshops said:

80.1 where overseas based call centres are used and English is not the first language, representatives do not understand colloquialisms, which can make getting support or resolution more challenging; and

³⁵ Commerce Commission “Summary of views expressed: Consumer representative group workshop” (30 March 2021) at page 5.

³⁶ Commerce Commission “Summary of individual feedback: Improving retail service quality for telecommunications consumers” (30 March 2021) at page 26.

³⁷ Ibid, at page 5.

80.2 differences in accents can impact the effectiveness of communication.³⁸

RSQ category	RSQ matter
Customer Service	<ul style="list-style-type: none"> Consumers find it difficult to resolve issues.

Consumer Telecommunications Survey 2021

81. The Consumer Telecommunications Survey 2021 respondents who have had contact with their RSP in the last two years said the following contributed to the effort of dealing with their RSP:
- 81.1 57% said the staff not having knowledge/authority to make decisions/take action contributed a lot;
 - 81.2 50% said customer service not being available when required contributed a lot;
 - 81.3 49% said the staff not getting back to them or being disconnected from customer service contributed a lot; and
 - 81.4 48% said having difficulties finding the contact details for customer service contributed a lot.
82. The Consumer Telecommunications Survey 2021 respondents who contacted their RSP to get information about a service were asked how they would improve the way in which their RSP deals with its customers for this purpose:
- 82.1 28% said they would improve how easy it is to get through to their RSP;
 - 82.2 23% said they would improve staff's authority to resolve issues.
83. Of all respondents who had an issue and had contacted their provider:
- 83.1 54% said it took a lot of effort to deal with their RSP about an issue;
 - 83.2 57% were either satisfied or very satisfied with their RSP's response;
 - 83.3 27% were neutral about their RSP's response; and
 - 83.4 16% were dissatisfied or very dissatisfied with their RSP's response.

³⁸ Commerce Commission "Summary of views expressed: Consumer representative group workshop" (30 March 2021) at page 5.

RSQ Facebook Survey

84. The RSQ Facebook survey identified a theme that consumers trying to find a resolution to a broadband fault are unsure whether the fault lies with their RSP or the wholesale provider, and do not understand the relationship between the two.

Consumer Group Workshops

85. Participants of our consumer group workshops indicated that:³⁹
- 85.1 consumers find it difficult to get a resolution from customer service channels, with consumers being unsure of what contact channel to use;
 - 85.2 some consumers will avoid seeking any assistance due to the difficulty and time required to get through to customer services.

Open Letter Submissions

86. Feedback to the open letter said that:
- 86.1 customer service channels are not easy to contact;⁴⁰
 - 86.2 consumers find it difficult to get a resolution when they experience performance or reliability issues;⁴¹ and
 - 86.3 reliability issues are left unresolved as it is too difficult to get help.⁴²
87. RSPs may charge consumers a technician call-out fee for faults in relation to their telecommunications services. In its submission to the open letter:
- 87.1 Rural Connect said the threat of a fee if no fault is found discourages people from reporting faults (particularly people with less knowledge of technology).⁴³
 - 87.2 Ultrafast Fibre Limited said its service desk and NOC (network assurance) teams are often called by customers because of their RSP's long call wait times to find out about simple things (eg, how to fix a problem, RSP modem not working, etc).⁴⁴

³⁹ Commerce Commission "Summary of views expressed: Consumer representative group workshop" (30 March 2021) at page 5.

⁴⁰ Commerce Commission "Summary of individual feedback: Improving retail service quality for telecommunications consumers (30 March 2021) at page 23.

⁴¹ Ibid, at page 5.

⁴² Ibid, at page 10.

⁴³ Rural Connect "Submission on open letter Improving Retail Services Quality for Consumers (26 February 2021) at page 3.

⁴⁴ Ultrafast Fibre Ltd "Submission on open letter Improving Retail Services Quality for Consumers (26 February 2021) at page 9.

RSQ category	RSQ matter
Customer Service	<ul style="list-style-type: none"> Consumers lack information about the installation process.

