

Improving Retail Service Quality: Product Disclosure

Emerging Views Paper

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Associated documents

Publication date	Reference	Title
9 March 2021	n/a	Open letter from the Commerce Commission addressing transparency and inertia issues in the residential mobile market
8 November 2021	978-1-869459-46-8	Commerce Commission: Guidelines to the telecommunications industry on marketing alternative telecommunications services during the transition away from copper
9 December 2021	978-1-869459-63-5	Commerce Commission: Improving Retail Service Quality Final Baseline Report
7 March 2022	n/a	Open letter from the Commerce Commission on improving retail service quality for consumers – 2022 update
17 May 2022	n/a	Open letter from the Commerce Commission on marketing alternative telecommunications services update
19 May 2022	n/a	Open letter from the Commerce Commission on addressing transparency and inertia issues in the residential mobile market

Glossary

Term	Definition
ACMA	Australian Communications and Media Authority – The regulatory authority for communications and media in Australia.
Bundle discount	Bundle discount is a discount offered if an additional service is taken with another service, for example, a \$10 discount on broadband if you also take mobile from the same provider.
ComReg	Commission for Communications Regulation – The statutory body responsible for the regulation of the electronic communications sector and the postal sector in Ireland.
Consumer	Consumer, in relation to a telecommunications service, means a person who is the ultimate recipient of that service or of another service whose provision is dependent on that service.
EA	Electricity Authority.
ICT	Information and communication technologies.
ITU	International Telecommunications Union is a United Nations specialised agency for information and communication technologies (ICTs).
Marketing	Marketing means any communication relating to the description, promotion, advertising or sale of products or services to consumers including online, print, television, radio, in-store and door-to-door descriptions, promotions, advertising and selling.
MBNZ	Measuring Broadband New Zealand is a Commerce Commission run programme providing consumers with independent information on broadband performance across different providers, plans and technologies, to help them choose the best broadband for their household.
MNOs	Mobile Network Operators.
Ofcom	Office of Communications - The regulatory and competition authority for broadcasting, telecommunications and postal industries in the United Kingdom.
Plan inclusion	Plan inclusion is a service offered that does not require the consumer to pay an additional fee to access the service, for example, the plan fee includes an amount of minutes, texts and data and subscription to a music streaming service at no extra cost to the consumer.
Post-paid	Post-paid means billed after the end of the billing period.
Pre-paid	Pre-paid means paid for in advance by adding credit to an account.
PSTN	Public switched telephone network.
RSP	Retail Service Provider means a retail provider of telecommunications services to the consumer of the service, and who has the billing relationship with the consumer for that service.
RSQ	Retail service quality, in relation to a telecommunications service, means the quality of retail service provided to a consumer of the service, including in relation to the following: a) customer service and fault service levels, b) installation issues, c) contract issues, d) product disclosure, e) billing, f) the switching process and related information, and g) service performance, speed, and availability.
SIM	Subscriber Identity Module.
TCF	New Zealand Telecommunications Forum Inc. is the New Zealand telecommunications industry body established pursuant to the Telecommunications Act 2001. It brings industry participants together to resolve regulatory, technical and policy issues.
TDRS	Telecommunications Disputes Resolution Scheme.
WiMax	Worldwide Interoperability for Microwave Access.

Introduction

Purpose

1. Our retail service quality (**RSQ**) work programme aims to improve RSQ to reflect the demands of consumers of telecommunications services.¹ The 2018 amendments to the Telecommunications Act 2001 (**Act**) give us the direction and powers to monitor and improve RSQ for consumers.²
2. This *Improving Retail Service Quality: Product Disclosure Emerging Views Paper* (**Emerging Views Paper**) sets out options we have identified for improving the product disclosure aspects of RSQ to reflect the demands of consumers of telecommunications services.
3. The options could be given effect to by the Commerce Commission (**Commission**) issuing guidelines to the telecommunications industry;³ reviewing an industry RSQ code;⁴ or making a Commission RSQ code.⁵
4. Before deciding on a course of action, we are seeking stakeholder feedback on the options identified in this paper, as well as the most effective way of implementing any solutions.

Background

5. Last year, following extensive consultation, we published the *Improving RSQ Final Baseline Report* (**Baseline Report**).⁶ This identified a range of RSQ issues for improvement across the customer lifecycle.
6. We also took action last year to address a number of urgent issues in the market. This included issuing guidelines on marketing alternative services to consumers during copper and public switched telephone network (**PSTN**) withdrawal and issuing an open letter on transparency and inertia issues in the mobile market. In early 2022, following these steps, we issued our RSQ roadmap.⁷ This set out an indicative action plan for addressing the issues identified in the Baseline Report.
7. We are currently progressing RSQ work in the following areas in accordance with our action plan:⁸
 - 7.1 developing our RSQ monitoring capabilities;
 - 7.2 developing customer service dashboards;

¹ Telecommunications Act 2001, s 233.

² Telecommunications Act 2001 s 9A (e), s 234-236.

³ Telecommunications Act 2001 s 234.

⁴ Telecommunications Act 2001 s 235.

⁵ Telecommunications Act 2001 s 236. Refer to Attachment B for a summary of sections 234-236 of the Act.

⁶ Commerce Commission "Improving RSQ Final Baseline Report" (9 December 2021).

⁷ Commerce Commission "Open letter from the Commerce Commission on improving retail service quality for consumers – 2022 update" (7 March 2022).

⁸ We are also reviewing our annual monitoring report (AMR) and the Measuring Broadband New Zealand (MBNZ) programme which include aspects of RSQ.

- 7.3 further understanding issues around debt and affordability; and
- 7.4 addressing product disclosure issues, as set out in this paper.

Product disclosure RSQ issues

- 8. This Emerging Views Paper focuses on improving RSQ relating to product disclosure.
- 9. Product disclosure refers to the information telecommunications companies provide to consumers to describe their products and services through marketing.
- 10. The product disclosure RSQ issues we identified in the Baseline Report were:⁹
 - 10.1 consumers find marketing of new technologies inconsistent and confusing;
 - 10.2 product information and service quality do not always match or line-up;
 - 10.3 “up-to” advertised performance indicators do not give an accurate indication of expected performance; and
 - 10.4 consumers find it difficult to compare plans, including:
 - 10.4.1 plans are complex with a lot of add-ons and bundled offers;
 - 10.4.2 usage information is inadequate to assess appropriate plans; and
 - 10.4.3 coverage maps can be inconsistent, inaccurate, or difficult to interpret.

Product disclosure RSQ priorities

- 11. We have already taken action to address issues relating to the marketing of new technologies (paragraph 10.1) and “up-to” speed indications in marketing (paragraph 10.3). This was done through the publication of Commission guidelines and the subsequent creation of New Zealand Telecommunications Forum Inc. (TCF) industry RSQ codes.^{10,11} We will continue to monitor industry performance against the guidelines and codes to ensure they achieve their desired outcome and make available reports, summaries, and information about these codes to inform consumer choice.¹²
- 12. This Emerging Views Paper sets out the options we have identified to improve the remaining aspects of product disclosure identified in the Baseline Report (paragraphs 10.2 and 10.4) as well as the related issue of how retail service providers (RSPs) calculate and disclose their customer numbers.

⁹ Commerce Commission “Improving RSQ Final Baseline Report” (9 December 2021).

¹⁰ Commerce Commission “Guidelines to the telecommunications industry on marketing alternative telecommunications services during the transition away from copper” (8 November 2021).

¹¹ <https://www.tcf.org.nz/industry/news/media-releases/2022-05-17-marketing-alternative-services-codes-announced/>

¹² Under s 9A(1)(f) of the Act, we must make available reports, summaries, and information about RSQ in a way that informs consumer choice.

13. Our key objective is to enable consumers to make better comparisons between plans and providers. 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.
14. This Emerging Views Paper sets out six key aspects of product disclosure we consider could be improved to enable consumers to more easily compare plans and providers. They are:
 - 14.1 comparing prices;
 - 14.2 comparing total costs;
 - 14.3 comparing plan inclusions;
 - 14.4 comparing bundle pricing;
 - 14.5 comparing customer numbers; and
 - 14.6 comparing mobile coverage.

Approach to addressing RSQ issues

15. Consistent with our wider approach to RSQ, we have endeavoured to identify options that build on existing industry processes and initiatives, as far as possible, to address these product disclosure issues.¹³ In framing our options, we have had regard to approaches in other industries and jurisdictions, so as to align any solutions with best practice as far as possible.

Submissions

16. We welcome your feedback on:
 - 16.1 the options we have identified;
 - 16.2 how best to implement any solutions, recognising that different issues may warrant different approaches, or combinations or approaches, such as:
 - 16.2.1 voluntary commitments from RSPs;
 - 16.2.2 the Commission issuing guidelines to the telecommunications industry;¹⁴
 - 16.2.3 an industry RSQ code; or
 - 16.2.4 a Commission RSQ code;^{15,16}

¹³ For example, for the 'comparing plan inclusions' issue we propose building on the existing *TCF Broadband Product Disclosure Code* and for the 'comparing mobile coverage' issue we propose building on the RSPs' existing coverage maps.

