

**For discussion
on 11 May 2015**

**Legislative Council Panel
on Information Technology and Broadcasting**

**Implementation of the Customer Complaint Settlement Scheme for
the Telecommunications Industry on a Long Term Basis**

Purpose

In June 2012, we briefed the Panel on a two-year trial of a Customer Complaint Settlement Scheme (CCSS) for the telecommunications industry in Hong Kong, which seeks to help resolve, through mediation, billing disputes in deadlock between telecommunications service providers and their customers. This paper briefs Members on the findings of review by the Office of the Communications Authority (OFCA) of the two-year trial scheme and the way forward with the implementation of the CCSS on a long term basis.

Background

2. Billing disputes is one of the top three categories of consumer complaints on telecommunications services received by OFCA in recent years. Other major complaint categories include contractual disputes and service quality. Set out in Table 1 below are the total number of consumer complaints on telecommunications services received by OFCA and the breakdown by major categories in the past three years.

Table 1: Consumer complaints received by OFCA

	2012	2013	2014
Total no. of consumer complaints	5,262	4,303	3,427
• Billing disputes	1,121 (21%)	954 (22%)	1,049 (31%)
• Contractual disputes	1,116 (21%)	894 (21%)	588 (17%)
• Service quality	1,812 (35%)	1,447 (34%)	1,127 (33%)
• Others ¹	1,213 (23%)	1,008 (23%)	663 (19%)

3. The Telecommunications Ordinance (Cap. 106) (TO) does not confer on the Communications Authority (CA) the statutory power to intervene in individual billing disputes between telecommunications service providers and their customers. On receipt of such complaints, OFCA would refer them to the relevant telecommunications service providers for resolution with the complainants direct. If the parties were unable to settle the billing disputes among themselves, they might have to resort to the court including the Small Claims Tribunal to seek final resolution.

The CCSS

4. Following close discussion with the telecommunications industry, OFCA supported the implementation of an industry trial scheme of a voluntary CCSS for a period of two years from 1 November 2012. The trial CCSS provides an alternative channel for the resolution of billing disputes in deadlock by means of mediation without involving formal legal proceedings². All major telecommunications service providers including six major mobile virtual network operators (MVNOs) participated in the trial scheme as CCSS members³.

¹ This included consumer complaints on service suspension and application, call disturbance, sales and promotion tactic, delay in activation of service, refund matter, collection of overdue payment, wrong delivery of bills, collection of personal data, number porting matter, directory service etc.

² Small Claims Tribunal has a set of procedures for claimants and defendants to follow. In particular, they have to attend various court hearings (namely, call-over, mention hearing(s) and trial, where applicable). If the customer is the defendant and does not turn up at the hearings, the customer will lose the case. On the other hand, the CCSS adopts less formal and more flexible approach by which the parties concerned can attend the mediation in person or by phone.

³ The major telecommunications service providers include China Mobile Hong Kong Company Limited, Hong Kong Broadband Network Limited, Hong Kong Telecommunications (HKT) Limited and CSL Mobile Limited (including formerly CSL Limited), Hutchison Global

5. The mediation service is provided by an independent mediation service centre (CCSS Centre) set up under the Communications Association of Hong Kong (CAHK)⁴, an industry association representing the communications sector in Hong Kong. OFCA supports the CCSS by contributing the necessary funding and monitoring the performance and the governance of the scheme.

6. Customers who choose to use the mediation service under the CCSS would first contact OFCA, which would screen and assess the cases against the eligibility criteria, namely (a) the concerned disputes are billing disputes relating to personal and/or residential use; (b) the amount in dispute is not less than HK\$300; and (c) a deadlock is reached (i.e. dispute remains unsettled for more than six weeks since the customer has first complained to the service provider). After screening, OFCA would refer eligible cases to the CCSS Centre for mediation. Each customer and the relevant CCSS member are required to pay HK\$100 and HK\$200 respectively as the fees for using the mediation service under the CCSS.

Review of the Two-year Trial Operation of the CCSS

7. The two-year trial scheme of the CCSS ended on 31 October 2014. Set out below are the key CCSS statistics collected during the trial period, and the assessment of OFCA and the industry of the effectiveness of the CCSS trial.