Consumer Telecommunications Survey 2021

88. The Consumer Telecommunications Survey 2021 asked those who had contact with their RSP in the last two years to arrange a new connection/installation how they would improve the way in which their RSP deals with its customers for this purpose:

88.1 25% of respondents said they would improve the clarity of information provided about the installation process (this was the highest response); and

88.2 17% said they would improve the clarity and information provided about the terms and conditions of the installation.

Product disclosure

89. Evidence suggests that fibre services are marketed across most RSPs with common “up-to” performance claims, with some providing a range. For copper and fixed wireless services, a generic expected range is sometimes provided, which is typically based on the wholesale service rather than measured performance for end users. Consumers find it difficult to get a resolution of poor performance, and “up-to” marketing appears to reduce the accountability of RSPs by presenting theoretical maximum speeds as opposed to likely actual peak time speeds.

90. Evidence also suggests that internet performance does not appear to be meeting the expectations set by RSPs’ marketing. Further, the lack of consistency in contract length durations across RSPs, makes it difficult for consumers to perform a like-for-like comparison across RSPs and plans.

91. Coverage maps can be inconsistent, inaccurate, and hard to find on an RSPs website. We understand this makes it difficult for a consumer to choose an RSP that will provide the coverage they need, as there is no readily available method for testing coverage prior to purchasing a service. Further, there is no single source location where a consumer can compare coverage where common language and terminology and methodology is used.

92. Evidence suggests that consumers:

92.1 struggle to match their usage to their plans;

92.2 do not receive adequate data or information to enable them to choose the most appropriate plan; and

92.3 find the complexity of plans make it difficult to compare and choose the right plan.

93. Evidence suggests bundling can offer value to consumers, but it can also cause additional information complexity, which can differ across individual offers and RSPs.

RSQ category	RSQ matter
Product disclosure	<ul style="list-style-type: none"> Consumers find marketing of new technologies inconsistent and confusing.

Consumer Telecommunications Survey 2021

94. The Consumer Telecommunications Survey 2021 respondents who contacted their RSP to get information about a service were asked how they would improve the way in which their RSP deals with its customers for this purpose:

94.1 16% said they would improve the clarity of information provided; and

94.2 13% said they would improve the clarity of RSP terms and conditions for their services and products (e.g., fees/pricing, specifications, performance, coverage and availability).

RSQ category	RSQ matter
Product disclosure	<ul style="list-style-type: none"> Product information and service quality do not always match or line up.

Consumer Telecommunications Survey 2021

95. The Consumer Telecommunications Survey 2021 found that, in the last two years:

95.1 18% of internet users and 12% of mobile users had an issue with service availability; and

95.2 31% of internet users and 11% of mobile users had an issue with service performance.

96. The Consumer Telecommunications Survey 2021 also found that:

96.1 12% of respondents said the last time they had contact with their RSP to report a fault, it was due to the service performing slower than expected; and

96.2 41% of respondents who had an issue said the one that had the biggest impact for them was an issue with service performance (speed, stability, fault).

Other Supporting Evidence

97. MBIE's 2020 NZ consumer survey found that 41% of survey respondents whose most recent problem was in the Home-Based Telecommunications Services category, said a cause was because the product/service was different from what was expected or

did not work. A further 26% said it was because of an issue with quality. Another 23% said a cause was incorrect/misleading information.⁴⁵

98. Our RSQ Facebook survey indicated that:

98.1 for a significant number of consumers, the performance of their home internet service is not meeting the expectations set by their RSP; and

98.2 some consumers do not feel that it is worth the time to attempt to resolve performance issues.

Open Letter Submissions

99. Feedback to the open letter said that:

99.1 in-home performance is not meeting consumer expectations;⁴⁶

99.2 consumers are not receiving telecommunications services that meet advertised speeds;⁴⁷

99.3 consumers find it particularly difficult to resolve reliability issues;⁴⁸

99.4 coverage maps are not good at highlighting dead-spots;⁴⁹ and

99.5 consumers do not trust coverage maps.⁵⁰

RSQ category	RSQ matter
Product disclosure	<ul style="list-style-type: none"> “Up-to” advertised performance indicators do not give an accurate indication of expected performance.

