Consumer Affairs Victoria

Designing Quality Rating Schemes for Service Providers

Research Paper No. 5 March 2006

Victoria
The Place To Be

Disclaimer

The information contained in this research paper is of a general nature only and should not be regarded as a substitute for reference to the legislation or legal advice.

Published by Consumer Affairs Victoria,
121 Exhibition Street, Melbourne, Victoria, 3000.

Authorised by the Victorian Government,
121 Exhbition Street, Melbourne, Victoria, 3000.

Printed by JDL Print Solutions, 16 Turbo Drive, Bayswater North, 3153.

Preface

Consumer agencies often empower consumers to make better choices and protect their own interests by informing them about products and services. This information can be complex, discouraging consumers from using it. Ratings schemes are one way of simplifying complex information to make it easier for consumers to access and use.

The paper looks at applying ratings schemes, like energy efficiency and accommodation ratings, to more complex products where the service provider tailors the service to meet the needs of individual consumers. If a meaningful rating can be cost effectively implemented, it could remove the need for more intrusive regulation.

The research paper is one in a series designed to stimulate debate on consumer policy issues. It is informed, particularly, by the related paper on *Information Provision and Education Strategies*, which discusses the strengths and weaknesses of information strategies and how consumers use available information.

Consumer Affairs Victoria would like to thank Deborah Cope from PIRAC Economics for her assistance in preparing this paper.

Consumer Affairs Victoria would welcome your comments on the paper. These may be directed to:

Ms Sally Macauley
Consumer Affairs Victoria
Level 17, 121 Exhibition Street
Melbourne
VIC 3000
Tel (03) 8684 6091
Email sally.macauley@justice.vic.gov.au

Dr David Cousins
Director
Consumer Affairs Victoria

“Designing quality rating schemes for service providers”

In many industries, competitive markets and informed consumers work together to ensure businesses have the incentives to provide the goods and services that consumers want at the lowest possible price, and consumers are able to make good judgements about what they will buy. Consumers derive many benefits from markets that work well and from being empowered to make good choices. But markets do not always work well. A common problem is a lack of understandable information, which makes it difficult for consumers to choose between products or service providers. In some of these cases, government intervention is warranted. Governments use many tools to overcome information problems, including:

- mandatory information disclosure
- rating schemes
- education programs
- accreditation schemes
- codes of practice, and
- business or occupational licensing.

Some of these tools provide information to consumers directly. Information schemes, for example, tell consumers which goods, services or service providers have particular characteristics. The type of information provided varies and could include:

- the qualifications of the service provider
- the impact of a particular product on consumers' health
- the product's level of energy or water use efficiency, and
- whether a complaints handling mechanism is available.

Consumers then have the freedom to choose how they use this information and which service provider they select.

Other policy approaches, such as licensing, are more prescriptive. They are often advocated without full consideration of whether less prescriptive alternatives would adequately address the problem. Prescriptive policies regulate who can provide a service and set conditions designed to control minimum service standards. They reduce the range of services, so consumers are less likely to choose a lower standard service. Consumers may not be any better informed about what they are buying, but the decreased availability of these services decreases the risk of a lower quality service.

Rating schemes are one option for informing consumers about the characteristics of the product or service they are purchasing and assisting them to compare alternatives. Such schemes are used in Australia for classifying movies and videos, providing information on energy and water use efficiency, rating mortgage and credit card services, and indicating the quality of tourist accommodation. These industries involve the purchase of a product or a standardised service (such as tourist accommodation), where the service provided varies little across customers. Rating schemes are not as common in industries where consumers choose between tailored services – that is, services such as building trades, financial and other advisory services, medical services, alternative medicine providers and personal computer support, where the provider tailors the service to meet the needs of the customer.

This paper describes the economic and social impacts of information problems, particularly for consumers purchasing tailored services. It discusses examples of rating schemes used in Australia and overseas, and how that experience can inform the extension of rating schemes to other industries. Finally, it looks at the issues involved in developing a rating scheme for service providers offering tailored services.

The paper looks broadly at the current use of rating schemes, questions to consider in designing a new scheme for service providers, and an example of how a scheme might be designed. It does not recommend a specific scheme for a specific service, because the development of such a scheme would require extensive consultation and research on the characteristics of the service to be rated.

Contents

"The nature of the problem" 1

Access to, and the use of, good quality, meaningful information is a major consumer issue. Information problems can arise if:

- consumers do not have access to adequate information
- the cost of obtaining that information is prohibitive
- consumers do not have the skills to collect or interpret the information, and/or
- consumers do not use the information available when they decide which products or services to buy.

Consumer decisions that are not well informed have social and economic consequences. If consumers do not have adequate information, or do not use the information available when they make purchasing decisions, they may make poor judgements about the quality of the service provider they engage; the provider's integrity and/or ability to supply the product or service expected by the consumer; and/or the possible effect of the product or service on the consumer's health or wellbeing. Further, markets cannot work effectively if consumers do not make well informed decisions: because consumers cannot judge whether the service provider will meet their needs, their buying patterns will not clearly signal consumer preferences to businesses, and the market will be inefficient (Box 1). The Consumer Affairs Victoria discussion paper *Information Provision and Education Strategies* analyses information issues in more detail.

Box 1: The effects of information on the efficiency of the market

Well informed markets

Within a well informed market, consumers know which services they prefer. They purchase their preferred service from their preferred supplier, accounting for factors such as price, quality, service and location. Successful suppliers are those that continue to offer consumers the best value for money by adapting their services as consumers' demands change over time.

Such a market operates efficiently, in the following ways:

- Suppliers strive to improve their quality and lower their prices so they can attract consumers by offering the quality of service that consumers want at the lowest possible price (technical efficiency).
- Suppliers respond to changes in the needs and preferences of consumers by offering new services and discontinuing the ones that consumers no longer want (dynamic efficiency).
- Consumers buy from those suppliers that provide the best services at the lowest possible prices. The economy's resources (people, capital, materials) are thus used by the most efficient suppliers to produce the services that consumers value the most (allocative efficiency).

Poorly informed markets

Within a poorly informed market, consumers cannot judge which services or suppliers they prefer because they cannot assess whether a particular service would meet their needs; compare the benefits and costs of different services; assess whether the supplier is offering them good value; and/or predict whether the services would have any long term costs (for example, damaging their health). In these circumstances, some consumers expend money and effort to obtain the information needed to make a more informed decision. Others decide not to buy the service. Some make a poor decision and buy a service that is poor quality or not what they expected, or that has unexpected costs or side effects.

If a lot of consumers are poorly informed, the market can operate inefficiently, in the following ways:

- Suppliers are under less pressure to improve their service quality and reduce their costs because consumers cannot clearly identify the best suppliers (poor technical efficiency).
- The signals to suppliers about changes in consumer needs and preferences are not clear, so suppliers do not respond as quickly to those changes (poor dynamic efficiency).
- The demand for services in the industry is reduced, with some consumers deciding not to buy the service because it is too costly to obtain enough information to make a good choice. This occurs even though there may be services that the consumers would be willing to buy if they could identify them easily. As a result, the industry uses too few of the economy's resources. At the same time, consumers are unable to choose easily between good and poor quality suppliers. Some use the poor suppliers by mistake, and resources in the industry do not flow as effectively to the good quality suppliers (poor allocative efficiency).

From a social perspective, good information ensures consumers can choose the right service provider to meet their needs and avoid the cost, stress and other problems that arise when service providers do not meet their customers' expectations. These problems can be considerable. A consumer who does not choose the right financial advisor, for example, could lose thousands of dollars in potential investment earnings. They may even put their retirement income at risk. Similarly, a consumer who chooses the wrong builder may face considerable stress and family pressure as a result of higher than expected costs, delays in construction, or the conflict caused by pursuing redress for poor workmanship. There are many anecdotal examples of people who have suffered a personal crisis because their service provider did not deliver the services they expected.

1.1 Characteristics that affect consumers' access to information

Some products and services are more prone than others to information problems. The information problem is greatest when it is relatively difficult for consumers to obtain access to good quality information that is easily understood or, if such information is available, when consumers do not use the information in their decision making; the problem is compounded when the adverse consequences of making a poor decision are large.

Products and services that are prone to information problems often include the following characteristics:

- *One-off purchases* – If consumers purchase products or services frequently, they can use their past experience to choose between alternatives. Consumers quickly accumulate the information needed to judge the type of toothpaste or washing powder they prefer, for example. Most consumers, however, have limited experience to help them choose a washing machine or television set.
- *Technical purchases* – Highly technical products or services can be difficult for consumers to understand and compare. It is more difficult for most consumers to assess the information needed to choose between technical products, such as computers, than between other products, such as lounge suites or bedroom furniture.
- *Purchases with uncertain or long term effects, or effects on third parties* – Consumers may have difficulty obtaining accurate information on the effects of products or services when these effects are uncertain or very long term. In some cases, the information may not be available; in others, the real level of risk is difficult to judge. A consumer purchasing pest control services, for example, can find it difficult to judge the long term health or environmental effects of the chemicals used.

  Sometimes the effects of the product will be on third parties or the environment. Not all consumers will account for these costs when making their purchases. Those who do can have difficulty accessing information on the likely risks and consequences for third parties.
- *Uncommon and tailored purchases* – If consumers often purchase similar services, one consumer may be able to use the experience of others to help inform their decision. This consultation process can be casual (for example, speaking to friends) or more formal (for example, reading magazines such as *Choice*). Using the experience of others is more difficult if the good or service being purchased is not common. Most consumers could speak to several people who have purchased a car, DVD player or lawn mower, but it may be more difficult to find friends who have experience purchasing a saxophone, financial advice or a new roof.

  The experience of others is less useful if the service is tailored to each consumer. Someone else's experience is thus more relevant to a consumer trying to judge the facilities available at a holiday resort or motel, because a similar service is offered all customers. It is more difficult to understand the service that a new customer would receive from an architect or builder, because the size, complexity and characteristics of the service required would vary among customers.