¹⁴ Telecommunications Act 2001 s 234.

¹⁵ Telecommunications Act 2001 s 236.

¹⁶ We have summarised sections 234-236 of the Act in Attachment B.

- 16.3 the order in which you consider the issues outlined at paragraph 14 should be addressed if they are not addressed simultaneously.
17. In our previous RSQ work, we have taken different approaches or combinations of approaches on different issues, depending on the level of intervention we considered necessary and our assessment of the prospects of a lower level or industry-led response resulting in improvements for consumers.
18. Accordingly, last year, we accepted voluntary commitments from the three mobile network operators to improve the usage and spend information provided to their customers,¹⁷ but issued guidelines to the industry to improve marketing conduct,¹⁸ which the TCF then used to develop industry RSQ codes.¹⁹
19. To date, we have not issued any Commission RSQ codes (backed up by statutory enforcement and penalty provisions). This option is available, should we consider that taking such a step is necessary.
20. We would be grateful for your views on these areas by 7 December 2022. Responses can be emailed to market.regulation@comcom.govt.nz with *Improving RSQ: Product Disclosure Emerging Views Paper* submission in the subject line.

Confidentiality

21. The protection of confidential information is something the Commission takes seriously. When including commercially sensitive or confidential information in your submission, we offer the following guidance:
- 21.1 please provide a clearly labelled confidential version and public version. We intend to publish all public versions on our website; and
- 21.2 the responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.
22. Please note that all submissions we receive, including any parts that we do not publish, can be requested under the Official Information Act 1982. This means we would be required to release material that we do not publish unless good reason existed under the Official Information Act 1982 to withhold it. We would normally consult with the party that provided the information before any disclosure is made.

¹⁷ Commerce Commission “Open letter from the Commerce Commission addressing transparency and inertia issues in the residential mobile market” (9 March 2021).

¹⁸ Commerce Commission “Guidelines to the telecommunications industry on marketing alternative telecommunications services during the transition away from copper” (8 November 2021).

¹⁹ <https://www.tcf.org.nz/industry/news/media-releases/2022-05-17-marketing-alternative-services-codes-announced/>

Next steps

23. The submissions received in response to this Emerging Views Paper will be published on the Commission's website.
24. Once we have reviewed the submissions, we will give an indication of the next steps we intend to take to improve the product disclosure aspect of RSQ to reflect the demands of consumers of telecommunications services, consistent with s 233 of the Act.
25. Please contact Andrew Young (Andrew.Young@comcom.govt.nz) if you have any questions.

Comparing prices

RSQ issue

26. The Baseline Report identified that consumers can find it difficult to compare pricing between plans where there are different plan durations and sign-up offers.²⁰ This issue can affect both mobile and broadband and can lead to consumers struggling to identify which plan is best for them.
27. Different plan durations can make it hard to compare pricing between plans and work out which one is the best value for money based on the consumers' needs. For example, a consumer comparing a 28-day plan against a monthly plan may not realise that the 28-day plan results in them paying 13 times a year, rather than 12.²¹
28. Discounted sign-up offers can make it harder for consumers to compare the total or average amount they will pay over time versus plans that offer a lower flat monthly price. For example, a deal offering "three months' free broadband" may be more expensive over time than comparable flat rate deals, despite the initial discount.
29. We consider that steps should be taken to improve the transparency of pricing by making the core price elements of plan offers more readily comparable for consumers.

Options to address RSQ issue

30. Different approaches have been taken to price comparison issues in other sectors, but most solutions tend to involve providing a standard and consistent reference point to help consumers compare pricing between products.
31. For example, unit pricing has become a best practice solution in supermarkets, enabling consumers to compare the pricing for different products based on a standard unit of measure, such as price per kilo for meat or price per litre for liquids.
32. For telecommunications consumers, we consider that the best way to improve clarity is to provide a reference price alongside the advertised price (where different) for a service, so that consumers can better understand and compare pricing.
33. We consider this could be addressed through a principle that RSPs should state the average monthly cost of a service over a standard period of time in marketing. For the purpose of this principle:
 - 33.1 **Average monthly cost** refers to the cost of the core services supplied to the consumer. For example, this will include the data, voice and messaging allowances in most mobile offers, but will exclude any add-ons that are charged separately, such as additional data or international calling packages.

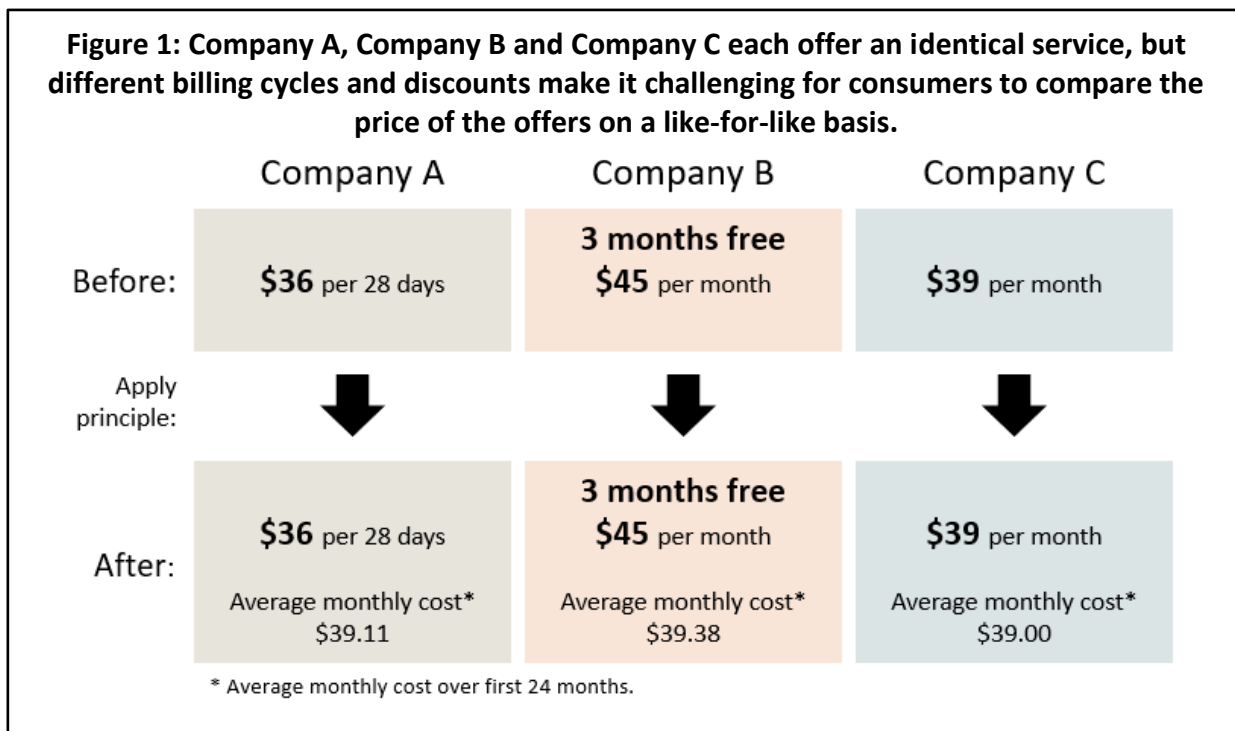
²⁰ Commerce Commission "Improving RSQ Final Baseline Report" (9 December 2021). See chapter 5: Evidence for the RSQ Matters at page 30.

²¹ Ibid.

33.2 **Standard period of time** refers to the period of time over which the monthly average costs of the service are calculated. We are open to views on the length of this period but have used 24 months in the examples given below. We have done so because 24 months is long enough to accommodate most offers available in the market, balances low monthly cost and introductory offers and allows for the tendency for consumers to stay with the same provider after the expiry of shorter minimum commitments.

33.3 We consider that the average monthly cost should be stated prominently in all marketing where the advertised price is discounted or otherwise different from the average monthly cost calculated in accordance with this principle.

34. An example of the issue and option to address it is illustrated in Figure 1.



35. The inclusion in marketing of an average monthly cost for each of these offers provides consumers with greater clarity on the relative value of each offer. Consumers can see that Company A's offer with a shorter 28-day billing cycle, and Company B's offer of 3 months free, result in a slightly higher average cost than Company C's offer over a 24-month period.

Implementation

36. At this stage, we consider that the most effective way of implementing the disclosure principles set out above would be by way of guidelines issued to the industry under s 234 of the Act, which would then be incorporated into an industry RSQ code by the TCF.

37. However, given the time code development would take, our expectation is that RSPs would implement the disclosure principles ahead of the development and adoption of an industry RSQ code.²²

Consultation questions

1. What are your views on the option set out above for addressing this issue?
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?
3. Do you support the implementation approach set out above?
4. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?

²² Our experience with the marketing guidelines, where we took a similar approach, shows that the industry can make changes to conduct ahead of a formal TCF code, meaning that such an approach remains a viable pathway at this time.

