Telecommunications
Industry
Ombudsman

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Australian Senate

Environment, Communications, Information Technology and the Arts References Committee

Inquiry into Australia's Telecommunications Regulatory Regime

Submission by the Telecommunications Industry Ombudsman

28 April 2005

A Introduction

1. This submission is made in response to a request from the Committee for comment on evidence given in a submission by the Australian Consumers Association.

2. A copy of the relevant extract from the submission is attached ('A')

3. Any views expressed in this submission are the opinions of the Telecommunications Industry Ombudsman (TIO) personally.

B Background

4 The Association's remarks (at p.12) were made in the context of a broad comment on the experience of consumers of the telecommunications market and its regulation, the commitment of industry to dealing with complaints and calls for an inquiry into complaint handling procedures in the industry.[1]

C General Observations

5 Some comments on complaint handling generally and the experience of the TIO in particular may help to contextualise statistics on complaint numbers.

6 As a general observation, it is the common experience of complaint handling organisations that complaint numbers tend to rise over time. There are two key drivers of this: first, the overall level of industry activity; second, the level of public awareness of any scheme and its role. The theory that complaint numbers should stablise or even decrease as providers improve their performance is not matched by reality.

7 The telecommunications market is growing rapidly in size, reach and the range of services and products available; competition in the industry and its regulation is still not mature. It has always been my expectation that the TIO's complaint statistics would reflect these particular circumstances, as well as the experience of other complaint handling bodies, and so it has generally proved.[2]

8 A better measure of industry performance in relation to complaints is to look at complaint rates, ie by reference to some underlying standardisation formula rather than simple aggregation of numbers and also to examine complaint trends. The TIO does not yet standardise its complaint statistics because finding an acceptable formula has proved problematic. So, our figures are simple, raw numbers. The TIO, does however, examine and comment on complaint trends.

D TIO Complaint Statistics

9 The TIO defines a complaint as an expression of dissatisfaction or grievance. Requests for information, eg about TIO members and matters which are outside the TIO's jurisdiction are registered as Enquiries. Complaints which are anonymous or regarded as trivial or vexatious are also registered as Enquiries.

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[1] *Consumer Driven Communications: Strategies for Better Representation (CDC) Report*
[2] *In 2001-02 and 2002-03 complaints declined in numbers principally due to the demise of OneTel.*

Table 1 shows complaint and Enquiry numbers over recent years as well as forward projections for the current financial and 2005-06.

Table 1
Complaints and Enquiries
2002-2006

Financial Year	Complaints	Enquiries
2002-03	55515	17256
2003-04	59850	16054

10 Public Awareness Surveys commissioned by the TIO and conducted biennially show that public awareness of the Scheme and of its role is relatively static. (Some slight increase in awareness in regional areas may have followed the advertising campaign co-ordinated by the Department of Communications, Information Technology and the Arts in 2004).

11 The above complaint statistics are therefore almost wholly due to, or a measure of, the level of industry activity by TIO Members. Whether considered as a neutral description or a euphemism, this phrase covers a multitude of conduct. Moreover, even allowing for the absence of standardisation, the increase in actual and projected complaint numbers shown in Table 1 suggests that the performance of the industry as a whole at internal dispute resolution (IDR) may actually be declining. There are, of course, differences in relative performance between TIO Members.

12 To this extent, the TIO complaint figures may, in general terms, lend support to the Association's comments about the overall commitment of industry to complaint handling.

13 As a further comment, Rule 7.6.1 of ACIF's Complaint Handling Code (ACIF C547:2004)requires a supplier, where the customer requests, or is dissatisfied with the outcome of a complaint, to advise the customer of the TIO as an external avenue of recourse. It is the TIO's experience that this Rule is more honoured in the breach than the observance. Internal TIO statistics collated over the last several years shows that only 11% - 16% of all complaints to the TIO are referred to the Scheme by their provider. While some TIO members challenge the reliability of these figures, I am confident, after repeated examination, that they are accurate.