Not only do these product/service characteristics make it difficult for consumers to access good information, they can make the information complex and reduce the likelihood that consumers will use the information that is available. As discussed in the Consumer Affairs Victoria discussion paper *Information Provision and Education Strategies*, people faced with complex information often use proxies or shortcuts to deal with an inadequate ability to incorporate all relevant facts in their decisions; they rely on a simplified set of principles to make complex judgements. This decision making shortcut could lead consumers to choose products or services that do not meet their expectations. Also, such shortcuts may be so ingrained that consumers do not realise they are not identifying the right product for them. Goods and services with the characteristics described above are potentially prone to these problems. If a product or service demonstrates all of the characteristics noted, then a lot of consumers are likely to have difficulty gaining sufficient information and using that information to make informed purchases.

1.2 Characteristics that increase the cost of a poor decision

Consumers' ability to judge the quality of products and services, and the businesses that supply them is also inhibited by businesses that try to deceive their customers. While most service providers are ethical, a small number of unethical operators are likely to be attracted to those industries in which it is difficult for consumers to access information. In these industries, it is easier to deceive consumers and often more difficult to detect unethical operators.

The cost to consumers of unethical operators, or of making poor choices because of lack of information, would be higher for services with the following characteristics:

- *Expensive purchases* – The cost of the purchase affects the loss to the consumer from making a poor decision. If the service that does not meet a consumer's expectations costs only a few dollars, the impact on the consumer is far less than that of a poor decision when purchasing a house or a car.
- *Purchases that carry other risks* – The cost of the purchase is not the only financial loss that a consumer could face as a result of a poor decision. Poor financial or investment advice, for example, can cost consumers much more than the fees charged for the advice, because losses or reduced earnings might result. Significant costs can also arise for consumers trying to rectify the consequences of using faulty products or services that have caused injury or damage to other assets. Non-financial loss too can result from poor information, including risks to consumers' health and wellbeing. Uninformed purchases of medical and alternative medicine treatments, for example, can affect a consumer's health and, in some cases, cause death. Some products also carry risks to the environment, and others cause inconvenience and disruption to consumers.

When consumers find it difficult to use information to make informed choices, and the costs of poor choices are high, government intervention to ameliorate information problems is more likely to be warranted. Government intervention would be justified if it would result in consumers making more informed choices and if the costs of intervention would be less than the benefits.

"The current use of rating schemes" 2

Government programs to inform consumers are a common response to information problems. Rating schemes that give a simple picture of service quality and assist consumers to compare service providers are one option. They are often used to simplify technical information or help consumers make one-off or uncommon purchases. They may overcome problems where the complexity of information discourages consumers from using that information even if it is available.

Rating schemes are already used in Australia and overseas in areas such as:

- film and video classifications (OFLC 2004)
- tourist accommodation ratings (AAA Tourism 2004)
- crash test ratings for new cars (ANCAP 2004)
- energy rating labels for electrical appliances (Australian Government 2004)
- tractor safety ratings (Accident Research Centre, Monash University 2004)
- ratings for mortgage, credit card and margin lending financial services (Cannex 2004a)
- customer satisfaction ratings for those selling goods over the internet (eBay 2004)
- water efficiency ratings for products that use water (WSAA 2004)
- greenhouse gas and energy efficiency ratings for buildings and building products (Australian Building Greenhouse Rating Scheme 2004a; NFRC 2004; NHER 2004; USGBC 2004)
- airline quality ratings (Bowen & Headley 2004)
- ratings for healthcare providers (Commission for Health Improvement 2004a), and
- ratings based on an assessment of corporations' demonstrated corporate and social responsibility (Vigeo 2004a).

Appendix 1 describes several Australian and overseas rating schemes. Existing rating schemes are diverse but can be broadly classified into three groups: products rated according to a single characteristic; products or standardised services rated according to a range of characteristics; and tailored services and businesses rated according to a range of subjective characteristics. These groups are indicative because not all schemes fit neatly into a group. But they assist consideration of how the complexity of the characteristics being rated affects the approach to rating.

Several existing rating schemes provide a simple measure of one characteristic of a product or service, such as its energy or water use efficiency. Such schemes are relatively effective and easy to design, so long as the characteristic being rated is a key issue for consumers and can be objectively measured, and consumers can readily understand the meaning of the rating.

Ratings are also used to measure more complex services or business characteristics. Accommodation ratings, film classifications and safety ratings, for example, provide information on more complex services. In such cases, the ratings are composites of several characteristics, some of which (such as a hotel room's cleanliness or the amount of violence in a film) are assessed subjectively. These rated services tend to be standardised so each consumer receives the same service – for example, all consumers watching a particular film see the same film. This means the standard service can be analysed and the rating can be based on a sample of the service.

The final category – Rating schemes for tailored services – Is far more complex and less common. The rating must measure not only the quality of the service, but also the ability of the service provider to respond to the needs of individual consumers and to provide a range of high quality services to a variety of clients. This measurement requires analysis of the service provider's skills as well as the characteristics of the service. The detailed and complex scheme used in England to rate health trusts has many of these characteristics (Appendix 1). National Health Service providers, including all acute, specialist, mental health, ambulance and primary care trusts, are assessed against a range of indicators that measure the quality of the services and the management of the trust.

“Expanding the use of rating schemes” 3

There are two possible approaches to measuring service quality. The first is to assess actual service quality by sampling or testing the service and/or surveying consumers—an approach that works well for most standardised services. The second is to identify the characteristics of the service provider that affect service quality and to develop indicators for measuring those characteristics. This approach is better for tailored services, for which it is difficult to obtain an accurate picture of the quality of all service options via surveys or sampling.

In practice, rating schemes for tailored services usually involve a combination of these two approaches. The more diverse the service, the more heavily the scheme would need to rely on indicators which measure the characteristics of the service provider that affect service quality. In industries with a lot of small businesses, there are complex interrelationships among the quality of the service, the skills of the person directly providing the service and, in some cases, the quality of the management of the business.

If a rating scheme is being developed for a tailored service, the checklist questions in Box 2 should be addressed. This checklist is discussed in the following sections.

Box 2: Rating scheme design checklist

1. What is the service being rated?
2. Which factors affect service quality?
3. What indicators can be used to measure the factors affecting service quality and how will they be measured?
4. How will information be conveyed to consumers?
5. Should the scheme be mandatory or voluntary?
6. Who should manage the scheme?

3.1 What is the service being rated?

Before looking at the details of the proposed rating scheme, it is important to define the services that are being rated. Is the rating intended to apply to a particular type of service (regardless of the type of service provider offering that service) or to all services provided by a group of service providers? The rating scheme should describe the service and the types of service providers that offer that service. A clear understanding of the services subject to the rating scheme assists analysis of the factors that affect service quality and the development of effective quality indicators.

3.2 Which factors affect service quality?

The factors that drive service quality vary across industries. In most cases, however, they fall within the following categories:

- the technical and business related skills and experience of the service provider
- the integrity and ethics of the service provider, including compliance with legislative requirements, industry guidelines and codes of practice
- the adequacy of the business's equipment and financial security
- the business's longevity and ability to ensure ongoing backup and support, and
- the business's approach to risk management.

In an industry such as medical services, the skills of the service provider are particularly important. In other industries, such as those involving sales, the integrity and ethics of the service provider are likely to have high priority. The analysis of a particular rating scheme proposal would involve analysing those service quality drivers that are relevant to the rated service and describing how they affect service quality.

3.3 What indicators can be used to measure the factors affecting service quality and how will they be measured?

Once the drivers of service quality have been defined, the next step is to identify indicators that could be used to measure these drivers. Good quality indicators are:

- an accurate reflection of the factors that drive service quality
- measurable, because indicators that cannot be accurately measured add little to the development of the rating
- consistent across organisations, so service quality can be compared
- consistent over time, allowing consumers and businesses to develop an understanding of the indicators used within the rating scheme, and
- cost effective to monitor and measure.

Developing cost effective indicators is particularly important. An indicator that is costly to measure may result in the costs of the rating scheme outweighing the scheme's benefits. These costs include those to the rating agency, the rated businesses and any other parties of developing the indicator and collecting and analysing data. There is usually a tradeoff between the cost of collecting and analysing the information, and the accuracy of the indicator. A balance is necessary between the administration and compliance costs of the rating scheme and its usefulness as an accurate reflection of service quality. If sufficient good indicators are not available, then a rating scheme is not appropriate for that service.

Indicators are service specific, so it is not possible to provide a definitive list of indicators, or even to identify indicators relevant to a particular industry, without a significant amount of research and consultation. Indicators appropriate for an industry dominated by small business, for example, are different from those appropriate for an industry in which the average business size is large. Table 1 suggests indicators that may be relevant for the different service quality drivers identified in the previous section. It includes possible sources of the information required to measure these indicators.

[3] Primary legislation comprises Acts of Parliament. Subordinate legislation comprises mostly the Regulations attached to Acts.