Consumer NZ Survey

100. The 2019 Consumer NZ ISP survey found that 66% of home internet consumers experienced slower than expected speeds in 2019. The same survey for 2018 found that 71% experienced slower than expected speeds.^{51, 52}

Open Letter Submissions

⁴⁵ Ministry of Business, Innovation & Employment “New Zealand Consumer Survey 2020” (May 2020) at page 48.

⁴⁶ Commerce Commission “Summary of individual feedback: Improving retail service quality for telecommunications consumers (30 March 2021) at page 27.

⁴⁷ Ibid, at page 10.

⁴⁸ Ibid, at page 5.

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ Raw data from the Consumer NZ ISP survey 2019 provided to the Commission.

⁵² Raw data from the Consumer NZ ISP survey 2018 provided to the Commission.

101. Consumer feedback to the open letter said that they are not receiving telecommunications services that meet advertised speeds.⁵³

RSQ category	RSQ matter
Product disclosure	<ul style="list-style-type: none"> • Consumers find it difficult to compare plans: <ul style="list-style-type: none"> ○ Plans are complex with a lot of add-ons and bundled offers. ○ Usage information is inadequate to assess appropriate plans. ○ Coverage maps can be inconsistent, inaccurate, or difficult to interpret.

Consumer Telecommunications Survey 2021

102. Consumer Telecommunications Survey 2021 respondents who contacted their RSP to get information about a service were asked how they would improve the way in which their RSP deals with its customers for this purpose:

102.1 16% said they would improve how easy it is to compare their RSP's information with the same information for other services/products they offer; and

102.2 15% said they would improve how easy it is to compare their information with the same information for similar services/products offered by other companies.

RSQ Facebook Survey

103. Our RSQ Facebook survey told us:

103.1 consumers have a difficult time testing mobile coverage prior to making a purchase; and

103.2 consumers gave negative feedback about coverage.

Open Letter Submissions

104. Consumer feedback to the open letter said:

104.1 while they may change plans to get what is perceived as a cheaper option, they can be faced with higher bills because they are unable to determine whether a cheaper plan is appropriate based on their usage behaviour;⁵⁴

⁵³ Commerce Commission "Summary of individual feedback: Improving retail service quality for telecommunications consumers (30 March 2021) at page 10.

⁵⁴ Ibid, at page 9.

104.2 they find it difficult to compare plans with different usage periods (28-day plans require 13 payments a year, whereas monthly plans require 12 payments a year).⁵⁵

105. In its submission to the open letter, CAB stated:⁵⁶

We regularly get clients who are unable to understand their billing from telco companies, particularly where there are multiple services or bundled services involved.

Consumer Group Workshops

106. Participants of our consumer group workshops indicated that:

106.1 coverage maps were not particularly consistent or reliable, and that mobile performance is not meeting expectations set by RSPs;

106.2 consumer feedback has demonstrated that consumers find it difficult to compare and assess coverage for their specific locations. Coverage maps are difficult for comparing across RSPs and are not reliable at highlighting coverage and performance at locations that matter to the individual consumers;

106.3 consumers are unable to easily test coverage of RSPs at locations that are important to them (such as at home or work) before purchasing a service and may only be able to resolve an issue of poor coverage by changing to another RSP;

106.4 consumers are either unaware of, or do not understand, their usage requirements, which can result in them buying services that they do not need at a higher cost; and

106.5 consumers find product offers complex, and offer details are not clear or transparent on RSP websites.⁵⁷

The switching process

107. Evidence suggests that consumers are experiencing delays and difficulties when switching home internet or landline RSPs, and sometimes technologies where RSP and wholesaler switching processes do not align.

108. We understand that, in some cases, consumers continue to be billed by an old RSP after services have been switched to a new RSP.

⁵⁵ Commerce Commission “Summary of individual feedback: Improving retail service quality for telecommunications consumers” at page 24.

⁵⁶ Citizens Advice Bureau NZ “Submission on Retail Service Quality for Consumers” at page 2.