Comparing total costs

RSQ issue

38. The Baseline Report identified that consumers can find it difficult to compare offers, including evidence that ‘consumers find product offers complex, and offer details are not clear or transparent on RSP’s website’.²³ This issue can affect both mobile and broadband and can lead to consumers struggling to identify which offer is best for them on a total cost basis.
39. We have observed that the total minimum costs a consumer can expect to pay over the offer period is not always clear at the point of sale, making it challenging for consumers to understand their total minimum cost commitment.
40. Different offer periods for different aspects of the offer can contribute to this issue. For example, if the service is provided on a 12-month fixed term basis, but equipment is subject to 24-month payment terms, it can be challenging for consumers to assess the total minimum costs they will face over the period that they will be subject to early termination fees or payback.
41. Upfront costs can also contribute to this issue. For example, installation or postage and handling costs can be substantial, and differ significantly across RSPs, making it challenging for consumers to assess and compare the total minimum cost commitment.
42. We consider that steps should be taken to improve the transparency at the point of sale of the total minimum cost consumers can expect to pay over the offer period to make plan offers more readily comparable for consumers.

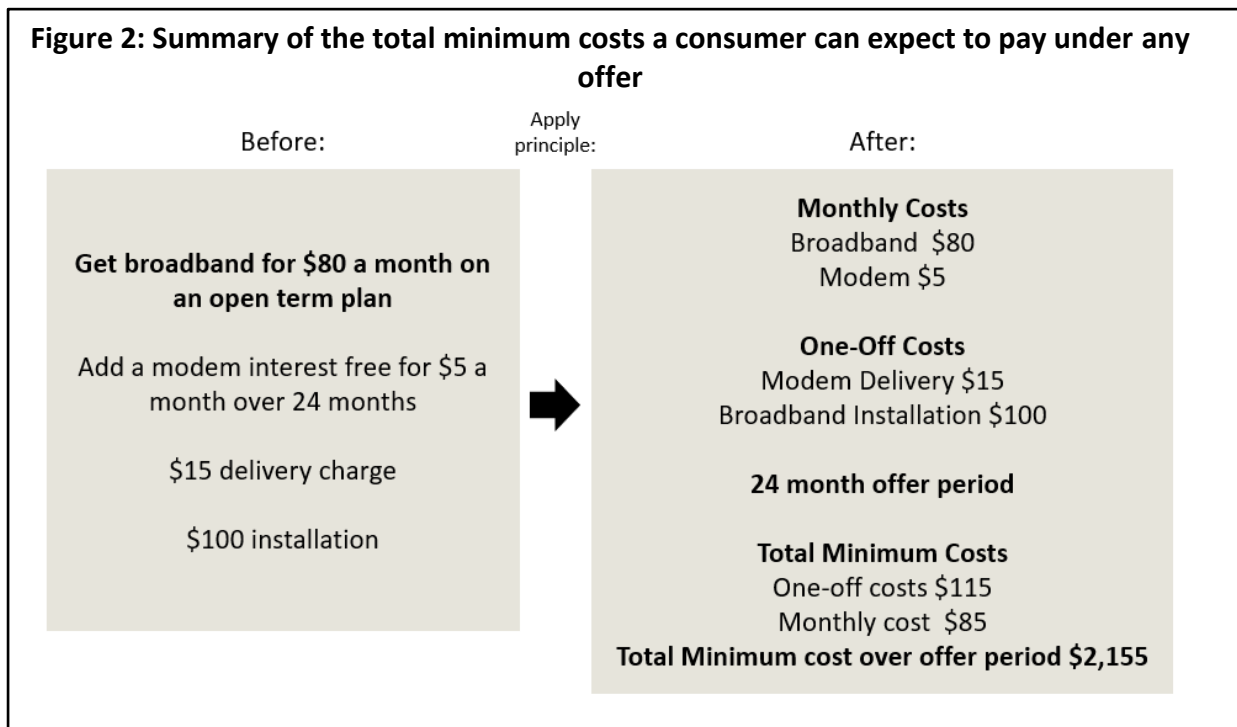
Options to address RSQ issue

43. We consider that, as part of the sales process, consumers should be presented with a summary of the total minimum costs they can expect to pay under any offer, including the cost of the service and any additional items such as modems or handsets.
44. This is consistent with best practice approaches in other sectors, such as consumer credit, where lenders are required to make various upfront disclosures, including the total costs to be paid under a contract.
45. We consider this could be addressed by providing consumers with a total cost summary, using the following principles, before any offer is agreed:
 - 45.1 State the **monthly cost** of the core service over the period of the offer. For example, this will include the data, voice and messaging allowances in most mobile offers, but will exclude any add-ons that are charged separately, such as additional data or international calling packages;

²³ Commerce Commission “Improving RSQ Final Baseline Report” (9 December 2021). See chapter 5: Evidence for the RSQ Matters at pages 30-31.

- 45.2 State the **setup costs** including any costs for the installation or shipping of any included equipment to consumers;
- 45.3 State any **extra costs** that apply under the offer on a one-off or recurring basis. Extra costs are the cost of any equipment or additional services that are supplied but not included in the cost of the core services. For example, where a modem is supplied at a separate cost under a broadband offer, this cost should be disclosed in accordance with how it is charged (e.g., a fixed amount per month, or a one-off additional charge);
- 45.4 State the **period of the offer**. The period of the offer refers to the longest time period that will attract early termination fees or payment of remaining costs of any item under the offer. For example, if the service is provided on an open term or 12-month fixed term basis, but equipment is subject to 24-month payment terms, then the period of the offer is 24 months;
- 45.5 State the **total minimum cost** over the period of the offer. Total minimum cost refers to the sum of the service costs, any setup costs and any extra costs over the period of the offer.

46. An example of the issue and option to address it is illustrated in Figure 2.



- 47. The provision of the information on the right at the point of sale provides greater transparency to consumers on the total minimum amount they will need to pay over the offer period. In the example above, consumers can see, as part of the sales process, that over 24 months the total minimum costs are \$2,155.
- 48. A number of RSPs already disclose costs to some extent, but not always as comprehensively as these principles would require, so the provision of consistent information by all RSPs at the point of sale will help consumers identify, and compare, the total cost of different offers.

Implementation

49. At this stage, we consider that the most effective way of implementing the disclosure principles set out above would be by way of guidelines issued to the industry under s 234 of the Act, which would then be incorporated into an industry RSQ code by the TCF.
50. However, given the time code development would take, our expectation is that RSPs would implement the disclosure principles ahead of the development and adoption of an industry RSQ code.²⁴

Consultation questions

5. What are your views on the option set out above for addressing this issue?
6. Do you support the implementation approach set out above?
7. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?

²⁴ Our experience with the marketing guidelines, where we took a similar approach, shows that the industry can make changes to conduct ahead of a formal TCF code, meaning that such an approach remains a viable pathway at this time.

Comparing plan inclusions

RSQ issue

51. The Baseline Report identified that consumers are not being provided with sufficient information to enable them to compare different plans against each other.²⁵ This issue can affect both mobile and broadband and can lead to consumers struggling to identify which plan is best for them.
52. This has also been an issue in other jurisdictions where telecommunications regulators have recognised the importance of consumers having relevant product information provided to them in a comparable format.
53. In Australia, for example, the Australian Communications and Media Authority (**ACMA**) requires that consumers be provided with a “critical information summary” for all services in a prescribed format.²⁶ This requirement has existed in Australia since 2013.
54. More recently, as a key component of the new Electronic Communications Code, the European Commission has adopted rules on the main contract information that communications operators should provide to consumers in a summary.²⁷
55. In announcing the adoption of the European Commission’s contract summary regulation, the Commissioner for Internal Markets highlighted that:

“[T]he new contract summary will offer clear and comparable information about each service and contract, making it easier for consumers to make informed choices.”²⁸
56. The main features of these disclosure requirements are that they:
 - 56.1 include key fields of information that matter most to consumers; and
 - 56.2 prescribe a standard template format and length to make them as “user friendly” as possible for consumers.
57. Across the board, these summaries tend to require a table format of no more than two pages, which must be written in plain English to make them accessible to consumers. The key fields of information include:
 - 57.1 fees and charges;
 - 57.2 voice, text and data allowance;
 - 57.3 speed;
 - 57.4 coverage;

²⁵ Commerce Commission “Improving RSQ Final Baseline Report” (9 December 2021). See chapter 5: Evidence for the RSQ Matters at page 30.

²⁶ Available at <https://www.acma.gov.au/critical-information-summaries>

²⁷ Available at https://eur-lex.europa.eu/eli/reg_impl/2019/2243/oj

²⁸ Available at <https://digital-strategy.ec.europa.eu/en/news/contract-summary-consumers-electronic-communication-services-eu>

- 57.5 services included under the contract;
 - 57.6 services not included and charged separately under the contract;
 - 57.7 minimum term;
 - 57.8 early termination fees; and
 - 57.9 total minimum cost over a standard timeframe.
58. We consider that steps should be taken, consistent with practice in other jurisdictions, to make the core elements of plan offers more readily comparable for consumers.