Table 1: Service quality indicators		
Service quality driver	**Service quality indicators**	**Information source**
The technical and business related skills and experience of the service provider	Level of training	Rated business
	Number of years of experience of the service provider	Rated business
	Number of convictions for poor workmanship	Regulator
	Compliance with set standards for product quality or characteristics, workmanship and/or service delivery	External assessment
	Compliance with technical standards, or whether the product has certain technical characteristics	External assessment
The integrity and ethics of the service provider, including compliance with legislative requirements, industry guidelines and codes of practice	Number of convictions for poor workmanship or business practices	Regulator
	Consumer complaints against the business	Regulator
	Establishment of a compliance program consistent with the Australian Standard (AS 3806)	Rated business or external assessment
	Establishment of an internal complaints handling process consistent with the Australian Standard (AS 4269)	Rated business or external assessment
	Level of customer satisfaction with the service provider's approach	Customer survey
The adequacy of the business's equipment and financial security	Ownership of necessary equipment	Rated business or external assessment
	Appropriate training to operate necessary equipment	Rated business
	Sufficient capital to meet the business's financial needs	Rated business
The business's longevity and ability to ensure ongoing backup and support	Number of years the business has been operating	Rated business
	Level of financial security	Rated business
	Customers' satisfaction with backup and support	Customer survey
The business's approach to risk management	Holding of necessary business insurance	Rated business
	Sufficient personnel to provide continuity of service	Rated business
	Establishment of risk management procedures consistent with the Australian Standard (AS 4360)	Rated business or external assessment

Types of indicator

Indicators can be framed in a range of ways. The UK Commission for Health Improvement, which manages the English system of star ratings for National Health Scheme trusts (Appendix 1), identified five main types of indicator: breach; pass/fail; confidence intervals; percentile indicators; and change indicators (Commission for Health Improvement 2004b, p. 8).

Breach indicators have fixed threshold values that define when the indicator meets defined standards such as poor, satisfactory, good and outstanding. The thresholds are set using numerical standards such as the number or percentage of a particular event. Performance is then measured against these thresholds. The Commission noted that the advantages and disadvantages of breach indicators are as follows:

The main advantages of breach indicators are:

- *their simplicity: they are easy to define and monitor*
- *they measure activity amenable to management control*
- *achievement against clear government targets is readily measurable*

Breach indicators have disadvantages because:

- *for those that are a simple count of events, there is no denominator. The number of adverse events required for failure is the same in small and large trusts reflecting the way in which such targets have been set by the government in the form of a 'guarantee' to all patients*
- *thresholds for failure are low and very sensitive to small number variation; one or two patients can cause a trust to cross the threshold.* (Commission for Health Improvement 2004b, p. 9)

Pass/fail indicators involve a discrete benchmark for whether the standard is achieved. This type of indicator is simple to set and measure, but there is no 'middle ground', so the severity of the failure to meet the benchmark cannot be determined. The problems with pass/fail indicators are similar to those identified for breach indicators. Again, small changes in performance can potentially have large effects on the rating (Commission for Health Improvement 2004b, p. 11).

Confidence interval indicators use statistical confidence intervals to compare the performance of the rated business against an industry average. The rated businesses are classified as being better or worse than the average if the probability of them being average is less than, say, 5 per cent. Because these indicators use probability theory to allow for variation, they are less prone than the breach or pass/fail indicators to random fluctuations (Commission for Health Improvement 2004b, p. 12). The Commission made the following observations:

There are various techniques that allow for random variation, and these differ in their degree of sophistication. The method currently used [in England to rate National Health Scheme Trusts] is among the simplest and has the advantage of being widely understood but may be too simple to properly model the complexities of the healthcare system. (Commission for Health Improvement 2004b, p. 12)

This illustrates a further challenge with confidence interval indicators – that is, how to balance the accuracy of the indicator with its simplicity. Complex indicators are difficult to measure, and rating users can have difficulty understanding the information that a rating conveys.

Percentile indicators rank the rated businesses and grade them into percentile groups (for example, the top or bottom 10 per cent). The indicator thus compares the performance of businesses against each other. If the overall industry standard rises or falls, there will still be businesses that are given the lowest or highest rating. The Commission for Health Improvement commented on the advantages and disadvantages of percentile indicators:

The benefit of a percentile system for analysing patient questionnaire data, for example, is that changes to the questionnaire should have only a small effect. The situation is comparable with some school exams where differences in the difficulty of exams from year to year are removed by allowing a certain percentage to pass. The corollary of this is that if an overall improvement occurs it will go unrecognised.

More subtle problems are that the method ignores the distribution of scores: the difference between the top and bottom score may be small and insignificant but some trusts are still categorised as best and others as worst. Skewed distributions also present a problem, since a small change in one direction has a much greater effect than a small change in the other direction. (Commission for Health Improvement 2004b, p. 15)

Change indicators monitor percentage increases or decreases in an indicator over time. Confidence intervals can then be used to determine whether the percentage change is significant. Change indicators are relatively simple to calculate and are widely understood. They compare the rated business from one year to the next and remove the effect of factors outside the business's control (assuming these factors remain constant over time). On the other hand, they do not account for the initial standard of the business and can disadvantage high performing businesses with limited scope for improvement. Further, they do not distinguish between businesses with the same level of improvement but different overall standards (Commission for Health Improvement 2004b, p. 17).

Information sources

How information on quality service indicators is gathered and assessed is affected by whether the rating scheme is voluntary or mandatory, who is responsible for the scheme, and the characteristics of the industry being rated. As illustrated in Table 1, a comprehensive set of indicators may require the compilation of information from several sources. The four most likely sources are the rated business, an external assessor, the regulator and customers. The most appropriate approach, or mix of approaches, will depend on the type of scheme and the characteristics of the service being rated.

Rated businesses

The rated business is a key source of information. Business information can be collected via a business registration process, questionnaires or reports provided as part of a rating application, and self assessment tools.

For any mandatory rating scheme, registration is probably necessary to monitor and enforce the scheme. It can involve collecting basic information about the business, such as its name and location, details of its proprietors or directors, and a description of its products or services. It may also be possible to use the registration process to collect information on service indicators – for example, whether the service provider holds certain qualifications or insurance – if that information is relatively straightforward, simple to verify and not subject to change over time. Section 4 discusses problems with using registration processes to gather information for a complex rating scheme.

Alternatively, the rated business could be asked to fill in a questionnaire or produce a report as part of a rating application. This process could collect information such as:

- the service provider's number of years of experience in the industry
- policies, processes and procedures that the business has established to deal with regulatory compliance, complaints handling and risk management
- the equipment owned by the business, and the training undertaken by employees operating that equipment
- the number and qualifications of personnel employed by the business.

Some rating schemes include a formal self assessment. The Australian Building Greenhouse Rating Scheme, for example, requires an initial self assessment before the formal rating (Australian Building Greenhouse Rating Scheme 2004b). Self assessment assists the rating agency by providing it with comprehensive information on which to base the formal assessment; in effect, the formal assessment is an audit of the self assessment. Self assessment also informs the rated business about its performance before the formal rating occurs. It can assist the business to gain the best rating possible, inform its decision to participate in a voluntary rating scheme, or indicate areas in which it could improve its performance.

Systems are needed to verify the information provided by the rated businesses. The rating agency could require financial documents, insurance policies, employment records, and copies of internal policies and procedures manuals, or use independent external assessment to verify claims made by the rated business.

External assessor

External assessment involves obtaining independent expert advice to inform the development of the rating. As noted, independent experts can be used to verify information provided by the rated business. They can also supply additional information on service quality indicators.

The rating agency or the rated business can engage an independent expert (perhaps from a panel of approved experts) to inspect the rated business or product. This approach is used to rate tourist accommodation, the energy efficiency of electrical appliances, greenhouse gas emissions from commercial buildings, and the level of corporate and social responsibility demonstrated by corporations.

In another approach, the rating agency could rely on independent experts who already inspect the activities of the rated business. This approach is less common because such experts are not always available. It could be relevant to the building industry, for example, where building and plumbing inspectors review the work of tradespeople. Independent assessments across regulatory regimes could be linked, so businesses assessed as complying with one scheme (for example, a maximum rating) would be deemed as compliant with other regulatory requirements. The UK Quality Mark Scheme for builders deems that an accredited builder under a recognised industry scheme is compliant with the relevant parts of the Quality Mark Scheme (DTI 2001, p. 9).

A third approach is for independent experts to assess the service quality indicators required to construct the rating, using publicly available information or tests on products available on the market. This approach is used to assess safety standards for passenger motor vehicles and tractors. Similarly, Cannex researchers use publicly available information to develop the Cannex star ratings for mortgages and credit cards. The credit card ratings are developed using historical information on interest rates, the number of interest free days, reward and loyalty schemes, and a range of other features (Cannex 2004b). The mortgage ratings are based on current and historical loan costs, flexibility of loans, and other loan features and conditions (Cannex 2004c).

Regulators

Another key source of information is the industry regulator. The regulator can hold information on complaints and prosecutions/convictions for poor workmanship or business practices. The Victorian Building Commission, for example, produces *Pulse*, which is a "central source of building industry-wide information to enhance decision making. It provides expert commentary, analysis and information on Victoria's building industry" (Building Commission 2004a). *Pulse* does not provide information on individual builders, but it does collect information across the industry on:

- building standards
  - the incidence of workmanship faults in building activities randomly audited by the Building Commission
  - the number of major incidents related to building safety, and
  - the number of cases heard by the Building Appeals Board
- occupational health and safety
  - the number of workers compensation claims per 1,000 employees
  - the number of workers compensation claims per $ million remuneration
  - the number of workplace fatalities
  - the number of occupational health and safety (OHS) prosecutions against building industry employers
  - the number of OHS prohibitions and improvement notices issued against building industry employers, and
  - workers compensation premiums as a percentage of total remuneration,

and

- disputes
  - the number of building inquiries handled by Building Advice and Conciliation Victoria (BACV)[1]
  - the number of building disputes handled by BACV
  - the number of disputes reported to BACV as a percentage of domestic building permits
  - the percentage of building disputes handled by BACV that are initiated by consumers
  - the percentage of building disputes handled by BACV that it resolves, and
  - the number of building disputes handled by the Victorian Civil and Administrative Tribunal (VCAT) as a percentage of domestic building permits (Building Commission 2004b).

A key issue with using complaints and prosecutions data is ensuring the indicator accurately measures the businesses' performance. A high number of complaints, for example, may indicate that a particular business is providing services that are generally below the expectations of it customers. It may also indicate that the business has a few litigious customers, who do not represent the views of its customers generally. Similarly, the number of convictions for poor workmanship or faulty products may be a better indicator of a business's performance than is the number of applications to a dispute resolution body, although the latter could indicate that the business's internal dispute resolution processes are not working effectively.