Key CCSS statistics

8. The key statistics relating to the CCSS during the two-year trial period are set out below:

Communications Limited, Hutchison Telephone Company Limited, Hong Kong Cable Television Limited, New World Telecommunications Limited, SmarTone Mobile Communications Limited and Wharf T&T Limited. The six MVNOs are China Motion Telecom (HK) Ltd, China-Hong Kong Telecom Limited, China Unicom (Hong Kong) Operations Limited, CITIC Telecom International Limited, IMC Networks Limited and Sun Mobile Limited.

⁴ CAHK is a non-profit making association for Hong Kong's communications industries, with responsibilities across broadcasting, wireline and wireless communications, and other relevant business sectors in the domain of information communications technology.

(a) Eligible cases

OFCA received a total of **357** eligible cases during the two-year trial period, comprising **106** and **251** cases in the first and second trial year, respectively.

(b) Sources of knowledge about the CCSS

Most of the customers in the 357 eligible cases became aware of the CCSS through the consumer complaint hotline and the website of OFCA (71%) and the websites of CCSS members (16%). Others learnt about the CCSS via sources such as the Consumer Council and media, etc. Table 2 below provides a breakdown of the cases by different sources of knowledge about the CCSS.

Table 2: Sources of knowledge about the CCSS

Sources	Total (%)
OFCA's Consumer Affairs Division	149 (42%)
OFCA's website	105 (29%)
CCSS members' websites	57 (16%)
Consumer Council	19 (5%)
Media	10 (3%)
Friends and relatives	8 (2%)
Government's 1823	6 (2%)
District Councils	3 (1%)
Total number of eligible cases	357 (100%)

(c) Nature of disputes and amounts in disputes of the eligible cases

Majority of the 357 eligible cases were related to mobile services (mobile roaming service (42%), mobile local data service (36%) and other mobile services such as airtime and SMS charges (11%)). The remaining cases were mainly related to fixed broadband and IDD services (11%).

The amounts in disputes ranged from HK\$300 to HK\$150,000, and the average amount in dispute per case was around HK\$4,100.

(d) Cases referred to the CCSS Centre

Out of the 357 eligible cases, **159** cases were settled by CCSS members before OFCA's referral to the CCSS Centre.

Of the remaining **198** cases which were referred to the CCSS Centre for mediation service:

- 71 were settled before mediation;
- 126 out of the 127 cases that went through mediation were satisfactorily settled; and
- for the remaining one case, despite that verbal settlement agreement had been reached between the customer and the CCSS member concerned via telephone mediation by the CCSS Centre, the customer did not turn up to sign the settlement agreement later, and could not be reached thereafter. The case was classified as "not settled" in the absence of the written settlement agreement.

For the 126 cases settled after mediation, CCSS members and the customers agreed to share out the amounts in disputes. This is a reflection that for the deadlock cases, both CCSS members and the customers concerned could be equally "at fault" in giving rise to the billing disputes in question. Two such examples are set out at **Annex** for Members' reference.

(e) Complaints involving billing disputes received by OFCA

During the two-year trial period, OFCA's Consumer Affairs Division received a total of 2,104 complaints on billing disputes, of which **1,005** cases met the CCSS criteria.

Among these 1,005 cases, **676** cases were shortly settled by

CCSS members without the need to approach the CCSS for resolution. **149 out of the remaining 329** cases joined the CCSS.

For the rest of the **180** cases, they did not make their way to the CCSS for various reasons including:

- complainants preferred to further negotiate with CCSS members direct (95 cases)⁵;
- complainants were reluctant to pay the HK\$100 case fee for joining the CCSS (39 cases);
- complainants needed further time to consider whether to join the CCSS (21 cases)⁶; and
- complainants could not be reached as their telecommunications services were subsequently terminated by the concerned service providers (25 cases).

Review of the CCSS

9. OFCA has adopted three criteria for assessing the effectiveness of the two-year CCSS trial, namely, call-back rate, settlement rate and findings of a user satisfaction survey. The assessment is set out below.