⁵⁷ Commerce Commission “Summary of views expressed: Consumer representative group workshop” (30 March 2021) at page 6.

109. We also understand that contractual obligations contribute to issues in processes between losing and gaining RSPs, such as a consumer's requirement to provide notice to the losing RSP.
110. Evidence suggests consumers view switching as difficult, unreliable and that the switching process takes too long. This perception of the costs of switching acts as a barrier to consumers who are considering switching RSPs. Consumers may be less inclined to act on a choice for RSP that better meets their need due to the risk of something going wrong in the switching process.

Consumer Telecommunications Survey 2021

111. Regarding the switching process, the Consumer Telecommunications Survey 2021 found that, for all respondents including those who have not switched over the last two years:
- 111.1 3% of internet users and 2% of mobile users had an issue with the disconnection of a service (including switching to a new company); and
- 111.2 10% of internet users and 5% of mobile users had an issue with a new connection/installation.
112. When looking at just the respondents who have switched RSPs in the past two years:
- 112.1 31% said it took a lot of effort to deal with the RSP. 35% were neutral and 35% said it took no or very little effort;
- 112.2 41% were satisfied with the contact they had with the RSP they switched from. 30% were neutral and 22% were dissatisfied.
113. This compares to 55% satisfied with the contact they had with the RSP they switched to. 32% were neutral and 9% were dissatisfied.

RSQ category	RSQ matter
The switching process	<ul style="list-style-type: none"> Consumers experience issues with the switching process such as double-billing errors, long delays and unreliability.

Consumer NZ Survey

114. In its 2019 consumer ISP survey, Consumer NZ found that 52% of consumers who had switched within the last 12 months had experienced a problem, and delays with the connection was the most common problem that was experienced.⁵⁸

Open Letter Submissions

115. In its submissions on the open letter:

⁵⁸ Raw data from the Consumer NZ ISP survey 2019 provided to the Commission.

115.1 Trustpower said that 30-day notice periods can result in consumers being billed for unused services for a period of time. It also provided examples that demonstrated issues for fibre switching processes that cause delays and double-billing. Trustpower said:⁵⁹

There are a number of pain points that can arise for consumers during the switching process, including the potential for significant delays in switching providers, incorrect and multiple billing, incorrect service transfer, loss of services during transfer and limited transparency around status of transfers.

115.2 Nova Energy provided examples where wholesale processes could impact its ability to transfer a customer to its services and increase the complexity of the process for the consumer.⁶⁰ Nova Energy also raised specific transparency issues in the supply chain that may increase the likelihood of switching issues.

115.3 Utilities Disputes said:⁶¹

We are seeing energy providers using third party internet service providers (ISPs) to provide fibre services which in some cases can lead to consumer dissatisfaction. UDL has taken a snapshot of some of the complaints relating to bundled services over the past 12 months. Most of these complaints fall outside the jurisdiction of our schemes and were passed on to the telecommunications dispute scheme provider.

We received:

10 complaints where the consumer believed the install of their fibre took too long.

14 complaints where there was a lack of communication and consultation about fibre installation.

7 complaints where there was a misunderstanding of the contract.

RSQ category	RSQ matter
The switching process	<ul style="list-style-type: none"> Consumers expect switching to be difficult.

Consumer NZ Survey

116. In its 2019 consumer ISP survey, Consumer NZ found that of consumers who had not switched RSPs within the last 12 months, 29% gave the reason that it was too much effort to change RSPs.⁶²

⁵⁹ Trustpower “Submission on open letter Improving Retail Service quality for Consumers” (26 February 2021) at paragraph 1.2.3.

⁶⁰ Nova Energy “Submission on open letter Improving Retail Service quality for Consumers” (26 February 2021) at paragraph 5.

⁶¹ Utilities Disputes “Submission on open letter Improving Retail Service quality for Consumers” (22 February 2021) at pages 3 and 4.

⁶² Raw data from the Consumer NZ ISP survey 2019 provided to the Commission.

Open Letter Submissions

117. In feedback to the open letter, consumers said that they were not willing to risk switching RSPs and being left without a service if something goes wrong. One consumer said:⁶³

I am extremely dissatisfied with my current reseller - but too scared to switch providers for when the ball is dropped and I have no service.