Consumers

Customers are a fourth possible source of data on the performance of a business. Several rating schemes use customer feedback to develop ratings. eBay operates a computer based rating scheme for members who buy and sell products on eBay's internet site. Members provide feedback on their level of satisfaction with their dealings with another member. The rating indicates (1) whether, on average, the feedback is positive, negative or neutral, and (2) the number of members who have provided feedback (which helps indicate the reliability of the results) (eBay 2004).

Other schemes use more formal customer surveys. Under the scheme for rating England's National Health Trusts, the Healthcare Commission conducts national patient surveys, from which indicators of patient experience are derived.

[1] A joint Building Commission and Consumer Affairs Victoria service for dispute resolution.

3.4 How will information be conveyed to consumers?

Many rating schemes use a simple system of stars or numbers to inform consumers about the rating given to a product or service. These systems convey information quickly and easily, in a form that can be included on labels and in advertising. Appendix 1 has examples of the scales used. Australia uses star ratings from one to five for tourist accommodation and the greenhouse ratings for buildings. The energy efficiency of appliances is rated between one and six stars, and water use efficiency is rated from one to five As.

A key issue for any rating scheme is how much detail is available to consumers. A single rating allows easy comparison, but it does not help consumers understand different aspects of service quality. Combining several indicators into a single rating (a composite rating) thus has advantages and disadvantages. The UK Commission for Health Improvement faces these issues with its star ratings for National Health Service trusts. In its discussion of composite ratings, the Commission noted:

> *The idea of giving a composite rating to organisations is by no means universally supported, but there is evidence that it has positive effects:*
>
> - *it is easily understood by the public, a simple scale is immediately clear and there is no need to weigh up the effect of a large number of different indicators*
> - *it gives clarity for those that run the services about what the priorities for management are – there may be many indicators published, but the ones used to compile the ratings are the priority. The priority otherwise is often set by those that provide the service and may not reflect the interests of those that use it*
> - *it creates a pressure to improve. When a performance measure is easy for the public and media to understand, those in the service have an incentive to improve so that they are seen to be doing better by those that use their services*
>
> *Single ratings, and to a lesser extent other composite ratings, are criticised for their simplicity:*
>
> - *the services being rated are often complex (and especially so in health). A single rating cannot take account of the complexity and will always be an oversimplification of the true situation*
> - *the selection of a set of indicators for ratings means that many aspects of a patient's or consumer's experience are not represented*
> - *however carefully a regulator attempts to explain what the ratings are designed to measure, a composite rating will always be seen as an overall performance measure*
> - *the data that are available to measure an organisation's performance may not be about those parts of its performance that matter most to its service users.* (Commission for Health Improvement 2004b, p. 3)

The Commission overcomes some of these problems by providing consumers with information in addition to the rating. Its website contains detailed reports on the service provider's performance against each of the performance criteria. Other ratings schemes also provide information in addition to the rating. Australia's energy use efficiency rating labels, for example, include 'an estimate of the annual energy consumption of the appliance based on the tested energy consumptions and information about the typical use of the appliance in the home' (Australian Government 2004). Brochures available through the motoring organisations that own AAA Tourism give more detail on individual accommodation outlets (AAA Tourism 2004). The Better Business Bureaus in the United States and Canada do not rate businesses, but they provide internet based access to short reports on individual businesses in a range of sectors.

Rating information can be presented on either a single rating scale or a multiple rating scale that presents ratings across a range of indicators. Either approach could be combined with more detailed information on particular providers.

3.5 Should the scheme be mandatory or voluntary?

Many, but not all, rating schemes are voluntary. In Australia, energy rating of some appliances and film and video ratings are mandatory schemes. The policy objective should be to obtain the appropriate industry coverage so the rating scheme covers businesses only when the benefits outweigh the costs. Benefits include: increased information provided to consumers, enabling them to make better choices; promotional and advertising advantages for businesses that obtain positive ratings; and increased consumer confidence in the industry (which may benefit all businesses, not just those involved in the rating scheme). The direct costs include: the cost to producers of providing information and adjusting their business practices to conform to the ratings criteria; the cost to government of administering and enforcing the scheme; and the costs to other parties involved in the scheme (for example, consumers asked to fill in surveys).

Under a voluntary scheme, service providers are likely to participate if the benefits to their business are greater than the compliance costs of participation. Their decision to participate would ignore the costs to the scheme manager (unless those costs are recouped through cost recovery) and some benefits to consumers. Consumers benefit when the rating allows them to choose a particular service provider, decide not to choose a particular service provider, or decide not to buy the product/service at all. The service provider considering whether to participate in a voluntary scheme will account for the first of these benefits – that is, they will consider the likelihood that consumers will choose them as a result of the information provided in the rating. They will not account for the other types of consumer benefit.

A voluntary scheme is unlikely, however, to have optimum coverage. In most cases, its coverage will be less than optimal. Those businesses that anticipate gaining a high rating are most likely to participate. The impact on consumers' ability to choose between service providers depends on the proportion of businesses that participate and on customers' conclusions about the quality of non-rated service providers.

Mandatory schemes will result in an efficient level of coverage only if:

- the risk to consumers makes it necessary to rate every business in the industry before consumers can make an informed choice about which service provider to choose, and
- the benefits of this information are high enough to offset all of the government costs and the industry compliance costs of operating a universal scheme.

In some cases, however, the costs of requiring rating for those that would not participate in a voluntary scheme would outweigh the benefits. This is particularly so when moving from a voluntary to a mandatory scheme significantly raises the costs of enforcement. Further, industry is more likely to resist a mandatory scheme, particularly in industries in which rating schemes are new and untested. A voluntary scheme may be more effective in gaining industry participation in, and ownership of, the new scheme.

It may be possible to design a scheme that has minimum mandatory requirements but also provides scope for businesses to participate in a more detailed voluntary component. Such a scheme may, for example, have a basic ◆ rating with an additional ✚ rating available for participation in the voluntary part of the scheme.

3.6 Who should manage the scheme?

An industry body, government agency or independent organisation could manage a rating scheme. Industry bodies manage many of the current schemes, such as accommodation ratings and water efficiency ratings. Government organisations manage other schemes – for example, greenhouse ratings for buildings and energy ratings for appliances.

Industry run schemes may find it easier to gain businesses' acceptance and participation in the rating scheme. This is particularly important for voluntary schemes that rely on industry support for their success. Industry managed schemes have risks, however – for example, they may focus more on marketing and industry promotion than consumer protection. These problems are even greater for mandatory schemes, which risk existing industry participants having undue influence over scheme design and management. The ratings criteria may disadvantage new entrants or those offering more innovative service delivery. This would reduce the potential for new sources of competition in the industry, thus benefiting existing industry members. It would disadvantage consumers by reducing the price and service quality benefits that new competition could stimulate.

[2] Whether coverage is broader or narrower than the optimum depends on the relative size of the costs to the scheme manager, compared with the benefits to consumers. If the scheme is cost recovered, coverage under a voluntary scheme will be less than the optimum.

A scheme managed by a government organisation or an independent body has less risk of being captured by the industry, particularly if the managing body is responsible for a range of regulatory functions and not set up to manage a single industry based rating scheme. Industry can be positively involved, however, in the development and administration of the rating scheme. Such involvement is critical to the scheme's accountability and transparency, and for ensuring ratings criteria are practical and compliance costs are not excessive. Consultation and reference groups are often used to gain feedback in these areas. These groups should cover all interests, including consumer and environmental interests (in those cases where the rating scheme deals with products or services that are potentially damaging to the environment). Particularly in a voluntary scheme, the government rating agency needs to make sure it communicates with the industry; otherwise, industry support for the scheme will be poor and there will be insufficient take-up to make the scheme effective. A further consideration with using a government agency is that it may be under less pressure to ensure the administration costs of the scheme and the compliance costs for industry are kept as low as possible. The risk of the consequences of this low pressure eventuating is usually greatest for a mandatory schemes funded through cost recovery.

Overall, no arguments appear to clearly support the use of an independent agency over a unit within an existing agency. Rather, the choice of agency would depend on whether:

- the size of the scheme (or combination of schemes) means it is more cost effective to add the rating function to an agency's existing functions, or whether the costs of establishing a separate agency are justified
- the use of an existing agency with a range of functions would reduce the risk of industry capture, or whether a separate agency could also achieve this reduction by being responsible for several rating schemes across a number of industries
- it is possible to identify an existing agency that can undertake the rating function without a conflict of interest between its responsibility for rating and its other functions.

Regulatory separation is important for maintaining natural justice and avoiding bias and conflicts of interest. It may be inappropriate, for example, for those involved in investigating complaints to rate the same service provider: the regulator's position in the investigation could influence the subsequent rating decision. Separation should be managed carefully, however, to avoid duplication and complexity, so consumers and industry can easily identify the agency responsible for parts of the rating process. Roles and responsibilities need to be clearly defined, with good communication among the agencies involved in the regulatory process.

Specific issues in government sponsored schemes

Rating schemes imply that the rating agency has conducted a robust investigation and concluded that a business with a high rating will produce high quality services. But this outcome cannot be guaranteed. The circumstances of a business may change, the rated business might have deceived the rating agency, or a customer may experience one-off quality problems that do not reflect the usual standard of service provided by the business. When a diverse range of services is involved, the rating agency may find it difficult to ascertain the expected quality of every possible service that the business offers to all types of customer.

