**Day 1, Wednesday 14th September**

9:30-10:00am: Keynote address

(APPLAUSE)

We're slightly ahead of time, but that's good, because you just need as much time as possible to listen to a Kiwi friend. It gives me great pleasure to introduce our keynote address this morning – the chief executive of Consumer NZ, Sue Chetwin, who's going to give us a briefing on what's happening in New Zealand to get people connected, and then there'll be opportunities for questions and comments after. So, please make Sue welcome.

(APPLAUSE)

SUE CHETWIN: Thank you very much for having me here. Kia ora.

(SPEAKS TE REO MAORI)

It's a great pleasure to be here from New Zealand, and I'm sure I'm going to be learning a lot from you over the next few days, or over the next couple of days. An infamous New Zealand politician – in fact, our Prime Minister, Sir Robert Muldoon, once said about the men in New Zealand that were migrating to Australia in the 1970s and early '80s that it was helping to raise the IQ on both sides of the Tasman.

(LAUGHTER)

Don't know whether he was right or not. But one of the great New Zealanders to leave during that period, and who we recall with great fondness and still consider one of our own, and I suspect you also think he's a rather wonderful man, is the talented John Clarke. In New Zealand, he created the farmer figure of Fred Dagg, and coined a phrase which I think is relevant here today, "You don't know how lucky you are, mate." I've worked with Teresa over a number of years, and I'm very honoured and privileged that she's invited me to be here today, and it's really what I'm going to learn from you over the next few days that will be the important thing, and what I'll be applying to the New Zealand situation. But look, you really are very lucky to have ACCAN. We have nothing like that in New Zealand. So, if there's anything that we can do to support it, then we'd be very happy to do so, because it's a fantastic organisation, and to be resourced at a federal level, I think, is amazing. So, you really don't know how lucky you are. I could go on about it, but I'll stop there.

We just mentioned senior people. I feel sorry for my dad. This is him. He's 88. He's my yardstick for quite a lot of things in life. Three things surprised me recently about him in the telco world. The first was, when my mother caught him getting out his credit card as he was speaking on the phone to a man from Microsoft who was going to repair his computer. You'll know the score. I gave him a right telling off, and so did my mother. He was about to be ripped off. Fortunately, he wasn't. The second was when he advised me he was shifting to a wireless landline. He had done the research, thought he no longer required copper, the largest telco in the country had some cell tower capacity, and it was offering this to selected customers. He was bright enough to know that he could shift, and he could switch, and he would still have all the services that he required. So that was a big tick for him then. And the third, when I was speaking to him last week. He was telling me about his telco bill. It had gone up by $50 in a month. He had rung the telco, which is Spark, and was told it was about data usage. Dad didn't even know what data usage was, and he certainly wasn't going to pay for it. He said to the poor bugger who answered the phone – they exited on friendly terms with him, and dad didn't have to pay, but dad has got a smartphone and he had no idea that, on his plan, he would need to pay for data. So I guess he's a prime example of what was just mentioned earlier, and also of a recent Commerce Commission report in New Zealand – the Commerce Commission is the equivalent in New Zealand to your ACCC – showing the rise in bill shock from the excessive data usage. Telcos misrepresenting contracts to people who don't understand them. So, in New Zealand, as in Australia, online growth has been significantly aided by mobile devices. There are 4.8 million devices in New Zealand connected to the network. Now, that's against a population of 4.5 million people. 74% of New Zealanders use smartphones to research products online and 33% of those users follow through to do a purchase. Interestingly, in New Zealand, many New Zealanders are using overseas sites to buy from because New Zealand is such a small domestic market. I guess my point is, this interconnected world is increasingly complicated. So not all of us are equal in our knowledge, and neither do we need to be. But the more important question is how to get everyone along for the basic fare. I think ACCAN is doing an amazing job there. We have no equivalent in New Zealand, but we do have organisations like ours – Consumer New Zealand, which is very similar to Choice in Australia, plus we have a Major Users Group, we have Internet New Zealand, we have government organisations that are involved in cyber safety and internet safety, all of whom have strong interests in doing the best for consumers and businesses in the online world. And we need it. Telco industry, on both sides of the Tasman, has not, in recent history, covered itself in glory. The rivers of gold with confusing prices, hidden fees, intercompany exchanges like termination fees on networks are now only being untangled. So I don't have much sympathy for the industry which cries that it has been asked to provide more for less – it makes a nice change from providing less for more. While I was researching this article, I recalled the trans-Tasman roaming charges report from 2013. It does typify the industry – it reminded me of the old bill-shock complaints we used to get regularly – you know, travel overseas and roam and you get hit with a $5,000 bill. Now, it's $5 a day, and when did that happen? Now they send you texts telling you when you're about to bust your cap. So, amazingly, during the years the report was being prepared, prices dropped. In fact, the report notes that was probably the key reason for the prices dropping – there's nothing like a bit of threat of regulation for the telcos to actually move. Its recommendations in the end, I felt, were rather weak – a requirement for telcos on both sides of the Tasman to report regularly on wholesale and retail pricing for trans-Tasman roaming, but at least it was a step in the right direction.