Options to address RSQ issue

59. In New Zealand, the industry has taken a step in the right direction with the TCF's recently updated broadband product disclosure code.²⁹ This code provides RSPs with minimum standards for the disclosure of information about their broadband plans, including prescribed words and standardised terminology.
60. However, this does not cover the mobile market, and the broadband offer summaries can be hard to find on some providers' websites and do not seem to be presented at the same stage of the sales process, if they are presented at all.
61. Additionally, the format provided to consumers is not consistent. In some cases, a PDF document with a table is provided, but in other cases a web page paragraph format is used, which makes comparison harder.
62. We see an opportunity to improve outcomes for consumers by building on what the industry has already done with the TCF broadband product disclosure code. This would involve RSPs:
- 62.1 making standardised plan summaries (both content and format) for broadband and mobile services available to consumers;
 - 62.2 designing and testing the summaries in conjunction with consumers to ensure they are fit for purpose; and
 - 62.3 ensuring the summaries are consistent with best practice requirements in comparable jurisdictions.
63. The result should be a short summary of plans in standardised form and format that are directly comparable with each other when placed side by side and that are made available to consumers consistently in the same way across providers.

²⁹ <https://www.tcf.org.nz/industry/standards-compliance/customer-experience/broadband-product-disclosure/>

Implementation

64. As noted above, the core of a solution that would enable consumers to compare plans more effectively already exists in the form of the TCF’s broadband product disclosure code. The challenge is to ensure the code meets all relevant best practice requirements, is fit for purpose from a consumer “usability” perspective, is extended to include mobile plans, and is implemented by all RSPs, so that plan summaries are made available consistently in the same way to consumers.
65. At this stage, we consider the work that needs to be done is clear enough to be taken forward by the industry through the TCF, without the need for further specific guidance from the Commission. However, the Commission remains willing to provide further clarification or guidance, should that be required to enable the TCF process to move forward.
66. We would expect the TCF to agree on a roadmap with the Commission to address these issues within a reasonable timeframe.³⁰

Consultation questions

- | |
|---|
| 8. What are your views on the option set out above for addressing this issue? |
| 9. What views do you have on the key fields of information that should be included in a broadband and mobile offer summary? |
| 10. What views do you have on the key fields of information that should be included in a broadband and mobile offer summary? |
| 11. What views do you have on the key fields of information that should be included in a broadband and mobile offer summary? |
| 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? |
| 13. Do you support the implementation approach set out above? |
| 14. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously? |

³⁰ We would expect this roadmap to include details of the working group formed to take the project forward as well as the governance arrangements, key milestones, deliverables and delivery dates under the project. This would also include areas in which the Commission would be directly involved. For example, we would expect to be directly involved in the scoping, implementation and review of consumer testing to ensure it meets the expected outcomes.

Comparing Bundle Pricing

RSQ issue

76. The Baseline Report identified that consumers can find it difficult to compare pricing between plans where different services are being bundled together.³¹ This issue can affect both mobile and broadband and can lead to consumers struggling to identify which plan is the best value for them.
77. Comparisons can be particularly problematic for consumers when telecommunications services are bundled together with non-telecommunications services. Bundled energy and telecommunications services, for example, are becoming increasingly prevalent features of the market.
78. These “integrated” bundles can be attractive and convenient to consumers. However, the prices for individual services included in the bundle are not always clear upfront, and the bundled prices can be higher or lower than the prices available on a stand-alone basis with the same provider.
79. As a result, bundled offers do not always result in the savings that their marketing might suggest, which can give rise to consumer dissatisfaction and complaints. Consumers need to see all relevant charges alongside one another in order to make informed purchasing decisions.
80. We consider that steps should be taken to improve transparency for consumers by disclosing the price elements of bundled services to make them more readily comparable.

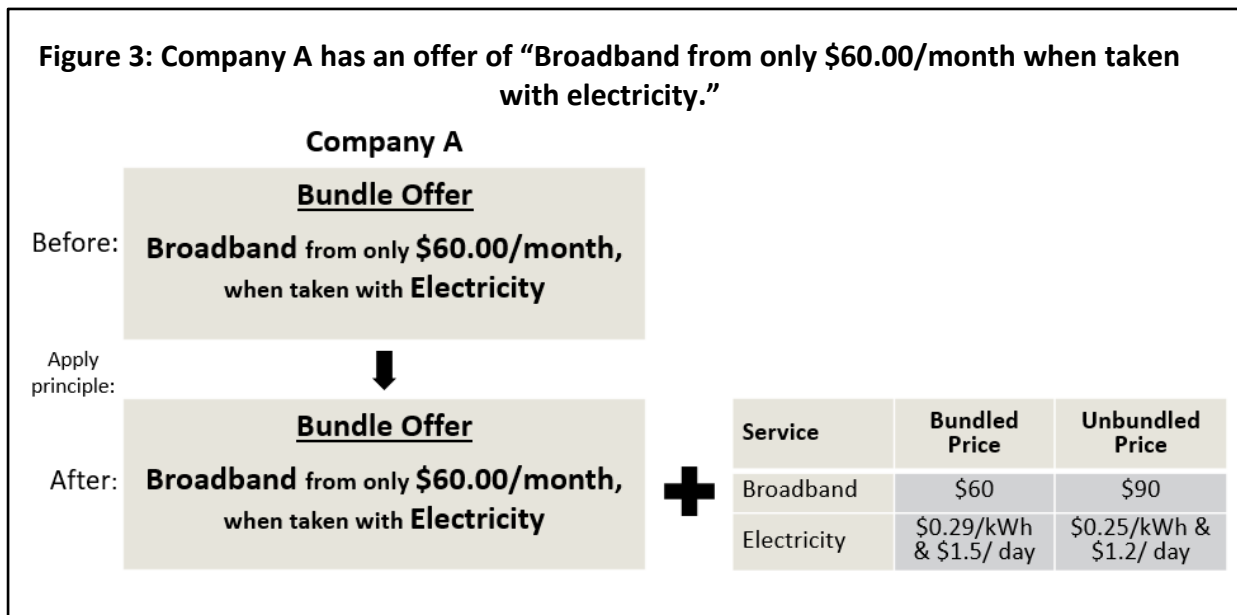
Options to address RSQ issue

81. In our view, the best way to enable consumers to compare offerings would be to create greater transparency at the point of sale, by showing the bundled price of each service against the best available unbundled price for the same service, so as to highlight the true discount offered and allow for comparisons with other providers.
82. This requirement would apply to all bundling activity but is most relevant to the increasingly prevalent practice of bundling telecommunications and non-telecommunications (particularly energy) services together.
83. The electricity sector is regulated by both the Commission and the Electricity Authority (EA). We have engaged with the EA when considering this *Comparing Bundle Pricing* issue. The EA is supportive of greater pricing transparency, which aligns with the EA’s objectives of focussing on outcomes for consumers. We will continue engagement with the EA as this initiative progresses to ensure alignment of objectives.
84. At present, when telecommunications and energy services are bundled, the discount applying to telecommunications services is usually clear. Indeed, marketing for these

³¹ Commerce Commission “Improving RSQ Final Baseline Report” (9 December 2021). See chapter 5: Evidence for the RSQ Matters at page 30.

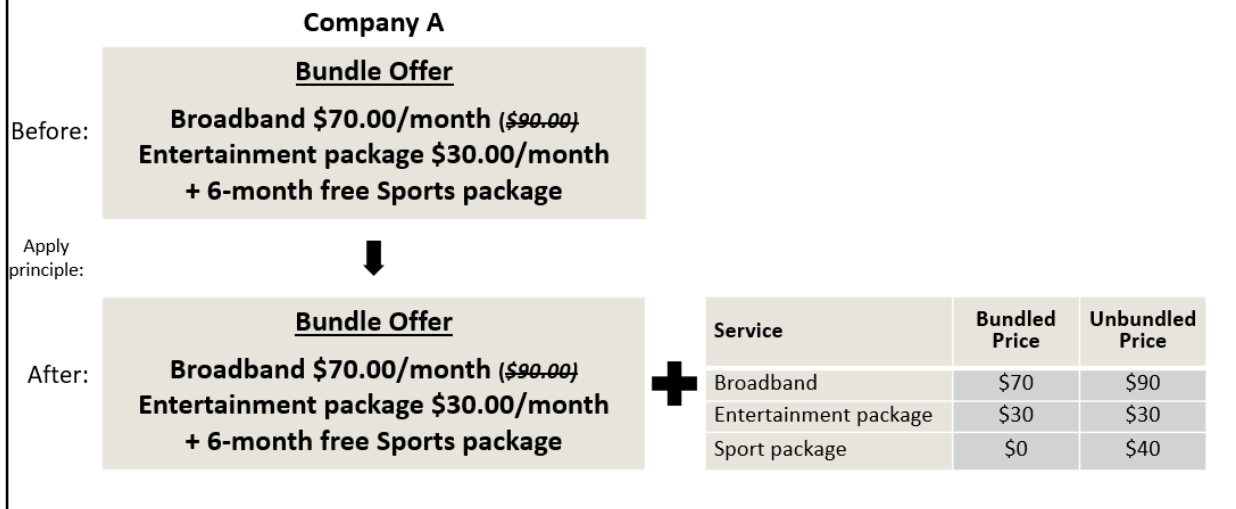
bundles is often framed in terms of discounts off the standard monthly broadband price.

