



ULTRAFAST FIBRE LIMITED

**SUBMISSION ON NEW ZEALAND COMMERCE COMMISSION RETAIL
SERVICE QUALITY CONSULTATION**

26 FEBRUARY 2021

PUBLIC VERSION

1. Introduction and Summary

- 1.1 This submission is made by Ultrafast Fibre Limited (**Ultrafast Fibre**) (referred to in this submission as **we, us** or **our**) in response to the Commerce Commission's (**Commission**) Open Letter relating to Retail Service Quality dated 29 October 2020 (**RSQ Open Letter**).
- 1.2 The purpose of the RSQ Open Letter stated was to invite stakeholders to submit their views on how to improve Retail Service Quality (**RSQ**) to better reflect consumer demands. The Commission is particularly interested in views on the key pain points being experienced by fixed and mobile consumers and how they could be remedied.
- 1.3 In 2018 the Commission was granted new powers and a clear direction by Parliament to look more closely at consumer outcomes in retail telecommunications markets. Prior to submitting its proposed amendments to the Telecommunications Act 2001 (the **Act**), the Ministry of Business, Innovation & Employment (**MBIE**) prepared a regulatory impact statement which referred to 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".¹
- 1.4 After the amendments to the Act were released, the Commission published its Telecommunications RSQ framework, setting out its proposed approach to implementing the new consumer provisions. The Commission is now proceeding with more RSQ related actions, *with a focus on assessing pain points for fixed and mobile consumers*.²
- 1.5 We note the Commission's statement that while it has gathered evidence on a range of pain points, it does not consider its list to be exhaustive, or that the Commission necessarily understands all the ways in which consumer outcomes could be improved.³

2. Response

- 2.1 We welcome this opportunity to provide input into the Commission's RSQ activities, and we support outcomes intended to reduce customer complaints arising from the customer's experience with their fibre retailer.
- 2.2 We attach our responses to the Commission's RSQ survey questions. Our responses are based on our experiences as a fixed fibre wholesale provider and the information we have received from fibre customers regarding their experiences and pain points during their interaction with their fibre retail provider. We also submit our views on the appropriate remedies, or ways the Commission can respond, to each customer pain point.

3. Fibre Services

- 3.1 The New Zealand Government's substantial investment in the incredibly successful Ultra-Fast Broadband (**UFB**) initiative has delivered a world-leading fibre-to-the-premise network and range of high-speed, consistent and affordable fibre broadband services for consumers to choose from for their home, business, education and healthcare needs.
- 3.2 The success of the UFB initiative reflects the extensive efforts and investment by local fibre companies (**LFCs**) in our business, and the other LFCs (Enable and Northpower Fibre), Chorus and all of our valued retail service provider (**RSP**) customers.

¹ RSQ Open Letter, para 7

² RSQ Open Letter, para 13

³ RSQ Open Letter, para 13

- 3.3 Due to restrictions imposed on us at the commencement of the UFB initiative, we are prohibited from operating as a vertically integrated telecommunications service provider, and cannot sell retail services to consumers. We are also required to operate within geographic and service restrictions, unless we obtain Government approval.
- 3.4 Therefore, the success of UFB fibre uptake on our network is inherently reliant on the actions of our RSPs, and this means we are closely aligned with the needs of consumers and their interactions with RSPs (a number of whom compete directly with us for broadband services using their vertically integrated businesses that sell competing mobile and fixed wireless access (**FWA**) services directly to consumers).
- 3.5 This dynamic is now resulting in more retail sales efforts, marketing, discounts and incentives being invested to entice consumers away from fibre and towards the FWA products offered by those vertically integrated RSPs. During this past week, Vodafone released 5G FWA and expressed an intention to migrate 25% of its customers to FWA over the next 2-3 years⁴; and Spark reported a 25% increase in FWA customers in 2020 and plans to have 30-40% of its broadband customer base on FWA over the next 18 months.⁵

4. **Our observations**

4.1 Our survey responses reflect the feedback we have increasingly received from consumers in relation to the type of RSP behaviours they are experiencing when they ask their RSP for a broadband connection, such as:

- the customer not being informed, or sometimes even misinformed, about the different types of broadband services they can choose from and the cost or benefits of each type of broadband service;
- the customer not being given the chance to compare broadband services (and there is no regulatory obligation on the FWA providers to disclose that information, or any information in relation to FWA performance, comparative services, commissions and incentives, etc.)
- consumers being advised by their RSP that they were receiving a fibre broadband service when in fact, they were actually receiving a different type of broadband service, and it is often FWA.

To us, these examples represent the level of trust a consumer places in their RSP to tell them about, and sell them, the right broadband service for that customer's needs.