JULIE McCROSSIN: We're having questions on the clicking.

SUE CHETWIN: I think I'm good! This is the former CEO of Telecom, which is now Spark. She spoke to a group of analysts in 2006 in Australia and what she said was very famous – or infamous, in fact. Every very successful telco, she said, used confusion and pricing as its chief marketing tool. You could argue, she said, that's how all of us keep calling prices up and keep those revenues high – high-margin businesses keep them going for a lot longer than would have been the case, but at some level, whether they consciously articulate it or not, customers know what the game has been. They know we're not being straight. So ultimately those comments would see the fall of Theresa Gattung but there was no argument that she wasn't accurately reflecting the truth. Because of that, about five years ago, Consumer NZ decided to set up a telco comparison site, and that was called TelMe. It was dedicated to comparing landline services, national and international calls, mobile and broadband, and we actually had assistance from the Commerce Commission, which wanted to encourage competition in the industry and reduce prices for consumers. The telcos fought us every step of the way. So much so, that they boycotted any workshops that we tried to have with them to work through how our telecommunications comparison site might work, they boycotted the launch of the service and did everything they could to bring it down, including encouraging the Commerce Commission to investigate Consumer NZ for unfair trading. Which was a very serious issue for us at the time and it made me realise, in fact, how resilient we had to be when dealing with big, powerful institutions and how ugly they could actually be. The Commerce Commission did do an investigation of us and found there was nothing for us to answer. So that was a relief. But in the end, even though we launched the service, you could probably say the telcos won. We had to bring the site down about 18 months ago, because basically we had run out of money to keep it going. And there was no appetite, either, by the industry – or the government, I have to say – to assist its survival. But in that time, I think the industry has changed radically as well. When we built TelMe, landlines, national and international call costs were priorities. Broadband was important but it was secondary. We had an algorithm that had 37 trillion calculations going on in the background. It was a very complicated and clumsy site. Today, we could rebuild that site and pretty much do nothing but compare broadband speeds and I think we would be actually answering the basic consumer demand and so that is in fact what we're going to try and do. We are not – we are quite good at doing comparison sites. We've recently worked with the government and industry to develop our – we've got a power switching site, which has been very successful, and we've done that with the government and we've now got a unique arrangement where we do that with the retailers, the government and us putting resource in. And we might be able to force the industry to assist us this time, I think. Because if they don't, they can expect a proliferation of sites that they will have to pay to be on, and it will be a drive to the bottom for them, and I don't know how many comparison sites there are in Australia or if there are any at all, but in the UK the online comparison market has become so competitive that, in fact, the regulators have to actually regulate the sites, because they're not always giving people all the prices and the products that are available. So for a consumer organisation to be able to be offering an independent service, I think, is really important. And interestingly enough, a couple of years ago, New Zealand's Productivity Commission, which was set up entirely on the basis of your Productivity Commission, looked at competition in the services sector and how to enhance the capacity of consumers to drive competition and we spoke extensively to the Commission about online comparison tools and the Commission noted that consumers can play an important role in the competitive process, but search costs and switch costs were particularly pronounced in some service markets, and telecommunications was the one that they pointed to. These costs reduced competition by making it difficult for consumers to compare different service providers and respond to price and quality signals. So exactly Ms Gattung's confusion model. It also noted that competition can be diminished if service offerings become so complicated that consumers face prohibitive cost in evaluating competitive service offerings to identify the best option. It also noted that private comparison sites in New Zealand were quite rare and that's probably because of our small population. To make comparison sites work, you really need to have a big number of people using them. So from my perspective, it has been really important for consumer organisations to be active in this space, so that consumers can be confident in the information that they're getting – that it is reliable, that it is transparent, it covers all of the providers and not just the selected ones that have paid to be on a site. I think we've got to be transparent about the revenues, and how the revenues are raised, and how the site actually ranks providers and how they receive information. So we're still measuring customer satisfaction with telcos and mobile providers and we find that that is actually one of our most popular reports. So what of the state of the telco market in New Zealand? So the government has invested $2 billion into two major initiatives – that's ultra-fast broadband and the rural broadband initiative. Now, ultra-fast broadband is your nbn. And together they are meant to bring improved internet connectivity to 97.8% of New Zealanders and the government has an aim by 