**Teresa Corbin, CEO, ACCAN**

**CommsDay speech**

**8 October 2013**

**Intro**

It’s been three and a half years since the industry faced an ultimatum to clean up its act or face regulation.[[1]](#footnote-1) Since then, these industry summits have become an important occasion to update everyone on the progress of the self-regulatory consumer protection process. Things have changed a lot lately but there is still a conversation to have with you, the representatives of the telecommunications industry, about where we’ve got to, how far there is still to go and of course the new consumer challenges in the marketplace.

Today I’m looking at what’s needed to finish the job the ACMA started with its *Reconnecting the Customer Inquiry* in April 2010.

Then I want to talk about how Australian telcos still have a lot to do to improve customer perceptions of their sector. It is clear that some of the more egregious practices have been successfully stamped out. But after years of really bad service, the telcos aren’t in clear waters just yet. And you might be surprised where I think they can look for inspiration.

I’m also going to make a prediction about the next challenges facing customers as the uptake of mobile communications moves into the next gear.

And I’ll close on a cautionary note about our views on the regulatory red-tape reviews and the future outlook for telecommunications regulation and consumer protection.

**TCP Code & RTC implementation**

So first up, to the ACMA’s *Reconnecting the Customer* recommendations. As you heard from ACMA deputy chair Richard Bean this morning, the rolling implementation of customer usage alerts has commenced and we’re now left waiting for the last of the ACMA’s six recommendations, namely customer service performance metrics. This recommendation, which is now 7 months overdue in its implementation[[2]](#footnote-2), will see the development of a standardised, transparent and robust method of measuring customer care performance in a comparable way. RTC proposed that the industry develop a complaints metrics framework within 6 months of the TCP code registration, which was on March 2013.

The root cause of the problem prompting this action was telcos’ poor record in dealing with customer problems. Among the issues noted by the ACMA were customers:

* making requests that were not acted on;
* receiving inaccurate, inconsistent or incorrect advice; and
* being unable to rely on promises or undertakings from their service provider.[[3]](#footnote-3)

The regulator observed that these matters often start as straightforward enquiries or requests but escalate as the matter remains unresolved.

It’s now more than 2 years since the ACMA asked the industry to develop these customer service metrics.

ACCAN continues to see a role for this published data.

In the United Kingdom, Energy companies have started publishing this kind of data with considerable success. In this case, energy providers have used internal complaints per 10,000 customers and the percentage of complaints resolved within various timeframes, such as 48 hours, as the basis of comparison. And in publishing the data on their websites, the better energy suppliers have started honest conversations with their customers about the problems they’ve encountered and how they’ve gone about rectifying the issue. Trending improvements in customer service are easy to see and mistakes are more understandable. In all, the suppliers have used the publication of this data to establish a more trustworthy relationship with their customers.

In a blog post a couple of months ago, industry commentator David Havyatt observed that;

*It is impossible not to notice that telcos are rediscovering consumer trust as an important lever in delivering financial results[[4]](#footnote-4)*

He pointed to the increased prominence of customer service in keynote addresses and reports. For example:

1. Telstra’s strategic commitment to customer satisfaction at its October 2012 Investor day
2. Optus chief Kevin Russell’s speech in May in which he said that “standards of service in Australia relative to standards of service that I'd seen change in the UK, just seem to, in my view, have gone backwards”
3. Vodafone’s Bill Morrow comments that “2013 is all about trying to earn back trust”

Havyatt concluded that industry needed to work together to improve reputation and restore trust.

The commitment to comparable data is one critical way that such trust can be restored. It will signal to customers that telcos have arrived at the next stage of their journey on delivering a better customer service environment. An enlightened view of comparable data will see that there are financial rewards for a small investment in this data.

I urge the ACMA to move now to implement these metrics. This data will start to address the trust problem that continues to plague the sector.

**Better than the banks**

But I’m not here today to focus on what hasn’t been done. A huge amount has recently been achieved. The ACMA set about instituting a new regime that would materially improve outcomes for consumers in their “life-cycle” phases with their telecommunications provider. And a great deal has been done to achieve exactly that.

* Misleading terms like “caps” are a thing of the past
* Information is more readily available about customer rights to contact the TIO
* Critical Information Summaries are giving consumers clearer information at the point of purchase
* Customers are starting to receive usage alerts to help them avoid bill shock.

And that’s just a few of the positive changes.

Quarterly complaints data from the TIO is trending well down for the first time in recent memory.

|  |  |  |
| --- | --- | --- |
|  | 2011/12 new complaints | 2012/13 new complaints |
| Q1 | 51,196 | 37,777 |
| Q2 | 48,100 | 38,287 |
| Q3 | 52,231 | **40,021** |
| Q4 | 42,353 | ? |
| **Total** | **193,702** | **?** |

Source: TIO Talks, TIO Annual Report 2011-2012

Unless the fourth quarter of 2012/13 was terrible, which I very much doubt, overall new TIO complaints for 2012/13 are likely to show a significant turnaround because there is a clear trend over statistics published from several quarters already.