(a) Call-back rate

As mentioned in paragraph 3 above, OFCA would refer individual complaints on billing disputes received to the relevant telecommunications service providers for resolution. Complainants who are not satisfied with the outcome of their negotiations with the telecommunications service providers may call OFCA's consumer complaint hotline again for

⁵ It is estimated that about 50% of these customers have subsequently settled the disputes with their telecommunications service providers.

⁶ As of 31 March 2015, two complainants and one complainant opted to join the CCSS in November 2014 and December 2014, respectively. The remaining 18 complainants opted to further negotiate with CCSS members direct and did not join the CCSS.

assistance. The “call-back rate” (i.e. the number of unresolved billing dispute cases seeking OFCA’s further assistance after OFCA’s prior referral to telecommunications services providers for resolution as a percentage of the total number of billing dispute cases received by OFCA) is one indicator to measure the complainants’ level of dissatisfaction over the negotiations with the telecommunications service providers to resolve billing disputes.

In this regard, the call-back rate was reduced from 6% and 4% in 2011 and 2012 respectively, to 3% during the two-year trial period. According to the feedback from CCSS members, due to the existence of the CCSS, they are more amenable to settling the billing dispute cases with the complainants direct before cases become eligible for the CCSS, hence the drop in the call-back rate. Indeed, the CCSS statistics also reflect the fact that due to the existence of the CCSS, CCSS members are also more amenable to settling with the complainants the eligible cases which have been referred to the CCSS before actual mediation took place.

(b) Settlement rate

The “settlement rate” is the percentage of eligible CCSS cases successfully settled between CCSS members and their customers.

In this regard, as mentioned in paragraph 8(d) above, 356 out of the 357 eligible cases were settled under the CCSS. Overall, the settlement rate of eligible cases under the CCSS was almost 100%.

(c) User satisfaction survey

Telecommunications service customers and CCSS members who went through the mediation process were requested to complete a user satisfaction survey to assess their satisfaction levels. With 5 being the highest score, the average total

score of 4.6 and 4.7 from customers and CCSS members respectively indicates a high level of satisfaction towards the CCSS. Table 3 below shows the individual scores from customers and CCSS members in relation to various aspects of the mediation service provided by the CCSS Centre.

Table 3: Scores in user satisfaction survey

Particulars	Score (5 as the highest)	
	Customers	CCSS members
(a) The CCSS Centre staff have informed me of the procedures in relation to the CCSS process	4.7	4.7
(b) The CCSS Centre staff have consulted me on the timing and method for conducting mediation that suited my needs	4.6	4.7
(c) The CCSS Centre staff were responsive to my enquiries	4.7	4.7
(d) The CCSS Centre staff were helpful and courteous to me	4.8	4.8
(e) The mediator was able to facilitate the negotiations between me and the other party	4.6	4.6
(f) The HK\$100 charge on using the CCSS service was reasonable	4.4	N/A
(g) The time taken for resolving the dispute via the CCSS was reasonable	4.5	4.6
(h) The CCSS was effective in resolving the billing disputes in deadlock	4.5	4.6
(i) The overall arrangement of the CCSS was satisfactory	4.5	4.7
Average total score	4.6	4.7

Apart from the high scores as reflected in the survey result, the CCSS Centre continuously received a substantial amount of complimentary remarks from customers after using the mediation service⁷.

10. Overall speaking, given (a) a reduction of call-back rate; (b) a high settlement rate of almost 100% for all eligible cases handled by the CCSS; and (c) a high level of satisfaction reflected by the CCSS users in the mediated cases, OFCA's assessment is that the CCSS is highly effective in helping to resolve billing disputes in deadlock. Of note is that the CCSS also provides a greater incentive for CCSS members to settle billing disputes more expeditiously with their customers, before they become eligible for the CCSS, or for cases that have been referred to the CCSS, even before actual mediation was arranged.