2022, 80% of Kiwis should have access to the internet using UFB. And because it's not feasible for every rural community to get UFB, broadband with peak speeds of at least 5MB per second has been provided to more than 90% of homes and businesses outside of UFB areas. So you would think that New Zealand, it is a small country, that it would be easy to get this connectivity but we have very difficult terrain in New Zealand – three long, skinny islands, high mountains – and that has made universal UFB impossible. So the industry group that represents telcos in New Zealand, the Telecommunications Carriers Forum, last year released its state of the nation report with a glowing review of how well New Zealand was doing. So according to the TCF, we do appear to be early adopters. We're leading the pack in the developed world in the speed of our switch to fibre with a 250% increase in total connections last year – the highest in the OECD. And that's really caused its own problems with installers. Installers are separated out – or should I say Chorus, the infrastructure company that has the major contracts to install ultra-fast broadband, is separated out from the telcos and they contract service providers to go out there and install it. But what they're promising they can't really deliver at the moment – there's just not enough people to deliver it. So increasingly there are complaints about service people not turning up or shonky installations. So New Zealand could do with your compensation program when installers don't do what they say they are going to do. The CEO of Spark just said a week or so ago that frustrated customers were cancelling their fibre contracts due to installation delays. So two-thirds of those who got connected were unhappy with the process. So it's not going that hummingly. And one of the major problems has been getting access to properties where there are multi-unit complexes or other shared areas. So people with shared access need to get permission from neighbours to actually get fibre, to run across their properties. So if you live in a right of way that may have a number of properties on it or if you are in an apartment block, that's proving quite difficult to get fibre. Now, consumer groups said to the government years ago that they needed to look at legislation to allow easier access to these properties, and they did nothing, so they're reaping what they sow now. Mobile pricing has dropped to 46%. So that's the second highest drop in the OECD, but I don't think that there's probably anything too much to crow about – they were probably just too high before. We're the joint highest users of smartphones in the OECD and joint leaders in our ability for finding information on local services using a smartphone. In June last year, half a million people moved from capped to uncapped broadband connections and New Zealand households to June last year were consuming double the data they did in the twelve months prior to that. So I guess that's the bright side. The flip-side is that telcos continue to take up most of the positions on the Commerce Commission's worst offenders list for dealing with customer complaints – both in the high numbers they receive and how they actually deal with them. Most complaints relate to fair trading issues. The report prepared last year showed the telecommunications industry was the most complained about industry, accounting for 10% of all complaints, and that was followed by domestic appliances, electronics and phones also at 10%, so they are in that mob as well. So given they occupy both spots, they do have a lot of work to do. The Commission also noted the growth of digital subscription contracts for accessing content online, particularly TV, movies and music, and most of them contained unfair contract clauses or terms and conditions which consumers were unaware of and the ability for the supplier to change the agreement without notice being one of those. Consumer NZ runs an accreditation service for businesses and they have to go through quite a significant audit to actually achieve the Consumer Trusted logo. Initially when we set this up, which was about 18 months ago, we were going to accredit it to businesses that went beyond the law and what we've actually found is that if we could get businesses to actually meet consumer law, then we'd be making a significant step. What we found with the telcos that have asked us to become Consumer Trusted is that they all have unfair contract terms – they all have terms that are against consumer law. So we've managed to get two over the line – Skinny is a product of Spark, which, as I've said, is our biggest telco, and we've also managed to get an ISP, an internet service provider, Inspire Net, across the line. But unlike here, if you have an unfair contract term, you as an individual in New Zealand can't take your complaint to a disputes tribunal or to court. You have to have the Commerce Commission do something about it. So it really makes the consumers powerless in dealing with their unfair contract terms in their contract. It's certainly an issue we have been taking up with the Commerce Commission and we think it needs to be fixed. Just last week there was an academic working at Auckland University, she is a professor in commercial law, and she was on the board of Consumer NZ, Alexandra Sims, and she asked her students to go through 400 standard form contracts, a large number of them telco contracts, and all of them had some kind of unfair contract term. So that is a big area of work that needs to be undertaken in New Zealand. But what if you do want to complain in New Zealand about your telecommunications service? Well, again, in Australia you are to be congratulated for the Telecommunications ombudsman service and if Julie isn't already here I know she will be here at some stage during the next two days. You are lucky to have a Kiwi running it!