But it’s not quite time to pop the champagne because even at these levels, the industry cannot afford to be complacent.

Let me show you a few figures which might give you some insight into the nature of my concerns.

During January – March 2013, the TIO recorded around 40,021 new complaints. For the TIO it was a pretty good quarter – one of the best in recent years. (Vodafone – 10,368; Telstra – 14,579; Optus – 6,135; NB: The Optus number includes Optus Broadband Pty Ltd, Optus Mobile Pty Ltd and Optus Networks Pty Ltd).[[5]](#footnote-5)

Now if we look at complaints to a similar scheme, the Financial Ombudsman Service or FOS, in the same quarter recorded just 7,720 new complaints from all of its members, which include the Big Four banks and another 15,000 financial service providers.[[6]](#footnote-6)

Now that’s just one snapshot that paints one picture: Complaint levels in this sector are high compared to the financial services sector.

Nationally aggregated data from other service sectors like the energy sector are difficult to compare. But the TIO is generally regarded as one of the busiest ombudsman services in Australia.

There remains significant scope to drive down the level of complaints much further. And that’s because, as the telcos know well, they’ve had a long run of poor practices and they are on a long journey to turn these practices around. Vicky Brady explained this well from Optus’ perspective this morning.

A number of studies published recently point to the persisting consumer concerns in the sector.

A mystery shopper survey published by global auditing firm KPMG in July compared the experiences of customers in 25 countries.

Australian telcos performed badly, rating 19th in over-the-phone customer service, which included user-friendliness, voice recognition, and the helpfulness of call-centre staff. This put Australia behind nations including Nigeria and Indonesia.[[7]](#footnote-7)

Survey data published this year by Communications Alliance has shown that customer satisfaction levels across the industry are steady, with 65% of customers either satisfied or very satisfied with overall customer service.[[8]](#footnote-8)

Among the banks, however, satisfaction levels tell a different story.

After hitting a rock bottom low of 60% in 2001, steady improvements have seen bank customer satisfaction reach a record high of 80.8% in February this year.[[9]](#footnote-9)

Banks are in fact a good example of how improving consumer products and restoring confidence in customer service requires service providers to settle in for the long run. Banks’ reputations, while not completely intact, aren’t the easy fodder for the sport of bank-bashing that they once were.

I believe there is a persistent resentment among customers of telecommunications providers that will still take a great effort to change. For example, according to research released by Communications Alliance, 34% of consumers who have complained to a telecommunication provider in the last 6 months were not satisfied with how their complaint was handled.

But there are also a lot of good signs in the marketplace.

Recent re-branding initiatives from the major providers show that the telcos are up to the challenge.

And there has been a swag of recent pro-consumer announcements, such as

* Optus’ announcement last week that it would cut unfair fees
* Optus’ new plans put an end to huge excess usage fees and introduce minutes instead or confusing ‘included value’ buckets
* Since Telstra’s changes there are less and less contracts selling locked handsets
* Improvements across the board in global roaming charges led initially by Vodafone

And new entrants in the marketplace are in many cases presenting a very different product and service model.

So how does this relate to falling TIO complaints?

The picture I want to paint for you is that even with the good work that has been done, there’s still a lot more to do. As David Thodey said recently,

*“I think this (improving customer service) is definitely a marathon and I have got through the first 10km. It is a big job”[[10]](#footnote-10)*

In the coming months you’ll hear ACCAN keep calling for even lower complaint levels. We won’t be calling for this just because it makes sense for consumers, but because it makes sense for business. Complaint levels are inextricably linked to industry measured Net Promoter Scores. It is self-evident that consumers who can come to an agreeable solution with their telco are far more likely to recommend that company to their friends and colleagues.

And I know the burning question telecommunications providers want to ask is: What level should complaints be?

My answer to you is this:

*It is for you to decide.*

Over the coming months I’m asking the telcos to set their own benchmarks based on how much better they think they can do.

They might like to set a comparable benchmark, like Origin Energy did in 2007 when it set a five-year target of reducing their ombudsman complaints to 1.5 complaints per 1,000 customers (which incidentally they didn’t achieve but they kept trying and explaining publicly the steps they were taking to get there).[[11]](#footnote-11) Telcos might prefer to express their target in terms of the number of services in operation, and even by the type of service – all of which I would welcome. They may prefer to benchmark themselves to another industry and simply aim to be better than the banks when it comes to complaint levels.

There is no doubt in my mind that complaint levels have much further to fall. So when the next round of TIO numbers are released I think we can all breathe a sigh of relief that the numbers are finally trending in the right direction. But keep the best champagne on ice for now.

**New challenges – in-app purchases**

The telecommunications industry has always been a rapidly changing space. This means unique challenges for developing consumer protections which are adaptable and don’t stifle innovation. Smartphones and app stores have been a boon for consumer connectedness, accessibility and entertainment. Within this space we are seeing an evolving regulatory effort. In some circumstances this is being led by industry, with the development of customer review schemes, parental controls and walled gardens.

