

13 October 2023

Commerce Commission

Wellington

By email: market.regulation@comcom.govt.nz

SUBMISSION on Draft Product Disclosure Retail Service Bundling Guidelines

1. Introduction

Thank you for the opportunity to make a submission on the Draft Product Disclosure – Retail Service Bundling Guidelines (Guidelines). This submission is from Consumer NZ, an independent, non-profit organisation dedicated to championing and empowering consumers in Aotearoa. Consumer NZ has a reputation for being fair, impartial and providing comprehensive consumer information and advice.

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2. Comments on the Guidelines

According to our latest Telecommunications survey¹, around two-thirds (64%) of respondents bundle services. Most people's (55%) main motivation for bundling services is to try to save money.

Concerns about cost savings

However, 37% of respondents were unsure about actual cost savings with bundling. We agree consumers should be wary about cost savings with

¹ Our data is from a nationally representative survey of 1,964 New Zealanders aged 18 and over. It took place online from 17 to 30 August 2023.

bundling. In our view, bundled services don't always offer good value for money. In fact, Consumer NZ advises consumers to split providers and pick the lowest-cost provider for each service to save money.²

Lack of transparency of pricing for goods and services in a bundle

We also agree there is a lack of transparency of pricing for goods and services contained within a bundle. We therefore support Retail Service Providers (RSPs) being required to prominently disclose if the price for a plan in a bundle is higher than it would be outside the bundle. We also support RSPs being required to disclose the Recommended Retail Price (RRP) for any goods or third-party services offered as part of the bundle. Consumers can often end up paying more overall for these goods or services through higher priced, longer-term contracts.

Concerns about fixed term contracts and hidden fees with bundling

Our latest Telco survey also showed 34% of respondents were concerned about being locked into fixed term contracts and 33% were concerned about hidden fees or charges. We therefore support RSPs being required to '*prominently disclose any relationships between, or condition attaching to, any good or service in the bundle*' and '*prominently disclose any early termination fees that apply to the bundle and the consequences of cancelling any service within the bundle*.' RSPs should also ensure early termination fees are fair and not excessive, otherwise they risk breaching the unfair terms provisions of the Fair Trading Act.

Concerns about difficulty changing or terminating bundled services

Our survey also found 24% of respondents were concerned about difficulty in changing or terminating bundled services. Nine percent had experienced trouble when trying to change or terminate a bundled service. We have also received complaints from consumers about the difficulty of terminating bundled plans. Several people told us they attempted to switch electricity providers (when on bundled electricity and internet plans). While their electricity provider was changed without issue, their internet services were unexpectedly cut off, leaving them without internet for days. Although disclosure goes some way to address

² <https://www.consumer.org.nz/articles/six-common-mistakes-to-avoid-when-choosing-a-power-plan#article-convenience-costs>

unbundling issues, we consider there need to be greater protections for consumers who want to unbundle their services because they are unaffordable or unsuitable or lower cost, or more innovative, options have become available.

Concerns about 'free' subscription services

We encourage the Commission to consider including a provision in the Guidelines requiring RSPs to terminate 'free' subscription services provided as part of a bundle at the end of the 'free' period, unless the consumer opts-in to keeping (and paying for) those services. This will help prevent 'bill shock' and ensure consumers are not left paying for services they no longer want or cannot afford.

Billing

We have heard from some consumers that bills for bundled services can be very confusing. For example, below is an extract from a recent 2degrees bill for broadband and mobile (no homeline):

Tax Invoice		
Broadband & Homeline		
	Fibre Broadband - Unlimited Fibre 300 Broadband - 06 Oct 2023 to 05 Nov 2023	\$97.00
	Fibre Broadband - Unlimited Fibre 300 Broadband - 05 Oct 2023 to 05 Oct 2023	\$3.23
	Fibre Broadband - \$10 discount for 12 months - 05 Oct 2023 to 05 Oct 2023	-\$0.33
	Fibre Broadband - Mobile Bundle Discount - 05 Oct 2023 to 05 Oct 2023	-\$0.33
	Fibre Broadband - \$20 off Unlimited for 12 months - 05 Oct 2023 to 05 Oct 2023	-\$0.67
	Fibre Broadband - \$10 discount for 12 months - 06 Oct 2023 to 05 Nov 2023	-\$10.00
	Fibre Broadband - Mobile Bundle Discount - 06 Oct 2023 to 05 Nov 2023	-\$10.00
	Fibre Broadband - \$20 off Unlimited for 12 months - 06 Oct 2023 to 05 Nov 2023	-\$20.00
Broadband & Homeline Total (incl. GST)		\$58.90

The consumer who received this bill was confused their bill and so are we. We therefore encourage the Commission to consider introducing a sample bill or other guidelines about how a bill should be set out. We worked with the Consumer Advocacy Council to produce a sample energy bill and would be happy to do the same for Telecommunications providers.

Monitoring required

We also encourage the Commission to monitor the effectiveness of these voluntary guidelines and consider implementing a binding code if the guidelines don't bring about the desired change.

Powerswitch

Finally, we note our Powerswitch site is increasingly displaying details about broadband plans available to consumers as part of bundled deals. Currently, as a dedicated electricity retail price comparison site, the focus to date is on comparing the electricity component of plans. Broadband prices are currently only able to be displayed in a rudimentary way as part of the bundle and without comparison to other broadband plans. However, given the increasing amount of traffic to the Powerswitch site, and the increasing amount of bundling, we consider there is an increasing need to display this information so that consumers know, at point of sale, what bundled offers are available to them and make full comparisons. We would appreciate any support the Commission can provide for implementing increased functionality for consumers.

Thank you for the opportunity to provide comment.

ENDS