The agency responsible for the rating scheme carries some responsibility for the performance of rated businesses against the rating standard. This presents a risk for government agencies that initiate and manage the rating. While it is unlikely that the risks to the rating agency could be eliminated, it may be possible to reduce them. Many rating schemes carry disclaimers, for example. The terms and conditions for use of an accredited Australian Building Greenhouse rating include the following disclaimer:

> *You release and indemnify us and our agents, and agree to keep us indemnified from and against any liabilities, losses, claims, damages, costs or expenses of any kind however arising out of the Assessment, the Accredited Performance Rating, the Rating Certificate, or the Trade Mark or any use you may make of these, or any exercise of our rights to publicise information under these Terms.*
>
> *If you engage in any conduct in relation to the Accredited Performance Rating, the Rating Certificate or the Trade Mark which in our reasonable opinion is likely to mislead or deceive, we may by written notice immediately require you to cease any and all use of the Trade Mark and the Rating Certificate.*
>
> *To the extent permitted by law, we disclaim all warranties and limit our liability to the provision of a further performance assessment or payment of the cost of acquiring equivalent services. We are not liable for indirect, economic or consequential damages or loss or profit howsoever arising.* (Australian Building Greenhouse Rating Scheme 2004a, p. 1)

The technical reference document for the Monash University tractor safety rating scheme includes the following:

> *This rating system was developed based on Australian death and injury data, regulations, codes of practice, standards and best contemporary design. It was designed with conventional tractors in mind but some acknowledgment has been made of risks intrinsic to articulated tractors.*

> *Many different operating environments were considered during the development of the rating system but there may be tractor uses that were not examined. Maintenance, including tyres, engine servicing and repairs, will also influence safety performance, and this has not been included in the rating system. You may wish to consider these factors separately.*
>
> *This rating system is a tool to assist in determining the relative safety of tractor design. It is not an absolute measure of risk. This means the highest safety rating is not a guarantee that a particular tractor will never be associated with an injury causing event. It does not replace the need for full workplace risk assessments or safe work practices.*
>
> *A rating produced at any one point in time applies to that tractor only in its condition at that time. Ratings produced on show room tractors, may not apply to the same machine after it has been in use for some time.* (Monash University Accident Research Centre & Kondinin Group 2002, p. 5)

On its own, a disclaimer does not eliminate the rating agency's responsibility for the performance of businesses that have been highly rated. It is also necessary to ensure the scheme is rigorous, transparent and resourced sufficiently to thoroughly review the businesses being rated, and to regularly review those ratings. That is, the process for assessing the rated businesses should be rigorous so the rating agency can demonstrate that it took all reasonable steps to ascertain that the business met the rating standards. The agency should also provide clear information to consumers so they understand the basis and limitations of the rating. And it should review the ratings at reasonable intervals, or when there is a substantial change in the circumstances of a rated business (such as it being sold), so the rating scheme can respond to changes in quality over time. The use of an appeals process too may add to the rigor of the rating process. Finally, if a government considers establishing a rating scheme, it should seek legal advice as part of the policy development process.

Illustrative example of a rating scheme

4

This example is provided to assist the analysis of rating scheme design and to facilitate discussion on relevant issues; it is not intended to reflect any particular service or industry. The example is based on a service offered by a large number of small businesses that tailor that service to individual consumers. The service requires technical skills and a relationship between the service provider and the customer over time. It is subject to a multiple rating scheme that is mandatory and managed by a government agency. This example outlines a detailed system for collecting and reporting information for the rating scheme. Such a system would be costly, and the discussion covers how it might be designed.

4.1 Coverage

The scheme applies to a specified service, regardless of the type of business that offers the service or whether the service is supplied in conjunction with other services. All providers of the rated service must participate in the scheme, but the rating scheme does not cover other services that they provide.

Linking rating to the service, and not the service provider, gives the rated businesses maximum flexibility to design their service mix. All sources of the service require a rating, but the scheme's scope is not unintentionally expanded to other services provided in conjunction with the rated service. This approach, however, could discourage businesses from offering the rated service when it is only a small add-on to other business activities: the costs of participating in the rating scheme could outweigh the benefits of providing the rated service. It may also be difficult to separate the rated service from other aspects of the business. Whether this problem is large enough to affect the cost, efficiency or effectiveness of the rating scheme should be reviewed for each service.

4.2 Responsible organisation

The organisation responsible for the rating scheme is a government agency that manages several similar schemes. Because the scheme is mandatory, the independence of the rating agency is important. Being responsible for both the rating scheme and other similar schemes, the rating agency can develop expertise in managing these schemes and ensure, where appropriate, a consistent approach across schemes.

4.3 Consumer information

Details of the rating scheme are available on the Internet and in hard copy from the rating agency and major industry bodies. Businesses are required to clearly display their rating (and note the rating agency's web address and contact details) on their premises and when they provide a quote to customers.

The amount of information that businesses are required to display, along with the way in which information must be displayed, is an important issue for the rating scheme. The costs of compliance would need to be fully researched and weighed against the benefits of the scheme. The requirement to display specific information may require, for example, that businesses reprint publicity material and stationary. An amnesty period could reduce these costs, allowing businesses to incorporate the required changes into their normal reprinting schedules. Changes that need to be incorporated into computer programs or printouts could be more costly. Similarly, costs would also rise for businesses that need to print specialist stationary when they previously used generic documents.

In this example, the rating covers three aspects of the businesses' performance: skills and expertise; customer service; and business management. Each aspect is allocated a ranking from one to four:

4 Exceptional performance

3 Good performance

2 Satisfactory performance

1 Unsatisfactory performance.

A business that has good performance for skills and experience, unsatisfactory performance for customer service, and satisfactory performance for business management would be rated as follows:

3	1	2
Skills	Customers	Management

4.4 Awarding of ratings

Each rating is based on several indicators, balancing the need for a robust range of indicators with the costs of providing, collecting and analysing information. Each indicator is scored from 1 to 4 according to benchmarks for unsatisfactory, satisfactory, good or exceptional performance. The scores are averaged and rounded to the nearest whole number to give the overall ranking for that rating category.

The type of indicator and the appropriate benchmarks vary depending on the service being rated – for example, the number or severity of convictions for poor workmanship that represents unsatisfactory performance will vary depending on the impact of such failures on consumers. The indicators in Table 2 are illustrative only and designed to show how such benchmarks might be framed.

Table 2 is based on assumptions that service quality in the industry is driven by:

- the skills and experience of those responsible for providing the service
- the way in which the rated business responds to customer complaints
- the rated business's longevity and ability to deal with complaints over time and to provide ongoing customer support, and
- the honesty and integrity of the rated business providing the service.

Table 2: Benchmarks for service quality indicators

Indicator	**Unsatisfactory (1)**	**Satisfactory (2)**	**Good (3)**	**Exceptional (4)**
Skills and experience				
Level of training of the person responsible for the work	Less than minimum qualifications	Minimum qualifications	Trained above minimum qualifications but below full qualifications	Fully qualified or above
Level of experience of the person responsible for the work	Less than two years' experience	Between two and five years' experience	Between five and 10 years' experience	More than 10 years' experience
Convictions for poor workmanship	More than five convictions for minor offences or two for major offences in the past 10 years	Two or fewer convictions for major offences, and five or fewer convictions for minor offences in the past 10 years	No convictions for major offences, and five or fewer convictions for minor offences in the past 10 years	No convictions in the past 10 years

(continued)

Table 2: Benchmarks for service quality indicators (continued)				
Indicator	**Unsatisfactory (1)**	**Satisfactory (2)**	**Good (3)**	**Exceptional (4)**
Skills and experience (cont)				
Level of compliance with technical standards	Unsatisfactory rating based on a random sample of work assessed by an independent expert auditor	Satisfactory rating based on a random sample of work assessed by an independent expert auditor	Good rating based on a random sample of work assessed by an independent expert auditor	Exceptional rating based on a random sample of work assessed by an independent expert auditor
Level of compliance with technical standards	Unsatisfactory rating based on a random sample of work assessed by an independent expert auditor	Satisfactory rating based on a random sample of work assessed by an independent expert auditor	Good rating based on a random sample of work assessed by an independent expert auditor	Exceptional rating based on a random sample of work assessed by an independent expert auditor
Compliance with industry code of practice	No demonstrated awareness of the code and/or more than five minor breaches or two major breaches of the code in the past 10 years for offences relating to workmanship	Full awareness of the code and two or fewer major breaches and/or five or fewer minor breaches of the code in the past 10 years for offences relating to workmanship	Full awareness of the code and evidence that it has been incorporated into processes and procedures; no major breaches and five or fewer minor breaches in the past 10 years for offences relating to workmanship	Full awareness of the code and evidence that it has been incorporated into processes and procedures; no breaches of the code for offences relating to workmanship
Customer service				
Establishment of an internal complaints handling process consistent with the Australian Standard (AS 4269)	No complaints handling process, or an inadequate one	A documented complaints handling process demonstrating commitment to responding fairly to all complaints and documenting these complaints and the remedial action taken	A superior complaints handling process, accounting for processes suitable for the size of the business, but with some deficiencies against AS 4269	A complaints handling process consistent with AS 4269, accounting for processes suitable for the size of the business
Compliance with industry code of practice	No demonstrated awareness of the code and/or more than five minor breaches or two major breaches of the code in the past 10 years for offences relating to customer service	Full awareness of the code and two or fewer major breaches and/or five or fewer minor breaches of the code in the past 10 years for offences relating to customer service	Full awareness of the code and evidence that it has been incorporated into processes and procedures; no major breaches and five or fewer minor breaches in the past 10 years for offences relating to customer service	Full awareness of the code and evidence that it has been incorporated into processes and procedures; no breaches of the code for offences relating to customer service
Number of years in business	Fewer than two years	Between two and five years	Between five and 10 years	More than 10 years
Size of the business		Between zero and four employees	Between four and 15 employees	More than 15 employees

(continued)

Table 2: Benchmarks for service quality indicators (continued)				
Indicator	**Unsatisfactory (1)**	**Satisfactory (2)**	**Good (3)**	**Exceptional (4)**
Business management				
Establishment of risk management procedures consistent with the Australian Standard (AS 4360)	No risk management initiatives in place	Minimum risk management initiatives that cover key areas of risk in that industry	A superior risk management procedure, accounting for processes suitable for the size of the business, but with some deficiencies against AS 4360	A risk management procedure consistent with AS 4360, accounting for processes suitable for the size of the business
Establishment of a compliance program consistent with the Australian Standard (AS 3806)	No or inadequate compliance program	A documented compliance program that demonstrates commitment to compliance and clearly establishes responsibilities and accountability for compliance issues	A superior compliance program, accounting for processes suitable for the size of the business, but with some deficiencies against AS 3806	A compliance program consistent with AS 3806, accounting for processes suitable for the size of the business
Holding of appropriate business insurance*	Does not hold the minimum level of required insurances	Holds the minimum level of required insurances	Holds all appropriate insurances at levels above the minimum	Holds all appropriate insurances at or above the desired level of coverage

* The benchmark for the types of insurance policies and the appropriate levels of insurance will vary depending on the service being rated. The benchmark could set both minimum and desired types of insurance and minimum and desired levels of coverage.