There is still more that needs to be done to inform consumers, particularly parents around the traps of in-app purchases. While consumer education is part of the answer, the big app stores of Google and Apple need to take more responsibility for the apps they sell. Many of these apps involve aggressive selling practices targeted at children. On top of this they often have incoherent complaint and refund mechanisms. ACCAN recognises that new regulation is not always the answer. In fact, existing consumer law and direct measures taken by industry would solve many of these problems. ACCAN is currently developing a set of principles with industry collaboration to help educate app developers. The goal is to communicate at time of purchase complex consumer protection obligations so that they are easily understandable and relevant to app makers.

We understand regulation has its limitations and can be costly; therefore it will rarely be our first response. However, if it is required we will not shy away from campaigning for additional regulation to ensure consumers are not being misled or taken advantage of.

We call on these new industry players to comply with existing laws so that they are competing on an even keel with the rest of the Australian communications industry.

**New challenges – mobile commerce**

Another related piece of work for ACCAN is in the area of mobile commerce. With the widespread uptake of mobile devices, the potential market for m-commerce has expanded, and since early this year a number of Australian banks, retailers and communications providers are exploring their options for offering m-commerce services to consumers.

While the take-up of m-commerce in Australia has so far been relatively modest, the m-commerce market is likely to grow in the future. ACCAN and consumer group CHOICE will shortly launch a joint position statement on m-commerce. We are keen to ensure that industry, consumers and regulators fully understand the range of risks to consumers of these new products and ensure that protections, such as easy access to refunds and protection from fraud, are assured.

**Red tape**

It would be remiss of me to comment on new consumer challenges without also acknowledging the recent change of government.

It was great to hear the Minister this morning talking about reducing red tape and inviting input from those attending the Commsday Summit. We will be keen to take up this invitation.

As better, more efficient regulations are considered by the industry as part of the review, it is appropriate to commit to a process of weighing up all regulatory obligations. However, I am concerned that some expectations are that this will be a means to repeal large tranches of regulatory rules deemed by industry to be burdensome.

I expect to participate in carefully considered reviews of regulation on a case-by-case basis. I expect we will see some changes, indeed many that will be supported by ACCAN. But equally there are many longstanding and important consumer protections, especially to more vulnerable consumers such as those in regional and remote Australia, which must remain part of the telecommunications landscape for the foreseeable future.

In terms of better regulation, I also hope to see the *Telecommunications Legislation Amendment (Consumer Protection) Bill* 2013, drafted in the final session of the last parliament, to be re-introduced by the Coalition Government. This Bill, which was supported unamended by industry and consumer representatives, forms a necessary update to the industry’s self-regulatory processes.

**Close**

I look forward to addressing you again next year, at which time I hope to:

* discuss the comparable customer care performance metrics published by the ACMA,
* hear an honest assessment of how the telcos are going about achieving their ambitious TIO complaint targets, and
* have some concrete strategies on the table to make sure that in-app purchases aren’t the next mobile premium service scandal.

These changes will be achieved through close collaboration between industry and consumers. So I’m also pleased to announce that over the next month I will be having conversations with industry about ACCAN’s Industry Engagement Framework which will be published by the end of this year, and which will form the basis of a continuing strong relationship between ACCAN, the telecommunications industry and its representatives.

Thank you.

1. Chris Chapman Launch of Reconnecting the Customer Inquiry April 2010 [↑](#footnote-ref-1)
2. RTC published in Sept 2011 allowed 5 months to register code. Code registered in May 2012, which allowed a further 6 months for metrics. Metrics should have been done in November 2012 [↑](#footnote-ref-2)
3. RTC Final Report p 3 [↑](#footnote-ref-3)
4. http://davidhavyatt.blogspot.com.au/2013/07/telcos-and-trust.html [↑](#footnote-ref-4)
5. TIO Quarterly Statistics January-March 2013 [↑](#footnote-ref-5)
6. FOS Circular Autumn 2013, January-March 2013 Statistics update [↑](#footnote-ref-6)
7. <http://news.ninemsn.com.au/technology/2013/07/23/18/36/mobile-phone-customer-service-poor-report> [↑](#footnote-ref-7)
8. <http://www.commsalliance.com.au/__data/assets/pdf_file/0019/40870/Customer-Satisfaction-Survey-June-2013.pdf> and March 2013 [↑](#footnote-ref-8)
9. <http://www.bankers.asn.au/Banks-in-Australia/Facts-and-Figures> Customers factsheet [↑](#footnote-ref-9)
10. <http://www.heraldsun.com.au/news/through-his-unwavering-commitment-to-customer-service-david-thodey-has-turned-telstras-fortunes-around/story-e6frf7jo-1226624795433> [↑](#footnote-ref-10)
11. See Origin Energy Sustainability Report 2011 http://reports.originenergy.com.au/2011/sustainability/key\_targets/customers/ [↑](#footnote-ref-11)