

Telecommunications Industry Ombudsman – Additional Question on Notice

Question One:

If the industry is required to pay a fee when a complaint is made against them, why are complaints still at such a high level and given the 'predictability' of the nature of complaints from year to year, what regulatory/legislative changes could be made to remedy this?

Response:

To respond to this question it is important to first clarify how the TIO is funded and the rationale for the funding model. The members of the TIO scheme (all eligible carriage service providers) are charged fees for complaint resolution services provided by the TIO. A member is charged fees only if the TIO receives a complaint from one of the member's customers. The funding system therefore acts as an incentive for members to keep TIO investigations to a minimum by encouraging them to develop and maintain effective complaint handling and customer service procedures. The funding model has two important consequences. Firstly, if a member incurs no complaints it pays nothing to the TIO. For example, during 2007/08, 19% (that is, 215 of the 1 106 members) were charged for complaints. Secondly, the model is based on the principle of demand-driven funding – if complaints rise, the TIO can fund the recruitment of extra staff to handle those complaints.

The fundamental purpose of an industry ombudsman scheme is to provide independent dispute resolution for consumers.

The Committee has asked why complaints are still at such a high level, implying that there is a direct causal link between the cost of complaints to the TIO and the response of members to managing complaint levels. However, the picture is a much more complex one. Traditionally, the TIO has commented that a major driver of complaints is industry activity. In the complex and dynamic Australian telecommunications environment, where products and services could rarely be characterised as simple and easily understood, the types of complaints the TIO has received since its inception reflect this increasing complexity.

Another factor that the TIO has placed significant emphasis on in recent years has been the industry members' own internal dispute resolution (IDR) processes. Companies with good IDR systems are open to receiving complaints, but then resolve the majority of them promptly and fairly, with only genuine 'last resort' complaints coming to the Ombudsman. I believe that a strong measure of a company's commitment to its customers is how it responds to complaints. Those industry members who have low escalation rates in respect of the TIO's four levels of complaint generally have in place robust IDR processes, and a commitment to customer service. Conversely, poor IDR leads to increased complaints to the TIO. This is another key driver of the current high complaint levels the TIO is experiencing.

As Ombudsman, I am firmly of the belief that the TIO would experience significantly fewer 'first resort' type complaints if the industry as a whole had sound IDR systems

and processes in place. I have estimated that around 30% of TIO complaints should not have been referred to our office in the first place, and would normally be expected to be resolved by the company.

The telecommunications industry has been put on notice by the Minister, Senator Conroy, to better address consumer complaints. In this respect, the Minister commented at the launch of the TIO's *connect.resolve* campaign on 21 November 2008 that the campaign presented 'an opportunity for industry to take stock and, as a matter of priority, provide a better experience for customers'. The Minister has flagged his intention, both at the campaign launch and since, to consider stronger action if an improvement is not evident.

Through the TIO's *connect.resolve* campaign, we have highlighted our concerns with the industry's customer service and complaint handling performance. The data we will gather over the six months of the campaign (to the end of June 2009) will be provided to ACMA, the ACCC, the Minister and DBCDE, as well as to the industry itself. My hope is that this data will assist the development of appropriate measures to address the areas of consumer detriment that are identified through the campaign.

Ultimately, consumer confidence that the industry is open to customer concerns, and that it responds to those concerns fairly and promptly, is in my view a key objective of any proposed regulatory measures.

A handwritten signature in dark ink, appearing to read 'D O'Donnell', written in a cursive style.

Deirdre O'Donnell
OMBUDSMAN