Some issues raised in Table 2 warrant discussion. First, a rating scheme can readily incorporate codes of practice. The Quality Mark Scheme for builders in the United Kingdom illustrates how codes of practice can be used as benchmarks for service quality indicators. Quality Mark is an accreditation program, not a rating scheme, but the principles are similar. Adherence to the Quality Mark Code of Practice is a requirement for businesses to demonstrate a commitment to customer care (DTI 2001, p. 6). One advantage of this approach is that it provides a strong incentive for businesses to comply with the code of practice. Using ratings to inform consumers about which businesses meet the code's standards can be an alternative to other forms of regulation, such as licensing or making the code mandatory.

Second, business size may be a significant factor in service quality in a few industries. This indicator should be used cautiously, however, because it biases the results towards businesses of the preferred size, regardless of their approach to service delivery. There should be clear evidence that business size has a significant effect on service quality before it would be appropriate to include size as an indicator.

Third, some Australian Standards – for example, risk management guidelines – are designed for large businesses, while others (such as those relating to compliance programs and complaints handling) recognise that less formal procedures are appropriate for small business. For this reason, while they can guide regulators developing indicators, it would be inappropriate to expect small businesses to have, for example, a documented, comprehensive risk management strategy consistent with AS 4360. Rather, a risk management framework similar to that outlined in AS 4360 might be used to develop indicators that are appropriate for a range of business sizes and structures.

Finally, an indicator cannot detect all corrupt service providers, which is true for most forms of regulation. But indicators based on past industry performance over a significant period will help to ensure those businesses that achieve a very high rating have a history of operating ethically.

In this example, the rating is reviewed every three years, although businesses can choose to apply for re-rating at any time during that period. The ability to seek re-rating encourages those with a low rating to improve their performance. As noted in section 4.6, all rating assessments are cost recovered. A business would seek re-rating only if it had improved its business practices and thus was highly likely to obtain a higher rating.

Where significant changes in circumstances occur (for example, transfers of ownership) businesses are required to re-apply for their rating.

4.5 Collection of information

The information for the rating scheme is collected from businesses, regulators and independent experts. Customer surveys are not used because the industry is assumed to have a large number of small businesses, which means such surveys would be costly and the potentially small sample size would make them unreliable. The requirement to use external experts can also be costly. It is necessary to look closely at the costs and benefits of the information provided by experts, to be sure their input is essential to the rating.

Information from the rated business is collected in two stages. The rated business is registered when it commences providing the rated services. Registration requires the business to provide basic information on its name, location and ownership. The new business then has two years to seek a formal rating. In the interim, the business must clearly display that it is unrated. This grace period has a number of benefits: it gives businesses time to establish the systems and structures necessary to obtain an appropriate rating; it allows the rating to be based on results rather than expected outcomes; and it prevents delays caused by the rating process from creating a barrier to businesses entering the industry. The disadvantage is that consumers do not have the rating to help them choose from new unrated businesses.

A new business does not have to wait for two years before it can apply for a rating. It can start the rating process any time after it begins to supply the rated service. The business's application would provide the rating agency with details on the business's performance against the indicator benchmarks. The application would support its claims by including formal documentation such as qualification records, business policy and procedure manuals, and other relevant information. A rating inspector would then visit the premises to inspect the service provider and confirm, where possible, the information provided in the application.

Ratings inspectors can re-inspect businesses if the rating agency considers that a major change in business performance warrants reconsideration of the rating. A major breach of the industry code of practice or a conviction for poor workmanship, for example, may justify the rating agency reassessing the business's ranking.

4.6 Fees and charges

The scheme is cost recovered from rated businesses based on an estimate of the costs of assessing and developing the rating for that class of business. Fees are payable for the initial rating, when the rating is reconsidered (every three years), and if the business applies to be re-rated within the three year period.

The rating agency undertakes a periodic, transparent, independent review of the rating scheme's scope and the indicators used, assessing whether the scheme is effective and whether the costs of compliance are not too onerous. The review also looks at the efficienctly of the scheme's administration. The purpose of this review is to ensure the rating scheme is managed efficiently, the cost base for cost recovery is not too high, and costs are appropriately allocated across business activities and categories.

"Conclusion" 5

A lack of information is a problem that consumers often face. Rating schemes are one way of empowering consumers to make better choices when the market does not automatically provide them with enough information, or when they are not using the available information effectively. The rating of tailored services (when the service provider changes the service depending on the needs of each customer) is complex because the rating agency needs to measure the quality of the service, as well as the service provider's ability to meet the needs of individual consumers and to provide a range of high quality services to a variety of clients. Such measurement usually requires analysing the skills of the service provider and the characteristics of the service.

Given this complexity, the costs of developing, administering and complying with a rating scheme for a tailored service can be high. Such a scheme could be justified only where there are substantial benefits that outweigh the costs. And these benefits would be realised only if the information problem that the scheme addresses is large and if the scheme is effective in dealing with that problem.

The problems associated with a lack of information are largest when the characteristics of the service being purchased make it impossible, or very costly, for consumers to obtain and use information about the service (for example highly technical services that are purchased infrequently). The costs of making a poor choice are high when the service is very expensive or carries substantial financial or other risks.

Once it has been established that a significant problem exists the design of the rating scheme is very important. A poorly designed scheme could undermine the potential benefits from rating because the scheme does not effectively redress the information problems identified. A rating scheme may not deliver the anticipated benefits if:

- the scope of the scheme is unclear and it is difficult to enforce
- the indicators used do not reflect the factors that affect service quality or cannot be measured
- there are too few businesses covered by the scheme (relevant to voluntary schemes), or
- the ratings used are not meaningful to consumers.

Similarly, a poorly designed scheme could be excessively costly, such that the costs of rating outweigh the benefits, if:

- the coverage of the scheme is too broad, encompassing services for which there are no significant information problems
- too many indicators are used, or those indicators are too complex, so the information is costly to collect and analyse, or
- the coverage of the scheme is too broad, covering businesses for which the compliance costs are high but the benefits from rating are very low (a problem relevant to mandatory schemes).

Overall, rating schemes are used successfully in many sectors. There is the potential to extend the use of these schemes to more complex services such as tailored services. Given the unique characteristics of any particular service or industry, however, considerable research and consultation would be needed before specific services could be identified as suitable for rating. The costs and benefits of any new scheme should be fully analysed, and the scheme should be carefully designed to ensure it effectively addresses information problems and at the minimum cost possible.

Appendix 1: Case studies of rating schemes

In Australia and overseas, there are schemes that rate organisations, products or services to assist consumers to choose the alternative that best suits their needs (section 2). There are also schemes that do not use ratings but use other mechanisms to inform consumers about companies with which they may have dealings. In the United States and Canada, for example, Better Business Bureaus provide online databases of businesses, to help consumers obtain more information on the reliability and integrity of a business before they engage it. The databases provide a brief report on each business. The bureaus provide summary reports that consumers can access free of charge over the Internet or by phone (although bureaus may levy a small charge for telephone inquiries). The reports cover many types of business, including building contractors, lawyers, medical services, wholesalers, investment advisors and many other suppliers of goods and services. The reports include information on:

- Whether the business is a Better Business Bureau member and consequently complies with the requirements for ethical conduct and standards of advertising and selling.
- Whether the business has a satisfactory record with the bureau:

  To have a satisfactory record with the bureau, a company must be in business for at least 12 months, properly and promptly address matters referred to it by the bureau, and be free from an unusual volume or pattern of complaints and law enforcement action involving its marketplace conduct. In addition, the bureau must have a clear understanding of the company's business and no concern about its industry. (Example of Canadian Council of Better Business Bureaus business report)

- whether any customer complaints have been lodged against the company. Complaints information is presented as follows:

  Based on BBB [Better Business Bureau] files, this company has a satisfactory record with the BBB. It has responded to any complaint brought to its attention.

  The company's size, volume of business, and number of transactions may have a bearing on the number of complaints received by the BBB. The complaints filed against a company may not be as important as the type of complaints, and how the company handled them. The BBB generally does not pass judgment on the validity of complaints filed.

  The following data concern complaints processed by the BBB since the firm's file was opened or over the last 36 months, whichever is less.

  The bureau processed three complaints about this company in the last 36 months. One of those was processed in the last 12 months. Complaints are concerning advertising issues, refund promised, and service issues. Of all the complaints filed three were closed as resolved.[3]

- Other general information, such as other trading names of the business and whether the industry within which the business is operating requires it to be licensed.

The United Kingdom released a consultative document in 2004, *Extending Competitive Markets: Empowering consumers, successful businesses* that recommends against establishing Better Business Bureaus in the United Kingdom because:

> *We have found little enthusiasm among the UK business community to set up and maintain a BBB-equivalent in the UK. Those traders with positive consumer approaches rely on their own brand reputation for doing so. For the smaller traders who do not have brand recognition, the benefits of subscribing to a BBB are not seen to outweigh the costs.* (DTI 2004, p. 25)

The remainder of this Appendix provides case studies on schemes that rate products, services or businesses.