- 85. However, the energy pricing that applies under these integrated bundles is often not provided upfront and can be difficult to ascertain, giving rise to transparency issues for consumers.
- 86. Energy prices can be higher under bundled deals than the prices consumers could obtain from the same provider on a stand-alone basis. This gives rise to the concern that consumers could potentially end up paying more under a bundled deal despite the upfront broadband discount.
- 87. In order to address these transparency concerns, consumers need to know the pricing that applies for electricity and gas services under integrated bundles, as well as the best available standard prices for electricity and gas from the same provider.
- 88. Providing these details, which are usually missing in current marketing, or at the point of sale, would give consumers the information they need to determine whether the particular bundle is likely to result in an overall saving or benefit for them.
- 89. Examples of the issue and the option to address them are illustrated in Figures 3, 4 and 5.



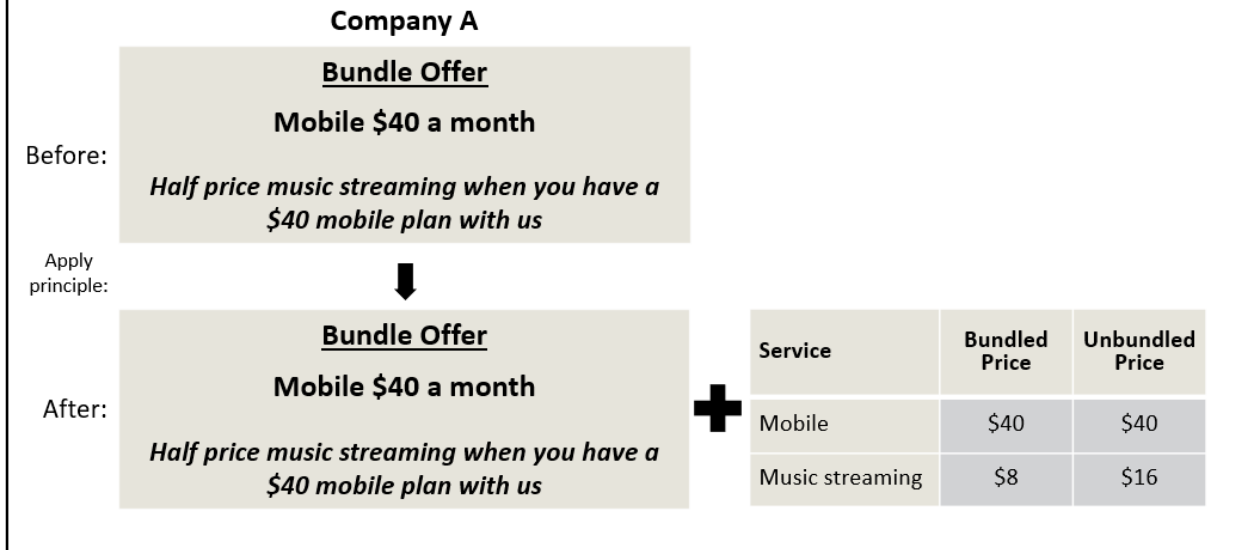
- 90. The provision of the pricing table, which sets out the bundled and unbundled prices, shows that electricity is more expensive under this bundle than on a stand-alone basis and gives the specific prices that will apply. This provides a signal to consumers that the “saving” on broadband under the bundle could be reduced by higher electricity charges depending on their particular usage requirements. Consumers are then able to calculate the likely costs of energy for them under this bundle and the likely extent of any overall saving.

Figure 4: Company A has an offer to “Save \$20 on your broadband when bundled with an Entertainment package. Plus get 6-months free Sports package.”



91. The provision of the pricing table, which sets out the bundled and unbundled prices, shows the extent of the savings to consumers of this bundle.

Figure 5: Company A has an offer to “Purchase our mobile plan for \$40 a month and get half price music streaming.”



92. The provision of the pricing table, which sets out the bundled and unbundled prices, shows the extent of the savings to consumers of this bundle.

Implementation

93. At this stage, consistent with other pricing-related issues discussed above, we consider that the most effective way of improving the transparency of bundle pricing would be by way of the Commission issuing guidelines to the industry under s 234 of the Act. These guidelines would then be incorporated into an industry RSQ code by the TCF.

94. However, we would expect that RSPs would commit to implementing the solutions ahead of any formal industry RSQ code.

Consultation questions

15. What are your views on the option set out above for addressing this issue?

16. Do you support the implementation approach set out above?

17. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?

Comparing customer numbers

RSQ issue

95. Customer numbers are important to competition in two key respects: they provide a measure of market share and by extension are an indicator of success to consumers.
96. It is important that the customer numbers reported by both mobile and broadband providers are accurate and comparable measures of the movement of consumers between service providers as a result of competition in the market. Accurate reporting of customer numbers also allows for more accurate measurement of other factors, such as the relative level of consumer complaints, which is currently measured on the basis of complaints per 10,000 customers.
97. However, we observe that RSPs publicly report customer numbers using different methods. This issue is more pronounced in the mobile market, where different approaches to reporting pre-paid customer numbers is the main cause of inconsistencies. There are also some inconsistencies in the broadband market around the reporting of fixed wireless and satellite customers. This issue makes it difficult to compare customer numbers and can allow for ‘gaming’ in the reporting of customer numbers.
98. We consider that this aspect of product disclosure could be improved by requiring consistent reporting of customer numbers using an accepted international measure.

Options to address RSQ issue

99. We consider the industry needs to agree on a consistent methodology for calculating mobile and broadband customer numbers which is then used in all external reporting by RSPs.
100. For mobile customer numbers, we consider this could be addressed by the industry adopting the International Telecommunications Union (**ITU**) definition of mobile subscribers:³²

Mobile-cellular telephone subscriptions refers to the number of subscriptions to a public mobile-telephone service that provide access to the public switched telephone network (PSTN) using cellular technology. The indicator includes the number of post-paid subscriptions, and the number of active prepaid accounts (i.e., that have been used during the last three months). The indicator applies to all mobile-cellular subscriptions that offer voice communications. It excludes subscriptions via data cards or USB modems, data-only subscriptions, M2M and subscriptions to public mobile data services, private trunked mobile radio, telepoint, radio paging and telemetry services.³³

³² The Commerce Commission’s Annual Telecommunications Monitoring Report (AMR) currently uses a different definition of customer numbers to that used by the ITU. However, future AMRs will be updated to align with the definition adopted in this RSQ Product Disclosure work programme.

³³ International Telecommunication Union “Handbook for the collection of administrative data on telecommunications/ICT 2020 edition” (2020) at page 43. Available at https://www.itu.int/en/ITU-D/Statistics/Documents/publications/handbook/2020/ITUHandbookTelecomAdminData2020_E_rev1.pdf

101. This definition includes the number of post-paid subscriptions and the number of active pre-paid accounts, which are defined as those which have had inbound or outbound activity at least once in the last three months.
102. For broadband customer numbers, we consider this could be addressed by the industry adopting the ITU's definitions for broadband subscriptions. The two sub-definitions of broadband subscriptions that address the inconsistencies we have observed are:

Fixed-broadband subscriptions refers to fixed subscriptions to high-speed access to the public Internet (a TCP/IP connection), at downstream speeds equal to, or greater than, 256 kbit/s. This includes cable modem, DSL, fibre-to-the-home/building, other fixed (wired)-broadband subscriptions, satellite broadband and terrestrial fixed wireless broadband. This total is measured irrespective of the method of payment. It excludes subscriptions that have access to data communications (including the Internet) via mobile-cellular networks. It should include fixed WiMAX and any other fixed wireless technologies. It includes both residential subscriptions and subscriptions for organizations.³⁴