Consumer Group Workshops

118. Participants of our consumer group workshops indicated that:⁶⁴

118.1 some consumers find it particularly challenging setting up a service with a new RSP, and may be less willing to change RSPs as a result; and

118.2 consumers who stay with their RSP can pay more than new customers who have switched.

Contract issues

119. Evidence suggests that consumers are experiencing ETFs when exiting their contracts which they find unfair and not commensurate to the actual cost of the cancellation to the RSP. Notice periods imposed for mobile and broadband service plans have also been expressed as an issue.
120. Evidence also suggests that consumers are unhappy when RSPs vary key contract terms (including price) during a fixed-term contract without allowing them to, or notifying them that they can, exit their contract without a penalty or charge.

RSQ category	RSQ matter
Contract issues	<ul style="list-style-type: none"> Consumers face high exit and ETFs.

Consumer Telecommunications Survey 2021

121. The Consumer Telecommunications Survey 2021 found that of respondents who said they switched RSP, 46% of respondents were satisfied with their previous RSP regarding the clarity of information provided in terms of ETFs.
122. The Commission consumer survey found that of the respondents who contacted their RSP about an issue with their contract:

⁶³ Commerce Commission “Summary of individual feedback: Improving retail service quality for telecommunications consumers” (30 March 2021) at pages 5 and 27.

⁶⁴ Commerce Commission “Summary of views expressed: Consumer representative group workshop” (30 March 2021) at pages 5 and 6.

- 122.1 22% said it was about a contract term they felt was unfair;
- 122.2 7% said it was because of an issue with ending their contract.
- 123. In the past two years, 6% of internet and mobile users had an issue with the terms and conditions of a contract/plan.
- 124. 53% of respondents who contacted their RSP regarding a contract issue were satisfied the contact they had. 32% were neutral and 14% were dissatisfied.

RSQ Facebook Survey

- 125. Our RSQ Facebook survey found:
 - 125.1 consumers expressed frustration with ETFs restricting them from leaving an RSP when service had been very poor;
 - 125.2 ETFs are considered barriers for consumers wanting to leave their RSP;
 - 125.3 consumers felt frustration with having to provide a month notice or pay for an additional month to change RSPs.

Consumer Group Workshops

- 126. Participants at the consumer group workshops identified 30-day notice periods as a pain point that adds complexity to choice and increases the costs of switching.⁶⁵

Other Supporting Evidence

- 127. A number of complaints made to the Commission relate to ETFs and notice periods.
- 128. One third of contract-related complaints to the Telecommunications Dispute Resolution Scheme (TDRS) are about ETFs.⁶⁶

Open Letter Submissions

- 129. In feedback to the open letter, consumers indicated that notice periods are a pain point which increased the costs of switching RSPs. Consumers said they feel they should be able to switch when a decision is made, rather than wait 30 days or pay twice during the notice period.⁶⁷

⁶⁵ Commerce Commission “Summary of views expressed: Consumer representative group workshop” (30 March 2021) at paragraph 14.

⁶⁶ TDRS 2019-2020 complaints data provided to the Commission.

⁶⁷ Commerce Commission “Summary of individual feedback: Improving retail service quality for telecommunications consumers” (30 March 2021) at page 5.

130. In their submissions to the open letter:

130.1 CAB told us:⁶⁸

We see many examples of clients being asked to pay an early termination fee in situations where this does not seem fair or reasonable – most often the client is seeking to end the contract early because the telco has not provided the service it had promised. Clients in this situation are often unaware that they might be covered by the Consumer Guarantees Act.

130.2 Trustpower stated that 30-day notice periods can result in consumers being double-billed and that a shorter switching time would enable a better consumer experience.⁶⁹

130.3 CAB also said that its clients are often unaware of the requirement to give 30 days' notice.⁷⁰

RSQ category	RSQ matter
Contract issues	<ul style="list-style-type: none"> RSPs unilaterally vary contract terms.