[3] An example of an entry for a business for which the Better Business Bureau had received complaints.

A1.1 Accommodation ratings[4]

Tourists and business travellers commonly use star ratings to choose accommodation. The star ratings provide information on the standard of accommodation and the facilities offered. AAA Tourism (2003, p. 6) noted that 70 per cent of travellers use the star rating scheme.

- *Coverage* – The star rating scheme provides independent information on over 11,000 accommodation properties across Australia. It covers hotels, motels and apartment hotels; self-catering accommodation; bed and breakfast and guest houses; tourist and caravan parks; and park accommodation (park cabins and cabins).
- *Responsible organisation* – The scheme is managed by AAA Tourism, a trading division of Australian Motoring Services Pty Ltd, which is owned by Australia's motoring organisations NRMA, RACV, RACQ, RAA, RAC and AANT.
- *Consumer information* – Information is provided to consumers using a star rating (★) between one and five, and an additional half star (☆) to indicate extra facilities and features. Consumers have information on the standard definitions attached to each star rating level, but the star rating scheme does not provide detailed information on the facilities available at individual premises. More information on facilities is usually provided separately in accommodation guides or advertisements.

  The star rating scheme is tailored to suit each of the five categories of accommodation – for example, for hotel, motel and apartment accommodation:

★	Establishments offering a basic standard of accommodation. Simply furnished. Resident manager.
★★	Well maintained establishments offering an average standard of accommodation with average furnishings, bedding and floor coverings.
★★★	Well appointed establishments offering a comfortable standard of accommodation, with above average furnishings and floor coverings.
★★★★	Exceptionally well appointed establishments with a high level of facilities, plus quality furnishings offering a high degree of comfort. High standard of presentation and guest services provided.
★★★★★	International standard establishments offering a high degree of facilities and outstanding appointments, furnishings and décor, with an extensive range of first class guest services. A number and variety of room styles and/or suites available. Choice of dining facilities, 24-hour room service, housekeeping and valet parking. Porterage and concierge services available, as well as a dedicated business centre and conference facilities.
☆	The additional half star indicates establishments offering a similar standard to that of the appropriate full star rating, but providing more comfort via additional features and items.

  For tourist and caravan park accommodation:

★	Basic – camping area/caravan park with basic amenities
★★	Moderate – clean, reasonably well maintained caravan park
★★★	Good – clean and well maintained, offering a good standard of amenities and facilities
★★★★	Very good – offering a high standard of appointments and amenities
★★★★★	Excellent – benchmark property offering exceptional appointments
☆	The additional half star indicates establishments offering a similar standard to that of the appropriate full star rating, but providing more facilities and features for the guest.

- *Awarding of ratings* – Participation in the rating scheme is voluntary, and properties that participate must meet a minimum standard:

  The STAR rating is allocated on the basis of achieving a specified point score, and in addition, satisfying a list of essential items relevant to the specific STAR rating. Essential items ensure that properties achieving the required level of points for a STAR rating also provide the essential items required for a specific STAR rating. (AAA Tourism 2004, p. 1)

- *Collection of information* – Assessors carry out property inspections and rating assessments every 14–16 months. The rating is based on that visit.

[4] The information in this section was drawn from the AAA Tourism website http://www.aaatourism.com.au/scripts/aaa_isapi.dll/ViewPage?PageId=00001&ContentID=00001.

- *Fees and charges* – For a property with a single type of accommodation, the scheme costs A$245 with a A$100 joining fee.
- *Incentives for businesses to obtain a rating* – Businesses that wish to be included on the AAA Tourism database must agree to be assessed for the star rating and to accept and display that rating. This database is the most comprehensive in Australia and is used by motoring organisations to provide tourism services. The advertising benefits and the high consumer recognition of this scheme encourage businesses to participate.

A1.2 Greenhouse ratings[5]

Office buildings in Australia can be accredited for greenhouse intensity. Highly rated buildings are more greenhouse friendly and more energy efficient.

- *Coverage* – The scheme covers commercial office spaces. It involves an assessment of building design, the type of energy used and the pattern of energy use. Accreditation can thus apply to building developers, managers or tenants – that is, a rating can be based on a base building (central services), tenancy or the whole building.
- *Responsible organisation* – The Australian Building Greenhouse Rating Scheme is a national program. The New South Wales Sustainable Energy Development Authority acts as the national administrator. State agencies (the Sustainable Energy Authority Victoria, the Sustainable Energy Development Office Western Australia and the Queensland Environmental Planning Authority) have signed a memorandum of understanding with the national administrator to promote and manage the scheme locally. The national administrator runs the scheme in the other states and territories.
- *Consumer information* – Information is provided to consumers using a rating of one to five stars. Higher star buildings are more energy efficient, and three stars represent current market practice. The ratings are based on energy related greenhouse gas emissions, adjusted to account for climate and how the building is used. They measure emissions in kilograms of carbon dioxide per square metre. For a five star rating, the emission level is less than 134 $kgCO_2/m^2$.
- *Awarding of ratings* – Participating in the scheme is voluntary. An accredited assessor allocates the rating.
- *Collection of information* – A developer, building owner or tenant can conduct an online, free assessment based on information from 12 months of energy bills. This assessment provides information to the business but it is not an accredited rating. For the rating to be accredited, an independent, accredited assessor analyses and validates the data. The state body responsible for managing the scheme in that region appoints the assessor.
- *Fees and charges* – Engaging an accredited assessor is expected to cost A$1000–3000.
- *Incentives for businesses to obtain a rating* – A building or tenancy that receives an accreditation rating is entitled to promote that rating and use the Australian Building Greenhouse Rating logo. Businesses involved in the program also receive information to help them improve their energy efficiency and reduce their energy costs.

A1.3 Health provider ratings (England)[6]

In England, healthcare organisations are awarded annual ratings based on performance. Consumers can access these ratings on the Internet. The extent to which the rating information can enhance consumer choice depends on the level of choice possible within the National Health Service, which appears to be increasing. The scheme provides an example where ratings are used to summarise information across a range of indicators. The rating assessments are used to set action plans and redress deficiency in service performance.

The administration and regulation of the National Health Service were recently reviewed. A new organisation, the Healthcare Commission, has taken over responsibility for the scheme (from the Commission for Health Improvement) and is consulting on the scheme's review and improvement. This case study is based on the scheme used to conduct the 2004 ratings assessment.

- *Coverage* – The rating scheme covers National Health Service providers, including all acute, specialist, mental health, ambulance and primary care trusts.

[5] The information in this section was drawn from the Australian Building Greenhouse Rating Scheme website (2004b) http://www.abgr.com.au/main.asp.

[6] The information in this section was drawn from the Commission for Health Improvement (http://www.chi.nhs.uk/ratings/) and the Healthcare Commission (http://www.healthcarecommission.org.uk/InformationForServiceProviders/PerformanceRatings/fs/en) websites.http://www.abgr.com.au/main.asp.

- *Responsible organisation* – The Healthcare Commission recently took over responsibility for the rating scheme from the Commission for Health Improvement. Both organisations have healthcare regulatory functions, but the scope of the new commission is much broader.
- *Consumer information* – Consumers have access to an overall star rating and a detailed report showing each organisation's performance against a set of indicators. The government sets the priorities for the National Health Service, and these are used to determine the key targets and performance indicators for the rating scheme. Box 3 contains an example of the key targets and scorecard indicators for acute and specialist trusts. The Commission for Health Improvement website provides detailed descriptions of the indicators, the rationale for each indicator, and the information used to report against the indicators.

Box 3: Key targets and indicators for acute and specialist trusts

The key target areas are:

- 12 hour waits for emergency admission via Accident and Emergency (A&E) post decision to admit
- all cancers: two week wait
- financial management
- hospital cleanliness
- improving working lives
- outpatient and elective (inpatient and day case) booking
- outpatients waiting longer than the standard
- patients waiting longer than the standard for elective admission
- total time in A&E: four hours or less
- balanced scorecard indicators.

These indicators have been chosen to provide a balance across a broad range of areas.

The balanced scorecard indicators are:

- A&E emergency admission waits (four hours)
- adult inpatient and young patient surveys: access and waiting
- adult inpatient and young patient surveys: better information, more choice
- adult inpatient and young patient surveys: building closer relationships
- adult inpatient and young patient surveys: clean, comfortable, friendly place to be
- adult inpatient and young patient surveys: safe, high quality, coordinated care
- better hospital food
- breast cancer: one month diagnosis to treatment
- breast cancer: two month general practitioner urgent referral to treatment
- cancelled operations
- child protection
- clinical governance composite indicator
- clinical negligence
- composite of participation in audits
- consultant appraisal
- day case patient booking
- deaths following a heart bypass operation
- deaths following selected non-elective surgical procedures
- delayed transfers of care
- emergency re-admission following discharge (adults)
- emergency re-admission following discharge for a fractured hip
- hospital episode statistics and workforce datasets: data quality on ethnic group
- indicator on stroke care
- infection control
- information governance
- junior doctors' hours
- patient complaints
- patients waiting longer than standard for revascularisation
- six month inpatient waits
- staff opinion survey: health, safety and incidents
- staff opinion survey: human resource management
- staff opinion survey: staff attitudes
- 13 week outpatients
- thrombolysis: 60 minute call to needle time
- 'Winning Ways': processes and procedures.

Source: Commission for Health Improvement, 2004c.