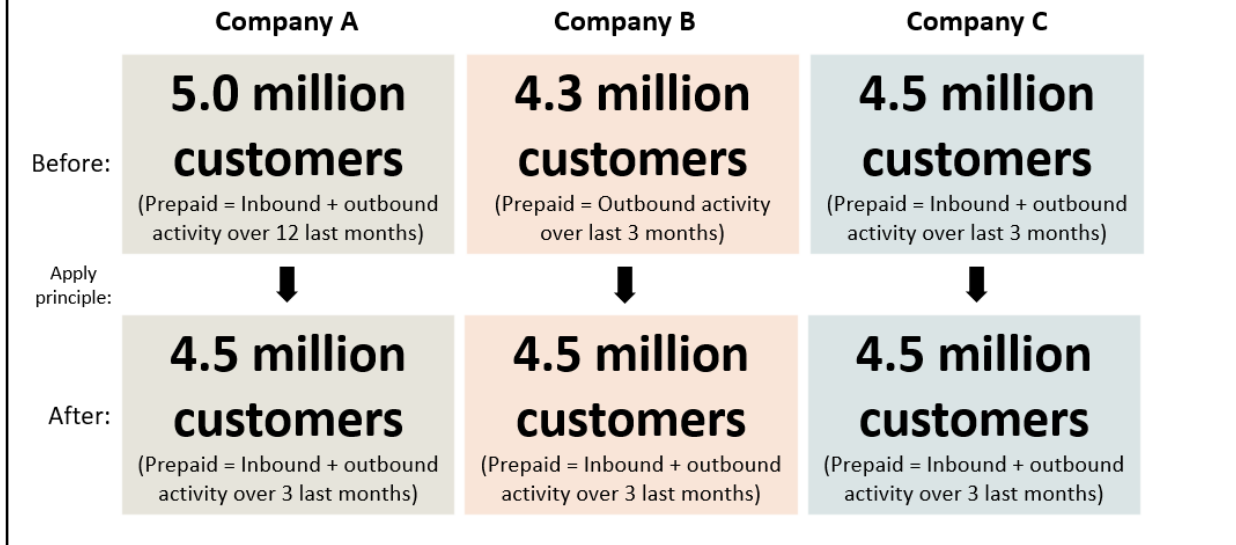
Active mobile-broadband subscriptions refers to the sum of active handset-based and computer-based (USB/dongles) mobile-broadband subscriptions that allow access to Internet. It covers actual subscribers, not potential subscribers, even though the latter may have broadband enabled handsets. Subscriptions must include a recurring subscription fee, or if in the prepayment modality, pass a usage requirement – users must have accessed the Internet in the last three months.³⁵

103. These definitions address the inconsistencies we have observed, by establishing that satellite broadband and terrestrial fixed wireless broadband should be included in '*fixed-broadband subscriptions*', and that location independent cellular data services (for example, dongles and SIM cards for tablets) should be included in '*active mobile-broadband subscriptions*'.
104. An example of the issue in the mobile market and option to address it is illustrated in Figure 6.

³⁴ International Telecommunication Union "Handbook for the collection of administrative data on telecommunications/ICT 2020 edition" (2020) at page 78. Available at https://www.itu.int/en/ITU-D/Statistics/Documents/publications/handbook/2020/ITUHandbookTelecomAdminData2020_E_rev1.pdf

³⁵ Ibid at page 48.

Figure 6: Company A, B and C each use different definitions of mobile customer numbers in their public reporting.



105. In this example, under the existing reporting approach, consumers would assume that Company A has the greatest market share and Company B has the smallest. However, under the ITU definition of mobile subscribers, each company has the same number of mobile customers, providing a more accurate basis for consumers to compare the relative market shares of these companies.

Implementation

106. At this stage, we consider that the most effective way of improving outcomes in this area would be for the Commission to issue guidelines recommending the adoption of the ITU definitions for mobile and broadband customer numbers, which would then be applied by RSPs and incorporated into the relevant industry code by the TCF.
107. As with the other areas where we are considering the use of guidelines, we would expect RSPs to move to the use of the ITU definition in their calculation and reporting of customer numbers, ahead of any changes that are made to the relevant industry code.

Consultation questions

18. What are your views on the options set out above for addressing this issue?

19. Are there other globally accepted measures for defining mobile or broadband customer numbers that would be more appropriate than the ITU definition?

20. Do you support the implementation approach set out above?

21. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?

Comparing mobile coverage

RSQ issue

108. The Baseline Report identified that consumers find coverage maps inconsistent, inaccurate, and hard to find on an RSP's website.³⁶
109. We understand this makes it difficult for consumers to choose an RSP that will provide the coverage they need where they live, work and play, as there is no readily available or comparable method for testing coverage prior to purchasing a service.
110. Further, it is not clear that consistent language, terminology and methodology are used across the coverage maps that are available to consumers. Uncertainty about differences in coverage can leave customers hesitant to switch providers.
111. Coverage is also one of the main reasons people leave a provider, which would suggest they are not always receiving the right level of information when they join an RSP. When using coverage maps to appraise a service, there can be a disconnect between consumers' expectations of coverage and the actual real-world performance of providers' services.
112. We therefore consider that improving the coverage information consumers have available to them would enable greater comparison and choice between providers.
113. We acknowledge that coverage maps rely on models that cannot account for all factors that affect real-world performance. However, the options highlighted below will go some way to addressing this RSQ issue and improving outcomes for consumers.³⁷

Options to address RSQ issue

114. Other regulators – such as ComReg in Ireland and the Ofcom in the UK – have been moving towards the provision of more standardised coverage information to consumers.^{38,39} This includes address check functionality which gives greater certainty about the level of coverage that can be expected at a particular location.
115. We consider that similar improvements can be delivered to New Zealand consumers and propose that the three mobile network operators take this issue forward in a three-step process:
 - 115.1 As a first step, mobile operators should agree a consistent calculation methodology and terminology for reporting mobile coverage, and operators should then update their coverage maps accordingly. This would ensure that the coverage information provided to consumers is more meaningful for comparing between providers than it is currently.

³⁶ Commerce Commission "Improving RSQ Final Baseline Report" (9 December 2021). See chapter 5: Evidence for the RSQ Matters at pages 30-31.

³⁷ Future work under the MBNZ programme will consider the testing of mobile broadband coverage and performance which would complement the modelled coverage maps.

³⁸ <https://coveragemap.comreg.ie>

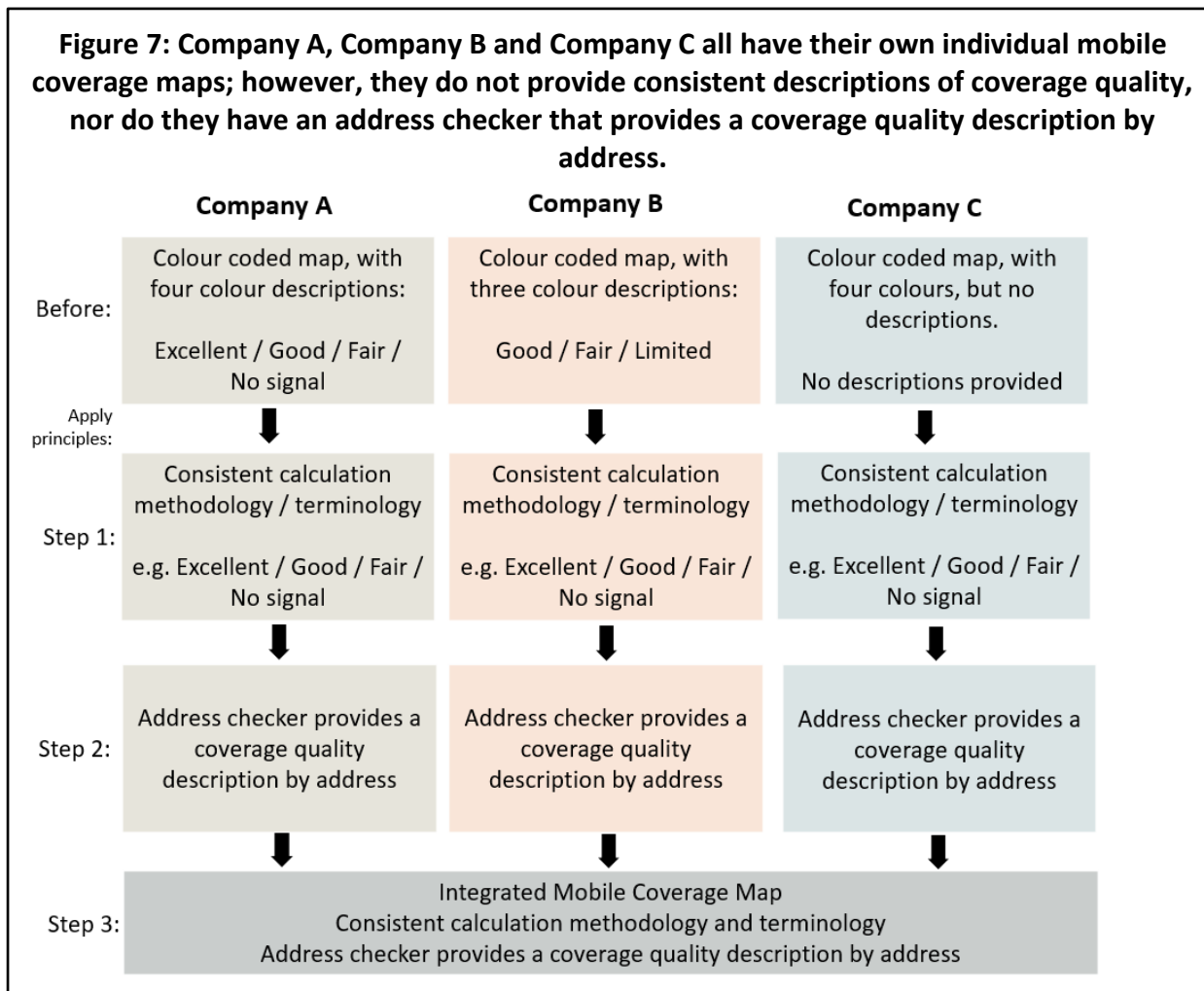
³⁹ <https://checker.ofcom.org.uk/en-gb/mobile-coverage>

115.2 As a second step, each mobile operator should enhance its mobile coverage map address checker functionality to provide a description of coverage by address. This will make it easier for consumers to identify the coverage quality at the location of interest (as opposed to having to infer coverage quality from the map).