Consumer Telecommunications Survey 2021

131. The Consumer Telecommunications Survey 2021 found that of the respondents who contacted their RSP about an issue with their contract:

131.1 21% said their RSP made changes to the contract they were unhappy with; and

131.2 18% said it was due to a contract term they did not know about.

Other Supporting Evidence

132. Our RSQ Facebook survey found consumers dislike it when RSPs increase prices while “locked into a fixed-term” and did not appear to know whether they had any rights to cancel the contract when this happened.

133. In 2018, the number of complaints to the Commission about RSP contract variations increased (including price increases and a lack of notice). The complaints expressed dissatisfaction with price increases during the contract term.

⁶⁸ Citizens Advice Bureau NZ “Submission on open letter Improving Retail Service Quality for Consumers” (30 March 2021) at page 2.

⁶⁹ Trustpower “Submission on open letter Improving Retail Service Quality for Consumers” (30 March 2021) at paragraph 1.2.7(a).

⁷⁰ Citizens Advice Bureau NZ “Submission on open letter Improving retail service quality for consumers” (26 February 2021) at page 2.

Open Letter Submissions

134. In feedback to the open letter, CAB said in relation to contract variations:⁷¹

Despite the efforts of the Commerce Commission to discourage unfair contract terms in the telco sector, we are still seeing examples of what seem to be unfair variations to contracts. We are also seeing attempts by telcos to penalise customers for exiting a varied contract.

Debt practices and affordability

135. Evidence suggests that RSPs do not appear to have clear or effective debt management policies, nor do they appear to have adequate policies around engaging with third party support groups (e.g., budget advisers when they are representing consumers).
136. Evidence also suggests that RSPs rarely conduct basic affordability checks when selling consumers expensive mobile phones bundled with service plans.

RSQ category	RSQ matter
Debt practices and affordability	<ul style="list-style-type: none"> RSPs do not appear to have adequate consumer support, or debt management, policies.

Consumer Group Workshops

137. Participants at the consumer group workshops indicated that RSPs have no clear debt management policies, resulting in consumers being unsure of how to interact with RSPs when they find themselves in debt.
138. Participants at the consumer group workshops also suggested RSPs do not engage well with third party support groups (e.g., budget advisers) when they are representing consumers. This lack of engagement makes it difficult to achieve positive outcomes for consumers who may not be well equipped to interact with RSPs on their own.
139. Participants at the consumer group workshops said the following:
- 139.1 third party supporting agencies find it difficult to support consumers experiencing financial hardship or overdue billing;⁷²
- 139.2 RSPs do not have a consistent approach to privacy waivers, resulting in difficulties and delays;⁷³

⁷¹ Citizens Advice Bureau NZ “Submission on open letter Improving retail service quality for consumers” (26 February 2021) at page 2.

⁷² Commerce Commission “Summary of views expressed: Consumer representative group workshop” (30 March 2021) at pages 7 and 11.

⁷³ Ibid, at page 7.

- 139.3 account waivers are not consistently kept on record for repeat engagements;⁷⁴
- 139.4 third party support groups do not have a dedicated communication channel to contact RSPs, therefore finding it difficult to contact an RSP in a specific time window, noting these groups work to appointments;⁷⁵
- 139.5 other sectors such as banking provide a dedicated communication channel;⁷⁶
- 139.6 more could be done to support consumers who are experiencing financial hardship;⁷⁷ and
- 139.7 RSPs need improved communications before consumers are ‘handed over’ to a debt collector, so the consumer is fully aware that they are in arrears before a debt collection agency contacts them.⁷⁸

Open Letter Submissions

- 140. Feedback to the open letter said:
 - 140.1 that RSPs do not have a clear approach to settle debts through a payment plan; and
 - 140.2 in some circumstances, consumers have been given incorrect repayment amounts which has resulted in their services being disconnected.⁷⁹
- 141. In its submission to the open letter FinCap said:⁸⁰

FinCap would like to see some initiatives from TDR to encourage telecommunications providers to have consistent financial hardship practices, that financial mentors could engage with and refer to.

⁷⁴ Commerce Commission “Summary of views expressed: Consumer representative group workshop” (30 March 2021) at page 7.