(LAUGHTER)

>> It looks well-funded, well-known and well-respected and in New Zealand, not so much.

So our telecommunications disputes resolution service was really born out of the telcos coming kicking and screaming to it. They didn't want it and they didn't want to have to pay for it. It was only under threat of regulation they agreed to it – and not all of them belong to it. It's not mandatory, and very few consumers know about it. So that's really not a criticism of the service itself – I think the people that are involved with it do a really good job. The chair is the former CEO of Consumer NZ. He would like to have more resources, but the industry, every year, tries to decrease its funding levy. And the organisation itself is run by an independent disputes resolution business, so there is a council that oversees that, but it isn't actually run by the people – by the council itself. So the types of complaints it actually receives – they will be similar to the complaints, I'm sure, that occur here. Internet data and roaming charges, agreements at points of sale, service transfers, transfer and connection delays and moisture-damaged handsets. And we always have lots of fun at Consumer with the moisture-damaged handsets. And I don't know whether you have the same problem here but we also have a problem in New Zealand with Apple in terms of the Consumer Guarantees Act. Its repair, replace or refund if something goes wrong – and Apple in New Zealand, when people are entitled to a replacement, are giving them refurbished phones. Now, we say that that is not the Consumer Guarantees Act. If you get a replacement you are meant to be getting a new phone and the Commerce Commission has said that it is now investigating that, so we're looking forward to the outcome of that and I imagine it might be a similar situation here. So, look, our telecommunications disputes resolution service last year received 2,000 complaints. That compares with your telecommunications ombudsman stats of 22,000 complaints in the first half of the year. So something is wrong. And as I've said the budget is peanuts, it's 7,000 a year. I don't know what it is in Australia and Judi might be able to let you know what it is later. So it's very small and the structure is not ideal. The Telecommunications Carriers Forum which I guess oversees the disputes resolution services said that it is going to try and do better. But I think that's because it is under threat. It is looking at providing information about how to contact the service through the bills and I know when Judi was the Commissioner for Electricity and Gas Complaints in New Zealand, that once complaints were on the bills, then complaints would increase. So hopefully there will be more knowledge about the service in New Zealand and we can replicate the very fine service that you have here. I could talk to you a lot more about tracking privacy, personalised targeting, but I think that we are going to talk about that a lot more over the next couple of days. But an issue that I thought that I would like to talk to you about – and hopefully there would be some debate over it in the next couple of days – is the ability for people to actually comment and effect change through social media. We all read the stories of people bringing companies to book once they complain and this is to be applauded and, you know, social media is a wonderful thing and it does put power into consumers' hands. But for organisations like ours, it's also a two-edged sword. It can be a very tricky situation – do comments help or hinder our organisations? Do they help to, you know, raise complaints about companies that we want something done about it? And what sort of people comment and do their comments really add any value? And The Guardian newspaper commissioned research into the 70 million comments left on its site since 2006 and I thought – I thought it was quite interesting. It discovered, of the ten most abused writers on its site, eight were women and two were men. The two men were black. Of the women, four were black. Two of the women and one of the men were gay. Of the eight women in the top ten, one was Muslim and one was Jewish. And though the majority of regular opinion writers were white men, the highest level of abuse and dismissive trolling was not. The ten writers who got the least abuse were men and they were white. So The Guardian hasn't turned off its comments section but other sites are starting to do so and in the US, there's a site called The Consumerist, and it is owned by Consumer Reports, an organisation similar to ours, and it found that what consumers would really prefer is more original content than reading other people's comments. So it has dialled those sorts of comments right back. And in New Zealand, our national radio service, so similar to your ABC, it has just in the last couple of months turned off comments on its site. So there is a very popular website magazine in New Zealand called The Spin-off, and it has done the same. So it's interesting when we look at Facebook, and how people see that as a way of asserting their rights, rather than going through traditional services like disputes resolution and where do you draw the line? So I just raise that as an issue. I think it's going to be an important one going forward – what is the role of comments on all of our sites and how people resolve disputes? So, look, thank you very much. I'm happy to take any questions that you might have.

JULIE McCROSSIN: A round of applause, please.

(APPLAUSE)