

**Comments on Consumer Safeguards Review Part A Discussion Paper**

**July 2018**

Macquarie Telecom Group appreciates the opportunity to comment on the Consumer Safeguards Review Part A consultation paper.

Macquarie believes the communications industry’s relationship with its customers is in a state of deep malaise, and recent sharp increases in consumer complaints were not only predictable, but predicted.

Macquarie has for some years warned the rollout of the NBN would inevitably result in service disruption to some extent, and the many years of high level of customer complaints indicated there was no reservoir of goodwill to see the industry through this period.

Unfortunately, these concerns were out of step with the largest participants in the industry, and their dismissal of the warning signs was largely reflected in TIO reports downplaying the continuing very high level of complaints against the industry. Both the large companies, industry representative bodies and the TIO tended to look for “green shoots” when the absolute number of complaints was consistently at a level completely beyond that of any other industry.

That the industry and the TIO failed to meaningfully act ahead of this rise is indicative of the need for fundamental changes to the complaint handling processes by both the industry and by an independent agency to which unresolved complaints can be referred. While we do not suggest the TIO acted in bad faith at any time, it is reasonable to ask if the TIO is insufficiently independent of industry – especially the biggest providers – and consequently is too narrow in its sources of advice and experience.

Macquarie submits the underlying cause of poor customer service is a lack of competitiveness in communications markets. This means there are insufficient market incentives for companies to genuinely prioritise and invest in consumer satisfaction.

In the absence of competitive pressure to drives to better service, most large providers instead prioritise cost cutting. Much of the cost cutting comes directly at the expense of customer service. This includes the wholesale offshoring of customer support by the largest RSPs in the past decade, for example.

By way of contrast, it is clear the communications companies who have historically delivered the highest level of service, and recorded the best customer satisfaction ratings, have been entrants and challengers, with Macquarie as a prime example.

Macquarie believes all policy and regulation should prioritise encouraging competition, or, at the very least, be designed such that it does nothing to create barriers to entry or disadvantage challenger companies.

It is clear, however, the present crisis in customer confidence requires action beyond what could be achieved in the short term by improving competitive conditions. It means action to directly improve customer experience is justified and necessary.

The level of regard in which the industry is held is so low that all providers – even those with genuine commitment to customer care – are tarred with the same brush. This is hampering the willingness of consumers to transition to the NBN at a crucial time in its rollout, as consumers have come to expect disruption and poor complaint resolution.

So low is the community’s confidence in the communications industry that tinkering with the present arrangements and institutions is insufficient. The TIO has proved ineffective at driving the cultural change necessary. Macquarie sees no evidence this is likely to change. It is reasonable to conclude that the co-regulatory model now needs to be replaced with a fully independent regulator.

For these reasons, Macquarie supports the proposal for a new external dispute resolution agency to replace the TIO, independent of industry.

In addition, Macquarie believes the following measures should be put in place.

* Consistent customer complaint handling policies and processes and clear communication about those processes is an important for customers. Guidance should be giving to businesses in developing these such that, to the greatest extent possible, the standard interactions with customers elicit the information that might be required for reporting by any external dispute resolution body. This would minimise costs and regulatory burden.
* There should be continuous reporting of consumer complaints. In addition to monthly and quarterly reporting of complaints, Macquarie submits a “live” rolling daily number of complaints should be published. Macquarie has for three years published its own Net Promoter Score on a rolling monthly basis updated daily on its website. This transparency engenders both consumer confidence and internal discipline. A similar initiative could be an important message to the communications industry of the cultural change demanded by the community and the EDR.
* Monthly and quarterly reporting of complaints, with analysis of the trends and types and sources of complaints, to provide a basis for continuous improvement. In addition to highlighting areas of concerns – such as clusters of complaints around technologies, locations or service types – good and bad performing RSPs should be identified. Calling out consistently good performers would facilitate more informed consumer behaviour and encourage companies to put greater commercial value on their customer service reputations.
* Mechanisms to require poor performers to “own” the obligation to improve should be implemented. Macquarie has previously proposed poorly performed companies are required to offer rectification plans. This would consist of initiatives these companies themselves propose and commit to in order to improve their individual performance.
* Enforcement mechanisms must include materially meaningful sanctions. Those companies that had lodged rectification plans but have failed to demonstrate improvement or delivered against their self-nominated commitments should face meaningful financial sanctions from a government agency. This mechanism would cause responsibility for the meeting of commitments to be elevated in importance within the management structures of companies. Customer satisfaction and complaint management is evidently not presently a commitment owned in the highest levels of many poorly performing communications companies. Changing this is key to reforming culture.

History has shown the no amount of regulation can be sustainably effective at changing behaviour in communications markets if the underlying incentives are driving companies to behave is a different way. For this reason, elevating competition is likely to be the only way to truly transform behaviour.

However, creating strong incentives aligned as closely as possible to the underlying business interests of individual RSPs is more likely to go some way toward changing overall industry performance than trying to tinker with arrangements such as the funding model for the TIO.

There are important principles and transitionary issues that must be considered in the design and transition to a new model.

The funding model should be designed such that it encourages competitive entry and challenger businesses to the greatest extent possible. The imposition of regulatory and reporting obligations should scale up with both size of business and poor performance.

Measuring performance is central to improvement. The transition from one model to another should seek to establish a baseline that is allows meaningful comparison over time, rather than starting at “year zero”. This would overcome suspicion that changes were intended to hide poor performance.

Macquarie would be pleased to address any of these issues in more details if the Department requires.

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