- *Awarding of ratings* – The rating scheme is mandatory for National Health Service trusts. Ratings are awarded annually based on performance against the key targets (required benchmarks), a large number of indicators that comprise the balanced scorecard, and the results of Commission for Health Improvement reviews:

  The NHS [National Health Service] performance ratings system places NHS trusts in England into one of four categories:

  - *Trusts with the highest levels of performance are awarded a performance rating of three stars;*
  - *Trusts that are performing well overall, but have not quite reached the same consistently high standards, are awarded a performance rating of two stars;*
  - *Trusts where there is some cause for concern regarding particular areas of performance are awarded a performance rating of one star;*
  - *Trusts that have shown the poorest levels of performance against the indicators or little progress in implementing clinical governance are awarded a performance rating of zero stars.*

  Where a trust has a low rating based on poor performance on a number of key targets and indicators, this does not necessarily mean that a hospital is unsafe, does not contain some very good clinical services or that the staff are not working hard in often difficult circumstances. It does mean that performance must be improved in a number of key areas.

  A zero star trust is one which either fails against the key targets or is considered to have poor clinical governance.

  A three star trust is one that does well on the indicators and, if a review has been undertaken, is considered to have good clinical governance. (Commission for Health Improvement 2004a)

- *Collection of information* – The information to assess performance is obtained from a variety of sources. In the past, in conjunction with the Department of Health, the Commission for Health Improvement managed staff and patient surveys, collected information that trusts compiled and provided, and conducted clinical governance reviews.
- *Fees and charges* – The website does not refer to any fees or charges that the trusts pay to the Commission for Health Improvement. The cost to the trusts of collecting and reporting data, however, is significant.
- *Incentives for businesses to obtain a rating* – Participation in the scheme is mandatory for National Health Service trusts. The Commission for Health Improvement has also argued that the trusts, and the National Health Service more generally, benefit from the information and quality improvement incentives that the scheme generates.

A1.4 Corporate social responsibility ratings

Vigeo undertakes assessments that rate European businesses on their level of corporate and social responsibility. While these ratings do not appear to target consumers directly, they illustrate a rating scheme that compiles a range of indicators to measure complex issues. Businesses that obtain a rating can use it in their business promotion.

The following are the main characteristics of Vigeo's rating system:

- *Coverage* – The scheme assesses the investment approach of institutional investors, and the management of corporations. This discussion focuses on the assessment of corporations.
- *Responsible organisation* – Vigeo, which is owned by institutional investors, European trade unions and European companies, manages the scheme.
- *Information* – Vigeo rates companies on six areas of corporate social responsibility:

  – respect for human rights

  – the management of human resources and professional relations

  – a strategic consideration of questions relating to the environment

  – the management of the company's relationship with customers, suppliers and subcontractors

  – the method used for the company's governance and social responsibility, and

  – the interaction with civil society on the basis of community involvement.

  These areas are broken down into 18 subcategories with 43 criteria. Each criterion is analysed and weighted according to sector and country characteristics. Certain criteria may thus be ignored if not relevant in the sector in question (such as forced labour in France) (Vigeo 2004b).

- *Award of ratings* – A rating is provided after expert corporate social responsibility auditors conduct a detailed on-site assessment. Four levels of rating are possible:

  Level 1 – Negligent company

  Level 2 – Cautious company

  Level 3 – Active company, and

  Level 4 – Committed company.

- *Collection of information* – The rating is based on an assessment of the corporation's internal documents, policies and interviews. It considers processes, the methods used by the corporation, and its results.
- *Fees and charges* – Corporations are charged for the audit. The cost varies depending on the size and complexity of the audit.
- *Incentives for businesses to obtain a rating* – Vigeo argues that participation in the rating scheme has management and promotional benefits:

  In addition to the performance rating, the assessment also serves to inform companies regarding:

  – *Their areas of excellence (opportunities, strong points, assets) and areas of vulnerability (risks, weak points, handicaps)*

  – *The level of consistency of the policies implemented in terms of the CSR [corporate social responsibility] stakes of the business sector(s) and areas of establishment*

  – *The efficiency (means relative to the results) and effectiveness levels (results relative to the objectives) of the implemented policies*

  – *The dynamics at work in the last two to three years*

  – *The degree to which stakeholders are taken into account*

  – *Quality of the CSR information made directly accessible to third parties.*

  By the end of an assessment rating mission, the company has therefore undergone a genuine 'check-up', and has a high-definition image of itself, suitable for:

  – *more reliable communication to the various stakeholders to which it must report*

  – *definition of its areas for improvement and even, if it wishes, measurements of the progress made and/or a comparison of the CSR performances of its various entities (subsidiaries, branches ...) and production sites.* (Vigeo 2004c)

Bibliography

AAA Tourism, 2004 *Star Ratings* http://www.aaatourism.com.au/scripts/AAA_ISAPI.dll/ViewPage?PageID=00003&ContentID=00034, accessed 14 May 2004.

–2003 *Guide to the Stars – An overview of hotel accommodation* Melbourne.

Accident Research Centre, Monash University, 2004 *Safe Tractor Assessment Rating Scheme* http://www.general.monash.edu.au/muarc/stars.htm, accessed 12 September 2004.

ANCAP (Australian New Car Assessment Program) 2004 *Guidelines for Crashworthiness Rating System* http://www1.tpgi.com.au/users/mpaine/ncaprate.html, accessed 12 September 2004.

Australian Building Greenhouse Rating Scheme, 2004a *Terms and Conditions*, http://www.abgr.com.au/main.asp?section=3&page=5, accessed 25 May 2004.

–2004b *Did You Know?* http://www.abgr.com.au/main.asp, accessed 14 May 2004.

Australian Government, 2004 *The Energy Label* http://www.energyrating.gov.au/con3.html, accessed 24 May 2004.

Bowen, BD & Headley, DE, 2004 *Airline Quality Rating 2004* http://webs.wichita.edu/depttools/depttoolsmemberfiles/aqr/2004aqr.pdf, accessed 12 September 2004.

Building Commission, 2004a *What is Pulse?* http://www.buildingcommission.com.au/www/default.asp?casid=3753, accessed 17 September 2004.

–2004b, *Measure Listing* http://www.buildingcommission.com.au/www/default.asp?casid=3967, accessed 7 September 2004.

Cannex Financial Services Research Group, 2004a *Star Ratings* http://www.cannex.com.au/canxstar.html, accessed 12 September 2004.

–2004b *Cannex Credit Card Star Ratings*, http://www.cannex.com.au/starratings/credcard.pdf, accessed 17 September 2004.

–2004c *Cannex Mortgage Star Ratings* http://www.cannex.com.au/starratings/mortgage.pdf, accessed 17 September 2004.

Commission for Health Improvement (United Kingdom), 2004a *Rating the NHS: NHS performance indicators 2003/4* http://www.chi.gov.uk/eng/ratings/index.shtml, accessed 16 May 2004.

–2004b *A Commentary on Star Ratings 2002/2003* http://www.chi.nhs.uk/Ratings/Downloads/ratings_commentary.pdf, accessed 17 September 2004.

–2004c *Acute and Specialist Overview* http://www.chi.gov.uk/Indicators_2004/Trust/Overview/acute_overview.asp, accessed 17 May 2004.

DTI (Department of Trade and Industry, United Kingdom), 2001 *Quality Mark Scheme, for the Domestic Repair, Maintenance and Improvement Sector, Guidance Manual* http://www.qualitymark.org.uk/docs/QMGuidanceManual.pdf, accessed 17 September 2004.

–2004 *Extending Competitive Markets: Empowering consumers, successful businesses* London.

eBay, 2004 *Stars* http://pages.ebay.com/help/feedback/reputation-stars.html, accessed 12 September 2004.

Monash University Accident Research Centre & Kondinin Group, 2002 *Safe Tractor Assessment Rating Scheme: Technical reference document* http://www.general.monash.edu.au/muarc/stars/reference.pdf, accessed 25 May 2004.

NFRC (National Fenestration Rating Council, United States), 2004 *What is the NFRC?* http://www.nfrc.org/whoweare.html, accessed 12 September 2004.

NHER (National Home Energy Rating, United Kingdom), 2004 http://www.nher.co.uk/index.shtml, accessed 12 September 2004.

OFLC (Office of Film and Literature Classification) 2004 *About Us* http://www.oflc.gov.au/content.html?n=118&p=60, accessed 12 September 2004.

Standards Australia/Standards New Zealand, 2004 Risk management, AS/NZS 4360:2004, Sydney and Wellington.

USGBC (US Green Building Council), 2004 *Meet the USGBC* http://www.usgbc.org/AboutUs/mission_facts.asp, accessed 12 September 2004.

Vigeo, 2004a *Corporate Social Responsibility Rating* http://www.arese-sa.com/index.php, accessed 17 May 2004.

–2004b *Methodology* http://www.arese-sa.com/site.php?rub=50&lang=en, accessed 17 May 2004.

–2004c *The Corporate-solicited Rating: An original product* http://www.arese-sa.com/site.php?rub=15&lang=en, accessed 17 May 2004.

WSAA (Water Services Association of Australia), 2004 *The National Water Conservation Rating and Labelling Scheme* http://www.wsaa.asn.au/ratings/ratingsabout.htm, accessed 12 September 2004.

"Consumer Affairs Victoria Research and Discussion Papers"

1. *Consumer Education in Schools: Background report* November 2003
2. *What do we Mean by 'Vulnerable' and 'Disadvantaged' Consumers?* March 2004
3. *Information Provision and Education Strategies* March 2006
4. *Social Marketing and Consumer Policy* March 2006
5. *Designing Quality Rating Schemes for Service Providers* March 2006
6. *Regulating the Cost of Credit* March 2006
7. *Consumer Advocacy in Victoria* March 2006

Consumer Affairs Victoria

Victorian Consumer Business Centre
113 Exhibition Street, Melbourne 3000
Telephone 1300 55 81 81 (local call charge)
Email consumer@justice.vic.gov.au
Website www.consumer.vic.gov.au

Consumer Affairs
Victoria

March 2006
C-42-02-979

Confident Consumers, Protected Communities.