4.2 We are concerned that if this type of activity is allowed to continue without any form of clear and promptly enforced regulatory oversight of RSQ, the irresistible financial incentives for the vertically integrated RSPs to offer, promote and entice uninformed customers to take up a broadband service which may not be what the consumer needs or has asked for.⁶

⁴ <https://www.nzherald.co.nz/business/vodafone-nz-first-to-go-big-with-5g-wireless-broadband/XWMFFS6SG6X36MM2BVBISKOS6Q/#:~:text=Vodafone%20has%20become%20the%20first,There's%20no%20installation%20charge>, 22 February 2021

⁵ <https://www.nzherald.co.nz/business/spark-ceo-jolie-hodson-wants-30-40-per-cent-of-fixed-line-broadband-customers-on-wireless/S2O4ZORU7IJ3X66YQAISUYQ4AE/>, 25 February 2021

⁶ <https://www.stuff.co.nz/business/113418141/chorus-deeply-uncomfortable-with-spark-homephone-sales-move;>
<https://www.stuff.co.nz/business/113457590/commerce-commission-assesses-spark-inertia-selling-complaint>

- 4.3 We have always accepted the existence of robust competition in the broadband market, and we are now positively expecting the Commission to deliver a RSQ regulatory framework that will promote fair competition, and provide an environment where consumers have access to relevant and comparable information across all broadband technologies in order to make a fully informed choice (and that framework must include a set of disclosure obligations for RSPs to deliver to consumers and the Commission).

We welcome the opportunity to work with the Commission and other industry stakeholders to develop a regulated RSQ framework and code, and an associated monitoring regime to be overseen by the Commission.

Yours faithfully

A handwritten signature in black ink, appearing to be "JH", with a long horizontal flourish extending to the right.

John Hanna
Chief Executive
Ultrafast Fibre Limited

RETAIL SERVICE QUALITY (RSQ) SURVEY RESPONSES

SEARCHING for a new service	
<p>Availability</p> <ul style="list-style-type: none"> • Are coverage maps accurate and useful? • Is it easy to know what technology is available? 	<p>Choosing a plan</p> <ul style="list-style-type: none"> • Is it easy to compare different providers and plans? • Do customers have sufficient information to compare their current service with a new one? • Are important terms clearly communicated?
<p>What are the pain points?</p> <p>The feedback we receive ⁷ from (both new and existing) fibre customers is that the customer is often unaware, was not informed or even misinformed about:</p> <ul style="list-style-type: none"> • the different types of broadband services they can choose from their retail provider at their address • the cost or benefits of each type of broadband service • the chance to compare services 	<p>What would be the best ways to address them?</p> <p>A mandatory Retail Service Quality Code that requires retail providers to provide customers with all of their options and a plain English explanation of each type of service (including service quality metrics) and applicable charges – all of which must comply with the comparative advertising framework in the Fair Trading Act and the Advertising Standards Authority Code.</p>

⁷ via calls from customers to our Service Desk or conversations between customers and our subcontractor crews.

<p>Customers have also informed us that they have been told by their retail provider that they were receiving a fibre service when they are actually receiving a different type of service (e.g. fixed wireless); and the customer's choice of broadband service was made in reliance of the recommendation of their retail provider. Our end user (customer) satisfaction survey ⁸ results ⁹ also provide supporting verbatim customer comments confirming their experiences of the above, which we have had to accept as inevitably being something that is factored in to their satisfaction scoring which makes up our NPS results.</p>	
The PURCHASING process	
<p>Installations</p> <ul style="list-style-type: none"> • are installations completed on time? • does your provider communicate well during the installation process? 	<p>Switching providers</p> <ul style="list-style-type: none"> • is it easy to switch providers? • what are the costs of switching?
<p>Paying for your service</p> <ul style="list-style-type: none"> • are bills easy to understand and accurate? • how are late payments handled? 	<p>Contracts</p> <ul style="list-style-type: none"> • are contracts easy to understand? • are important terms prominent? • do you have to give a notice period to exit?
<p>What are the pain points?</p> <p>Since 2013, we (the FFLAS network operator) have managed the fibre installation process (including communications with the customer) following the</p>	<p>What would be the best ways to address them?</p> <p>The TCF Fibre Installation Code, new Reference Offer provisioning (fibre connection) service levels and increased online access to information has already</p>

⁸ This survey is issued to every customer who connects to our network.

⁹ In accordance with the Privacy Act 2020, we do not disclose our end user satisfaction survey responses to third parties (such as the Commerce Commission).

retail providers refusing to manage that part of the process (despite the retail provider's obligation in our Reference Offer to manage those customer communications).

A previous pain point for customers was receiving no information, or different information, from their retail provider compared to the information we were providing in relation to the process and timeframe for delivering their fibre connection.

The customer communications function we perform now is materially greater than the process envisaged in the original UFB tender. The reason a lot of customers give for calling our Service Desk instead of calling their retail provider is because the customer has not been able to contact their retail provider or their retail provider's call wait times are excessive.