Operational performance of the CCSS Centre

11. For the purpose of measuring the operational performance of the CCSS Centre, OFCA has developed some key performance indicators, covering different aspects of the CCSS' operation, including the CCSS workflow, user satisfaction, handling of complaints against the CCSS Centre, as well as submission of reports and statistics to OFCA. In this regard, the CCSS Centre has achieved 100% of the targets set by OFCA during the two-year trial period. The overall operational performance of the CCSS Centre is considered smooth and efficient.

Feedback from the industry on the long term implementation of the CCSS

12. After completion of the two-year trial period, OFCA collected feedback from all CCSS members who have participated in the trial scheme on the effectiveness of the CCSS and its operation if it is to be implemented on a long term basis. In general, CCSS members considered the CCSS an effective means in helping to resolve billing disputes in deadlock, and agreed to continue to participate in the CCSS on a voluntary and long term basis subject to OFCA's funding. Majority of

⁷ Extracts of some complimentary remarks included (a) the mediation process was straightforward and effective; and (b) the CCSS, being an independent party, played the role of check and balance and brought in positive and cooperative efforts to help resolving disputes between customers and telecommunications service providers.

CCSS members considered that the CCSS framework, including the scope of the CCSS and the roles and responsibilities of various parties should remain the same.

Way Forward

Long term implementation of the CCSS

13. The reduced call-back rate, high settlement rate and positive feedbacks from customers and CCSS members are all indicators that, from both the customers and CCSS members' perspectives, the CCSS is an effective scheme in the telecommunications sector to help resolve billing disputes in deadlock between customers and their telecommunications service providers. The increase in the number of eligible cases handled from the first trial year (106 cases) to the second trial year (251 cases) further indicates that there is a genuine and continuing demand for the CCSS. In addition, the feedback given by CCSS members indicates that the telecommunications industry generally supports the on-going implementation of the CCSS on a long term basis.

14. Having regard to the encouraging outcome of the CCSS trial, the proven demand from customers and the positive feedback from CCSS members, OFCA decides to support the long term implementation of the CCSS on the basis of the framework adopted in the trial scheme. The long term implementation of the CCSS as administered by CAHK has commenced on 1 May 2015.

Promotion of the CCSS

15. During the second trial year, OFCA and CAHK have enhanced the promotion of the CCSS by publishing articles and advertorials on CCSS on newspapers, building links to the CCSS website on the websites of Consumer Council and GovHK, as well as promoting the CCSS in the roving exhibitions and public seminars organised by OFCA and Department of Justice⁸. The increasing number of cases handled by the CCSS Centre in the second trial year is a testimony that

⁸ CCSS leaflets were distributed to the participants of the seminars of Mediation Week 2014 organised by Department of Justice on 20 and 21 March 2014.

the publicity and promotion would help increase the public awareness of the scheme. More publicity and promotional activities will be launched in the future in order to better utilise the CCSS resources and bring benefits to more telecommunications users.

16. OFCA will continue to monitor closely the operation and effectiveness of the CCSS and conduct review of the scheme as necessary.

Office of the Communications Authority
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Annex

Examples of Mediated Cases

The following examples of mediated cases illustrate that both CCSS members and the customers concerned share responsibility over the coming about of the relevant billing disputes. Both cases were in the end settled through mediation by the CCSS Centre with the amounts in dispute partially borne by the customers and partially waived by the CCSS members.

Example 1:

A customer found that his mobile phone had been stolen while he was travelling overseas, and he then reported the matter to a CCSS member via the CCSS member's website. According to the CCSS member, as it had tried but failed to contact the customer to verify his identity, it had not suspended the customer's telecommunications service right after receiving the report on the website. Later, the customer was imposed a high roaming charge which was incurred during the period after his mobile phone was stolen. The customer considered that as the CCSS member had failed to act expeditiously to terminate the roaming service after he had reported the loss of his mobile phone to the CCSS member's website, he should not be held responsible for the roaming charge.

Example 2:

A data roaming charge was imposed on an adult customer whose son without seeking the consent from his father had used the father's mobile phone to play games via internet for a few minutes when they were travelling abroad. The parent customer received a huge mobile bill but he considered that his child did not consume much data services and that there was a lack of roaming charge information published by the CCSS member, when in fact such information was published on the CCSS member's website.