⁷⁵ Ibid, at page 11.

⁷⁶ Ibid.

⁷⁷ Ibid.

⁷⁸ Ibid.

⁷⁹ Commerce Commission “Summary of individual feedback: Improving retail service quality for telecommunications consumers” (30 March 2021) at page 7.

⁸⁰ FinCap “Submission on open letter Improving retail service quality for consumers” at page 1.

RSQ category	RSQ matter
Debt management and affordability	<ul style="list-style-type: none"> • RSPs do not appear to perform basic affordability checks.

Consumer Group Workshops

142. Participants at our consumer group workshops indicated that sometimes RSPs complete a basic credit check, but generally do not request any further information to assess whether credit is appropriate for the consumer. Participants said the following:

142.1 there is a lack of affordability checks in the credit assessment process, or a low threshold to qualify for credit checks;

142.2 RSPs need to place more focus on consumers' ability to afford handsets that it recommends; and

142.3 there is a lack of regulation for credit applications in the telecommunications sector, compared with other sectors.⁸¹

⁸¹ Commerce Commission "Summary of views expressed: Consumer representative group workshop" at pages 6, 7, 10 and 11.

Attachment A – Summary of key matters for improvements, consultation questions and next steps

143. Attachment A summarises the summary of key matters for improvement, the consultation questions and the next steps in the processed discussed in the main body of the baseline report.

Key RSQ matters for improvement

144. We consider the proposed key RSQ matters, set out in Table A, need improving and could be addressed by our RSQ code powers under the Act.

Table A: Key RSQ matters for improvement

RSQ category	RSQ matters
Billing	<ul style="list-style-type: none"> • Consumers experience errors in their bills. • Consumers struggle to understand their bills. • Consumers experience bill shock.
Customer service	<ul style="list-style-type: none"> • Consumers face long wait times and multiple transfers when dealing with their RSP. • RSPs keep poor records of previous dealings with customers. • Consumers find it difficult to understand customer service representatives. • Consumers find it difficult to resolve issues. • Consumers lack information about the installation process.
Product disclosure	<ul style="list-style-type: none"> • Consumers find marketing of new technologies inconsistent and confusing. • Product information and service quality do not always match or line up. • “Up-to” advertised performance indicators do not give an accurate indication of expected performance. • Consumers find it difficult to compare plans: <ul style="list-style-type: none"> - Plans are complex with a lot of add-ons and bundled offers. - Usage information is inadequate to assess appropriate plans. - Coverage maps can be inconsistent, inaccurate, or difficult to interpret.
The switching process	<ul style="list-style-type: none"> • Consumers experience issues with the switching process such as double-billing errors, long delays and unreliability. • Consumers expect switching to be difficult.

Contract issues	<ul style="list-style-type: none"> • Consumers face high exit and early termination fees (ETFs). • RSPs unilaterally vary contract terms.
Debt practices and affordability	<ul style="list-style-type: none"> • RSPs do not appear to have adequate consumer support, or debt management, policies. • RSPs do not appear to perform basic affordability checks.

Consultation questions

145. Once you have considered the key RSQ matters proposed above, and our process and baseline evidence, please provide us with your feedback on the questions outlined in Table B.
146. Information for interested parties on making a submission is set out from paragraph 12 of Chapter 1.

Table B: Consultation questions

Consultation questions
1. Do you agree the proposed key RSQ matters need improving? Please tell us why, or why not.
2. Do you agree that debt and affordability practices fall within the scope of RSQ? Please tell us why, or why not.
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.
4. Of the proposed key RSQ matters, which ones do you think we should address first? Please tell us why.
5. Do you think an industry or Commission RSQ code would improve the proposed RSQ matters? Please tell us why, or why not.

Next steps

147. Once we have reviewed the feedback on this paper, we will finalise the list of RSQ matters that need improving. We recognise that there will be a range of potential solutions to improve these RSQ matters. As set out above, this paper does not cover solutions for the key RSQ matters or how they could be addressed by RSQ codes. This will be covered in the next phase of our work programme.