1.1.1 Coverage could be presented in a number of different ways. Ireland uses five categories (very good, good, fair, fringe, no coverage) and reports by technology (2G, 3G, 4G and 5G).⁴⁰ The UK uses four categories (good indoors and outdoors, good outdoors only, limited coverage, no coverage) and reports by technology (2G, 3G, 4G and 5G).⁴¹ We would expect operators to agree on an approach that they consider would work best in New Zealand for New Zealand consumers and then to implement it.

115.3 The third step would be the creation of an integrated coverage map where consumers can access a single source of information for all mobile providers with address checking functionality. We consider that the industry would be best placed to produce and market such a tool.

116. An example of the issue and option to address it is illustrated in Figure 7.

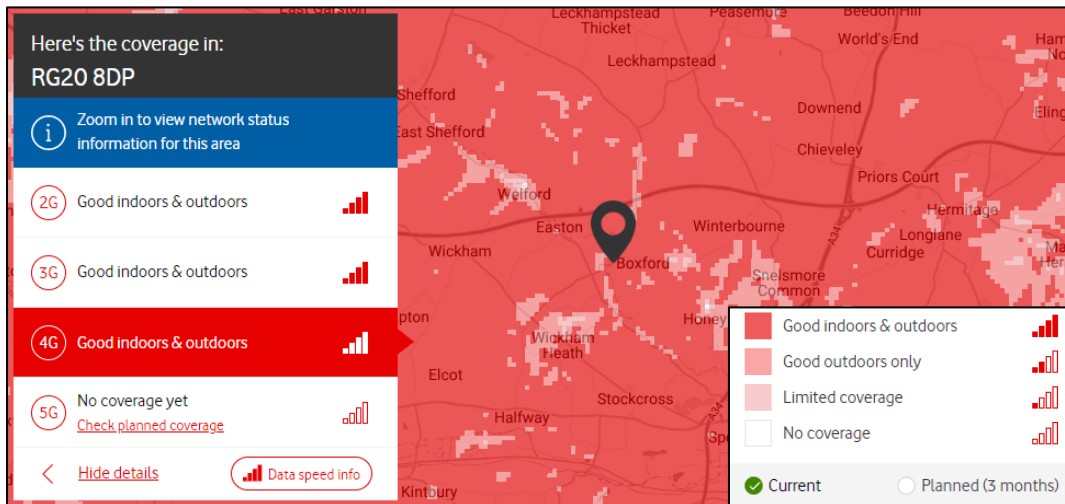


⁴⁰ <https://coveragemap.com/reg.ie/faq>

⁴¹ Coverage maps provided by the four UK mobile network operators (Vodafone, O2, EE, Three).

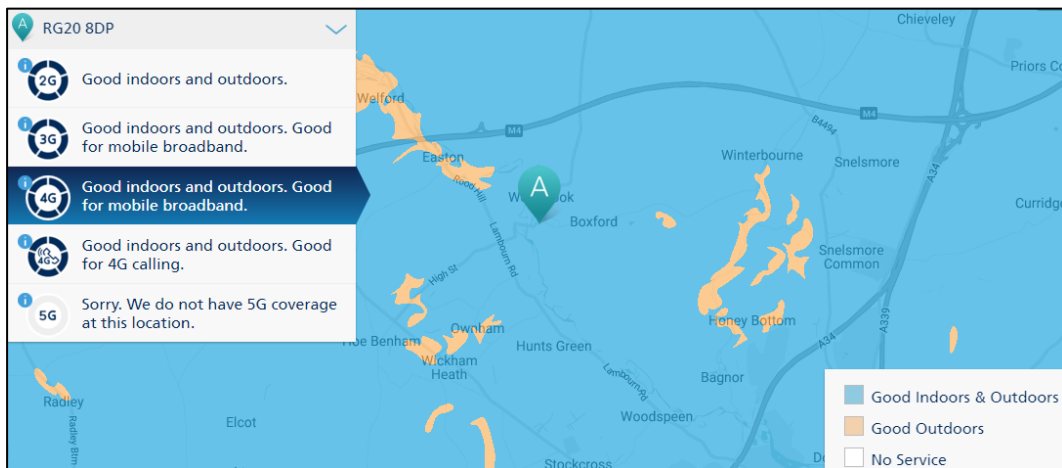
117. In their coverage maps, the UK mobile operators provide indoor and outdoor coverage information by technology using enhanced address checker functionality. The examples below are for a rural address in the village of Boxford, Newbury, Berkshire, with the post code RG20 8DP. These provide examples of the outcomes sought from the first two steps of the proposed process to address this RSQ issue, although we would expect greater consistency between operators in the description of the coverage levels.

Figure 8: Vodafone UK coverage map



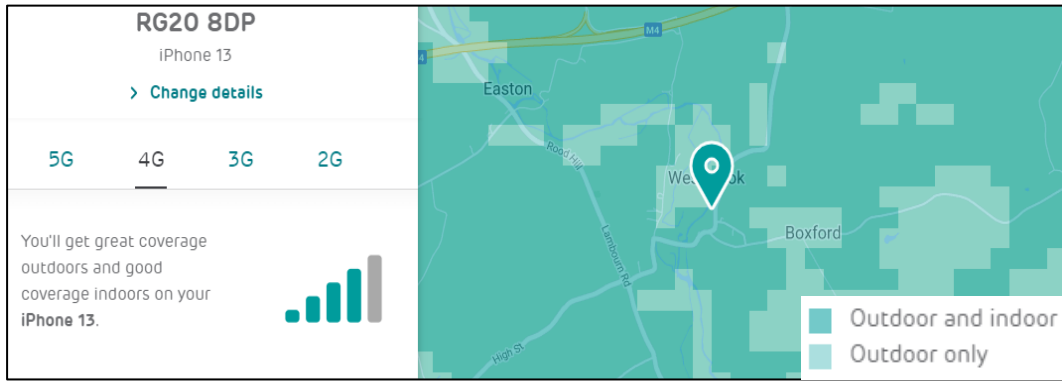
Source: <https://www.vodafone.co.uk/network/status-checker>

Figure 9: O2 UK coverage map



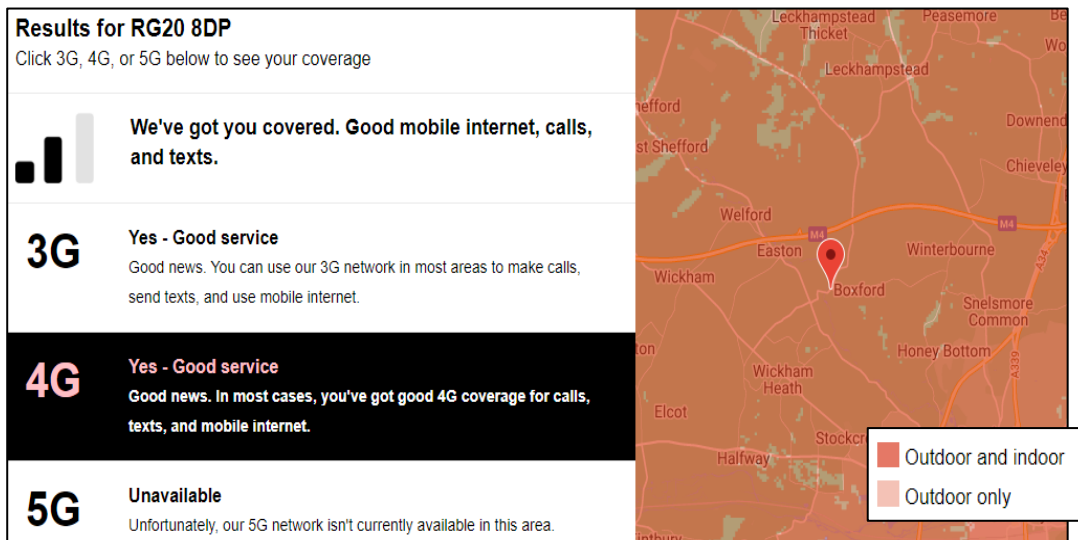
Source: <https://www.o2.co.uk/coveragechecker>