After relieving themselves of the responsibility for managing customer communications, and communication delays, for fibre installations, the fibre retail providers who also operate mobile networks to supply retail mobile and fixed wireless services to customer also heavily advertise the reduced installation timeframes for those mobile and fixed wireless services.

In 2015, following a lack of interest and investment by retail providers to provide customer service support to install the retail provider equipment their customer needs to use their fibre service (e.g. a modem, router, set-top box or other device), we had to step-in and provide extensively subsidised service offers for our technicians to provide additional services beyond our ONT demarcation (which we refer to as *premises networking*). The purpose for offering *premises networking* is to ensure the customer receives the best fibre installation experience and they are left with the best possible fibre service.

materially improved the fibre installation process, and timeframes, for customers and retail providers.

In addition to these improvements, the Commission must consider developing a mandatory Retail Service Quality Code that requires retail providers to provide customers with a plain English description of the fibre installation process (including an explanation of *who does what* in that process) and who to call for assistance (as well as access to the TDRS for complaints).

USING a service	
<p>Performance</p> <ul style="list-style-type: none"> • is the speed and reliability meeting expectations? • how well are providers responding to faults? • do you have suitable coverage? 	<p>Plan allowances</p> <ul style="list-style-type: none"> • how accessible is usage information? • is it easy to manage usage and spend?
<p>What are the pain points?</p> <p>We have been contacted by fibre customers asking for our advice about the correct fibre service for their needs because their retail provider has:</p> <ul style="list-style-type: none"> • not provided the customer with that information; • restricted the sale of a service to a different service or technology to the customer, despite the customer specifically asking for a fibre service; or • told the customer that they are receiving a fibre service when they clearly are in fact not. 	<p>What would be the best ways to address them?</p> <p>A mandatory Retail Service Quality Code that requires retail providers to provide customers with access to independently developed information about the different types of services and how a customer can choose the service they need.</p> <p>The information supplied by retail providers they present as technology claims must also refer to independent reports, such as the Measuring Broadband New Zealand (Spring) Report, from SamKnows, which includes speed and performance comparisons across copper (ADSL and VDSL), fibre (Fibre 100 and Fibre Max) and fixed wireless technologies ¹⁰ - a report which confirmed that our Fibre100 services (as measured on the retail provider networks) performed at >98% the advertised speed across both the 24/7 and Peak Time periods. And an investigation by SamKnows into the performance of the FibreMax service did not identify any deterioration in the performance of that service on our network.</p>

¹⁰ https://comcom.govt.nz/__data/assets/pdf_file/0008/230030/MBNZ-Spring-Report-2020-9-December-2020.pdf

Quality of CUSTOMER SERVICES	
<ul style="list-style-type: none"> • how long does it take to resolve an issue? 	<ul style="list-style-type: none"> • how easy is it to contact a provider?
<p>What are the pain points?</p> <p>Our Service Desk and NOC (network assurance) teams are often called by customers because of their retail provider's long call wait times to find out about simple things (e.g. when the retail provider equipment will arrive or be installed; or how to fix a problem (broadband or retail provider modem not working, etc.)). We help the customer with their problem and talk to their retail provider. This is an added cost to our business, yet we understand that operating in a strong competitive market encourages us to be customer focussed to secure and retain every fibre connection on our network.</p>	<p>What would be the best ways to address them?</p> <p>A mandatory Retail Service Quality Code that includes performance measures (in the form of time/quality/outcome service levels) for retail providers to respond to their customers' phone calls; email enquiries; follow-up calls; delivery of equipment (e.g. modems, CPE, set-top boxed, cables); and fault restoration – with a service credit regime for failing to achieve the applicable performance measure.</p>
Other FEEDBACK	
<p>One of our core company values is to Think Innovative. The competitive broadband market in New Zealand, both in terms of access to technology and retail provider choice, motivates us to think, act and deliver innovatively. Since 2012, we have constantly evolved our service offerings and delivered service quality improvements to increase the fibre installation and performance experience for the customer. We are focussed on understanding and meeting the customer's needs from the moment they order their fibre service to the time that service is activated. In addition to expanding the customer support function of our Service Desk, and <i>premises networking</i>, we have supported and managed retail provider projects such as '<i>one day installs</i>', bulk copper-to-fibre migrations, price incentives and COVID-19 support to retail providers and the Ministry of Education. Innovation will continue in 2021 as we release a new, free-of-charge offer to retail providers for our technicians to provide 1 hour of customer support after the fibre service has been activated. This will provide the retail provider's customer with assistance with anything they need (e.g. wi-fi set-up and performance optimisation, activating and teaching the customer how to use the retail provider and other equipment (Smart TVs, Apple TV, etc.)). This is another example of where we identify a pain point for customers that their retail provider is uninclined to remedy, but which we voluntarily offer to resolve, so that their customer receives the best fibre customer experience.</p>	