E Escalation Rates

14 The figures in Table 1 do not tell the whole story.

15 The TIO has a four (4) tier complaint classification and escalation system. At level 1, complaints are referred back to the relevant TIO Member, generally at an escalated customer service point, for a final attempt at resolution. If the complaint is not resolved in a fair and reasonable manner, the TIO will generally escalate it, if necessary through each of the three further levels, with additional costs to the Member.

16 The percentage of cases escalated from Level 1 through Levels 2, 3 and 4 is known as the escalation rate. Table 2 shows this rate in historical terms.

Table 2

Escalation Rate				
Financial Year 30 June	**Level 1**	**Level 2**	**Level 3**	**Level 4**
1994	80.9	9.3	9.2	0.7
1995	88.7	6.4	4.5	0.4
1996	92.6	3.6	3.6	0.2
1997	95.5	2.8	1.7	0.7
1998	95.5	2.8	1.7	0.05
1999	94.9		***5.00***	0.05
2000	93.5	4.2	2.2	0.1
2001	92.8	4.8	2.3	0.1
2002	91.0	6.7	2.2	0.1
2003	88.6	8.6	2.7	0.1
2004	89.7	7.8	2.5	0.1
2005	87.6	9.2	3.0	0.1

Notes:

1 Figures for 1994 are as at 30 November.

2 Figures for 1998 are averages across telephony and Internet.

3 Level 2 and 3 figures for 1999 are not available.

4 Figures for 2005 projected.

Another way to describe the escalation rate is the percentage of cases not resolved by TIO Members at Level 1 referral, necessitating their escalation by the TIO.

17 On the figures in Table 2, three separate phases can be distinguished.

(i) 1994-95 an initial or 'establishment' phase.

Here the TIO and Members were getting used to the system, particularly the decision to refer complaints back to the Member at Level 1. Unfamiliarity by Members with how to handle Level 1 referrals led to a high escalation rate.

(ii) 1996 – 1999 the 'mature' phase

Greater familiarity by TIO staff and Members led to a greater percentage of complaints being resolved at Level 1, and a consequent drop in the escalation rate.

(iii) 2000-2005 a 'growth' phase

Since 2000 there has been a steady increase in the escalation rate, such that it is now running at 12% of all cases.

18 It is my opinion, not necessarily shared by TIO Members, that the escalation rate since 2000 reflects a fall - off in performance by Members generally in resolving complaints at level 1 referral.

**E	Complaint Trends**

19	As part of its normal internal research and provision of complaint information to members, the TIO monitors complaint statistics as a way of focusing on complaint trends and Member performance.

20	One general trend that concerns the TIO and which may be of interest to the Committee is the growth of 'customer service' complaints over the past several years. This category covers such issues as:

- failure to record changes in customer details, eg change of address
- failure to return calls or emails or reply to correspondence
- inability to contact provider
- failure or refusal to escalate complaint.

21	Table 3 shows the growth in customer service complaints.

Table 3
Customer Service Complaints % of Total

<table>
<tr><td></td><td>Landline</td><td></td><td>Mobile</td><td>Internet</td></tr>
<tr><td>1998-99</td><td colspan="3">2.3</td><td>0.4</td></tr>
<tr><td>1999-2000</td><td colspan="3">6.9</td><td>6.6</td></tr>
<tr><td>2000-01</td><td colspan="3">15.8</td><td>14.8</td></tr>
<tr><td>2001-02</td><td>16.6</td><td></td><td>15.4</td><td>20.4</td></tr>
<tr><td>2003-04</td><td>12.2</td><td></td><td>12.6</td><td>18.3</td></tr>
<tr><td>2004-05</td><td colspan="4">16% projected average across all areas</td></tr>
</table>

These figures could be considered as a rough measure of industry unresponsiveness to customers.

Yours sincerely

JOHN PINNOCK
OMBUDSMAN