Figure 10: EE UK coverage map



Source: <https://coverage.ee.co.uk/coverage/ee>

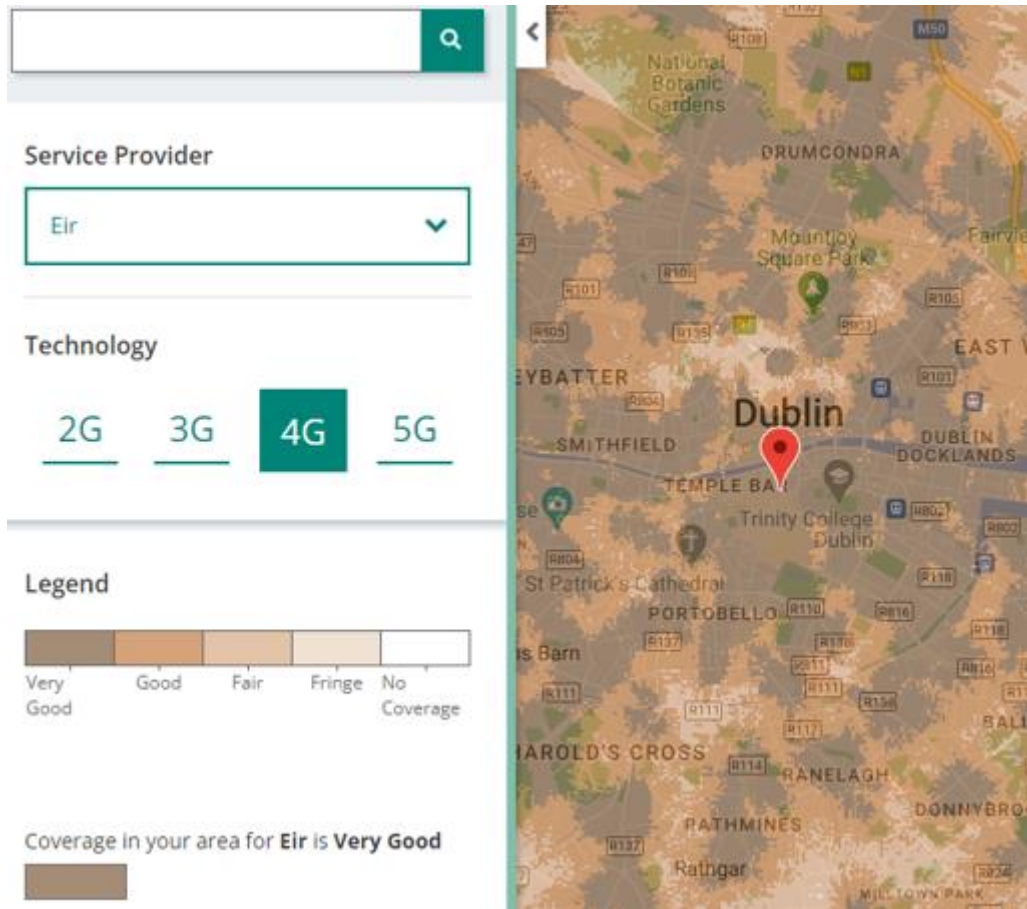
Figure 11: Three UK coverage map



Source: <https://www.three.co.uk/Discover/Network/Coverage/>

118. The Irish mobile coverage map shown in Figure 12 is an example of the third step – an integrated mobile coverage map. It provides coverage information for each provider using five coverage quality descriptions which can also be viewed by technology. It provides a description of coverage quality by address, as well as presenting this in map format. The example is for an address in Temple Bar, Dublin, with the postcode D02 YT92, using Eir as the selected provider.

Figure 12: Eir coverage map



Source: <https://coveragemap.comreg.ie>

Implementation

119. At this stage, we consider that the most effective way of improving mobile coverage information would be for the Commission to issue guidelines to the industry recommending the three-stage process set out above, which would then be taken forward by the three mobile network operators individually and collectively through the TCF as required.
120. We would welcome the industry starting the process of working together to implement the first step of this ahead of any guidelines or industry code. As with the TCF work on broadband and mobile plan summaries, we would expect to receive a roadmap setting out the details of the working group formed to take the project forward, against which we would monitor and track progress.

Consultation questions

22. What are your views on the option set out above for addressing this issue?

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?

24. Do you support the implementation approach set out above?

25. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?

Attachment A: Summary of proposals

Issue	Proposal	Delivery ⁴²	Implementation
Comparing Prices	Provide reference price alongside advertised price (where different) to show true monthly cost	RSPs	<ul style="list-style-type: none"> • Commission guidelines • Voluntary implementation by RSPs ahead of industry code
Comparing Total Costs	Provide total cost summary before contract is signed	RSPs	<ul style="list-style-type: none"> • Commission guidelines • Voluntary implementation by RSPs ahead of industry code
Comparing Plan Inclusions	Provide standardised plan summaries for mobile and broadband services to consumers	TCF	<ul style="list-style-type: none"> • Build on existing 'TCF Broadband Product Disclosure Code'
Comparing Bundle Pricing	Provide bundled price of each service against best available unbundled price for same service	RSPs	<ul style="list-style-type: none"> • Commission guidelines • Voluntary implementation by RSPs ahead of industry code
Comparing Customer Numbers	Adopt ITU definition of mobile and broadband subscribers	RSPs	<ul style="list-style-type: none"> • Commission guidelines • Voluntary implementation by RSPs ahead of industry code
Comparing Mobile Coverage	Three-step process: <ol style="list-style-type: none"> 1. Standardise existing coverage maps 2. Add standardised address check functionality 3. Integrate coverage maps 	MNOs	<ul style="list-style-type: none"> • Commission guidelines • Voluntary implementation by MNOs under agreed roadmap

⁴² In most cases, where we are proposing to issue Commission guidelines, primary responsibility for implementation rests with individual RSPs who are expected to voluntarily implement the guidelines. The TCF will subsequently codify the relevant requirements, to the extent required in an industry code. The exception is "Comparing Plan Inclusions" where the TCF will need to lead work on expanding the existing Broadband Product Disclosure Code.

Attachment B: Our RSQ code powers under the Telecommunications Act 2001

121. We consider the RSQ issues summarised in paragraph 14 need improving and could be addressed by our RSQ code powers under the Act. We explain these RSQ code powers below.
122. Part 7 sets out provisions for us to:
- 122.1 issue guidelines on RSQ codes, including advice on what issues are appropriately dealt with by RSQ codes;⁴³
 - 122.2 review industry RSQ codes;⁴⁴ and
 - 122.3 make Commission RSQ codes.⁴⁵
123. An RSQ code means a code of conduct relating to RSQ that applies to the provision of one or more types of telecommunications service.⁴⁶ The purpose of an RSQ code is to improve RSQ to reflect the demands of consumers of telecommunications services.⁴⁷

RSQ guidelines

124. Under s 234 of the Act, we may issue guidelines to the telecommunications industry on any matters relating to RSQ codes including advice on what matters are appropriately dealt with by RSQ codes. On 8 November 2021, the Commission issued guidelines in relation to the marketing of alternative technologies during copper withdrawal.⁴⁸

Industry RSQ codes

125. We may at any time review an industry RSQ code.⁴⁹ After each review we must advise the TCF, the dispute resolution provider for the code (if any), and the Minister of any recommendations for improving the code, and of any recommendations for creating a new code.⁵⁰
126. We must also advise the Minister whether any previous recommendations have been implemented, and whether in our opinion the code fails to achieve, or a Commission RSQ code would better achieve, the purpose set out in s 233 of the Act.⁵¹

⁴³ Telecommunications Act 2001, s 234.

⁴⁴ Telecommunications Act 2001, s 235.

⁴⁵ Telecommunications Act 2001, s 236.

⁴⁶ Telecommunications Act 2001, s 5.

⁴⁷ Telecommunications Act 2001, s 233.

⁴⁸ Commerce Commission “Guidelines to the telecommunications industry on marketing alternative telecommunications services during the transition away from copper” (8 November 2021).

⁴⁹ Telecommunications Act 2001, s 235(1)

⁵⁰ Telecommunications Act 2001, s 235(3)(a).

⁵¹ Telecommunications Act 2001, s 235(3)(b)-(c).

Commission RSQ codes

127. We may make a Commission RSQ code in relation to the provision of one or more types of telecommunications service if: (a) no industry RSQ code has been made in relation to the service; or (b) 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 of the Act.⁵²
128. The enforcement provisions under Part 4A of the Act apply in respect of Commission RSQ codes. These include:
- 128.1 the power to issue a civil infringement notice;
 - 128.2 applying to the High Court for a pecuniary penalty (a maximum of \$300,000); and
 - 128.3 accepting an undertaking under s 156B.

The Telecommunications Dispute Resolution Scheme

129. The Telecommunications Dispute Resolution Scheme (**TDRS**) is the industry dispute resolution scheme.⁵³ This scheme is 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.⁵⁴ On 11 November 2021, we published our recommendations for improvements to the TDRS, as part of our 2021 review of the TDRS.⁵⁵

⁵² Telecommunications Act 2001, s 236(1).

⁵³ Telecommunications Act 2001, s 232.

⁵⁴ Telecommunications Act 2001, s 247.

⁵⁵ Commerce Commission “2021 review of the telecommunications dispute resolution scheme” (11 November 2021).