

GOVERNMENT ADVISORY SERVICES

# Telecommunications Industry Ombudsman Scheme

2011 Scheme Review Summary  
Preparing for the Future

## What did KPMG do?

The TIO's Articles of Association require periodic independent reviews of the Scheme, and the TIO Board engaged KPMG to conduct such a review in December 2010. The report, *Telecommunications Industry Ombudsman Scheme 2011 Scheme Review: Preparing for the Future*, was given to the TIO Board on 23 June 2011.

KPMG's review:

- assessed the current performance and outcomes of the TIO;
- considered the future for the TIO and the industry; and
- made *strategic* recommendations for how the TIO might best address the future.

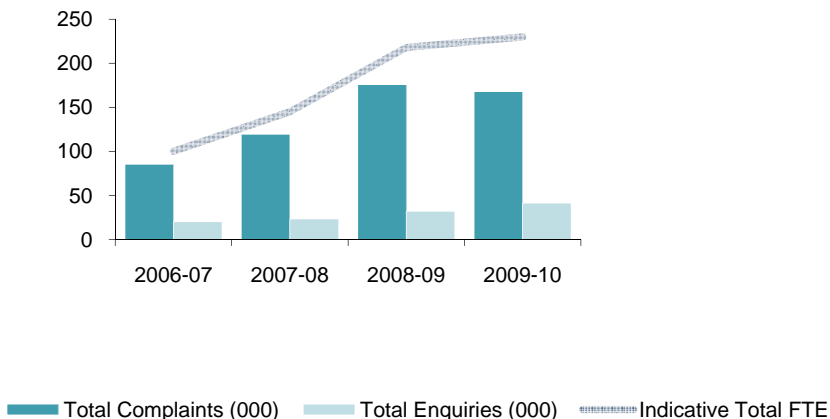
The review included consultation with over 30 external stakeholders principally Government, industry, other industry schemes and consumer representatives, the Ombudsman, and Board and Council members.

## Current state of play

### Background

The TIO is Australia's largest industry ombudsman and processes the most complaints. Demand for its services and the number of staff have grown quickly.

**Historic complaint and enquiry volume and number of FTEs**



Stakeholders consistently expressed views that the TIO has achieved fair outcomes in a challenging environment. Nonetheless, Government and regulators have expressed concerns about the numbers of complaints to TIO members and whether the TIO is equipped sufficiently to face the future.

## Performance and outcomes

KPMG found that the TIO adds value by:

- helping consumers and members avoid time and cost from disputes which would be delayed or not resolved if the TIO did not exist;
- providing incentive for members to develop effective industry dispute resolution procedures;
- informing consumers of their rights and possible solutions to their problems;
- contributing to public debate on fair and reasonable approaches to dealing with common consumer issues;
- providing consumers with support to enforce their rights;
- helping reduce the likelihood of disputes by alerting consumers and industry to their potential causes;
- providing policy makers and regulators with a source of information to help inform their actions; and
- improving relationships between consumers and members.

KPMG found that the TIO's performance currently aligns with Australian and New Zealand Ombudsman Association (ANZOA) and Department of Industry Science and Tourism (DIST) benchmarks, albeit with areas that have potential for improvement.

Stakeholders consistently expressed views that the TIO could better report systemic information associated with complaints.

KPMG also concluded that to increase stakeholder confidence, the TIO could better focus on:

- publically reporting more outcome focussed key performance indicators; and
- demonstrating and monitoring continuous improvements in performance and cost efficiency.

KPMG reported that other areas with potential for improvement include:

#### *Accessibility*

- Public awareness of the Scheme;
- access to the Scheme other than by telephone during East Coast office hours; and
- better understanding why some consumers who are dissatisfied with a member's complaint handling, do not use the Scheme.

#### *Efficiency*

- Some stakeholder concerns with the time taken to resolve some complaints;
- better understanding consumers' requirements of how the TIO serves them; and
- incoming calls to the TIO can go unanswered at times of peak demand, due to constraints on system capacity.

#### *Independence*

- Some stakeholder concerns that the TIO's current governance structure may not be sufficiently independent.

## **The future?**

KPMG suggested that industry will undergo fundamental change. This and increasing stakeholder expectations, mean that the TIO is likely to face increasing demand for its services and a more complicated operating environment. KPMG pointed to:

- *the growing take up of mobile services* – without a significant reduction in the incidence of mobile service issues, the TIO can expect a significant increase in mobile service related complaints and enquiries;
- *the deployment of the NBN* – technical challenges, new and converging services and new contract structures for example, have significant potential to increase the numbers and complexity of complaints and enquiries;
- *service convergence* – which will trigger important jurisdiction challenges for the TIO and consumer confusion about the roles of the TIO and other dispute resolution services;

- *an increasing government focus and public scrutiny* – of the TIO and the issues it deals with; and
- *greater consumer demands* –on the TIO’s responsiveness and accessibility.

## **A framework for the future**

KPMG suggested that it is imperative for the TIO to continue to find ways of dealing with complaints more efficiently, but that this alone may not be enough to meet the demands of the future. Rather, the TIO should adopt:

- a greater strategic orientation to drive deeper stakeholder relationships to help reduce the numbers of complaints arising; and
- more structured strategic planning to drive continual improvement in the TIO.

## **Governing the TIO in the future**

KPMG considered that to achieve effective future outcomes, the TIO’s governance structure will need to meet objectives of:

- maintaining stakeholder trust;
- enabling major new industry players to be incorporated;
- being accountable to consumers and industry; and
- focussing on efficient decision making and having a strategic capacity.

While KPMG identified no instances where the Board or Council had exercised their powers inappropriately to undermine the independence of the Ombudsman or the Scheme, KPMG considered both amendments to the current Board / Council model and an alternative of a single Board. KPMG found that both models have the potential to achieve these objectives and that implementation is more important than the choice, of a governance structure. KPMG also found that:

- stakeholder feedback suggests that a slightly amended structure may not resolve issues of trust in the Scheme’s perceived independence and efficiency;
- a single Board offers potential for clear direction and greater efficiency; but
- significant work is likely to be required to develop a workable, representative single Board. For example, balancing the interests of the Scheme’s members and stakeholders with current guidance for good corporate governance which

recommends that the majority of a board's members be independent, while maintaining the Board at a workable size, could be challenging. Because it may take time to address matters such as these, a number of non-constitutional changes to the current structure could strengthen the Scheme's oversight in the meantime.

## Questions

If you have questions about the Review and its implications please talk to Phillip Carruthers, Company Secretary on 03 8600 8788.

*This document provides a summary of KPMG's findings during the course of the work undertaken for the Telecommunications Industry Ombudsman Limited under the terms of the engagement letter contract dated 9 December, 2010. The contents of this summary do not represent our conclusive findings, which are only contained in our final written report.*

*This summary is provided solely for the benefit of the parties identified in the engagement letter and are not to be copied, quoted or referred to in whole or in part without KPMG's prior written consent. KPMG accepts no responsibility to anyone other than the parties identified in the engagement letter for the information contained in this presentation.*

[kpmg.com.au](http://kpmg.com.au)

© 2011 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. All rights reserved.

KPMG and the KPMG logo are registered trademarks of KPMG International.

Liability limited by a scheme approved under Professional Standards Legislation.