

4 July 2014
Rebecca Holland
Assistant Director, Industry Structure & Compliance
Australian Competition & Consumer Commission
Level 35, 360 Elizabeth Street
Melbourne VIC 3000

By email

Dear Rebecca

RECTIFICATION PROPOSAL FOR BTS FAULT RECTIFICATION

I write to comment on Telstra's "Rectification Proposal For BTS Fault Rectification" dated May 2014 (Rectification Proposal) submitted to the Australian Competition and Consumer Commission (ACCC) under Telstra's Structural Separation Undertaking (SSU).

As the Commission is aware, on 15 September 2013 I provided a report to Telstra on issues associated with Metric 5 reporting under the SSU (Metric 5 Report). Metric 5 measures the variance in the percentage of Telstra Retail and Telstra Wholesale customer basic telephone service (BTS) faults that Telstra rectified within particular timeframes. I have reviewed the version of the Rectification Proposal and its supporting material that was sent to participants in the Wholesale Telecommunications Consultative Forum. Telstra has not given me access to any confidential version of the supporting material. It is in the context of the Metric 5 Report and my role as the Independent Telecommunications Adjudicator that I make this submission.

Summary

The Rectification Proposal will go some way to address the variances to Metric 5 that Telstra has reported. However, on current evidence, the Rectification Proposal will not lead to equivalence of outputs in respect of fault rectification of basic telephone service faults.

Telstra's commitment to equivalence of outputs

For completeness, I will restate my understanding of Telstra's relevant obligations under the SSU. Clause 9 of the SSU requires that Telstra must ensure equivalence, on an equivalence of outputs basis, in relation to its supply to wholesale customers and Retail Business Units in respect of:

- (a) the technical and operational quality of the relevant regulated service in 9(a)(i); and
- (b) the operational systems, procedures and processes used in the supply of the relevant regulated service in 9(a)(ii).

The Basic Telephone Service (BTS) is the relevant regulated service the associated equivalence and transparency metrics under clause 16.1 of the SSU is Metric 5. Clause 11 of the SSU requires Telstra to rectify wholesale and retail BTS faults using equivalent order management and otherwise in an equivalent manner.

Telstra's proposal

In summary, Telstra's Rectification Proposal relevantly provides that:

When the volume of BTS faults reaches a [defined] threshold within a Service Delivery Area, Telstra will implement its Workflow Management Tools to manage the tickets of work within that Service Delivery Area. Workforce Management Tools allow Telstra to closely manage the workforce resource available within a Service Delivery Area to better manage that resource to the volume of work required to be undertaken by the workforce. In implementing its Workflow Management Tools, Telstra will take all reasonable steps to manage its anticipated overall performance for BTS Faults to meet its obligations for the relevant Quarter with the aim of providing equivalence between wholesale and retail BTS fault customers where practicable.

Telstra has previously submitted a confidential rectification proposal to the ACCC which addressed two issues which were identified by Telstra and which were set out by the ACCC its *Telstra's Structural Separation Undertaking Annual Compliance Report 2012-13*¹ at page 37:

Within Telstra's processes for accepting the reporting of faults, Service Delivery contact centre staff are able to allocate different, and higher than 'standard', severity levels for fault rectification for the BTS based on factors such as whether:

- the customer is a priority assistance customer;
- there is damage to Telstra's plant or equipment which poses a risk to the public; or
- the customer is a key/corporate customer.

Telstra's internal inquiries indicated that, since around October 2010, some Service Delivery contact centre staff had been incorrectly allocating an increased key/corporate level of severity to a number of Telstra Retail Customer BTS faults (primarily business customer faults), rather

¹ <https://www.accc.gov.au/publications/telstras-structural-separation-undertaking-2012-13> published on 24 May 2014 and accessed on 4 July 2014

than the standard severity level. Prior to 4 February 2011, Telstra's IT systems contained a reference data table which automatically recognised a code for particular wholesale customer BTS faults (the ZZZ Code), which resulted in those wholesale customer faults being allocated an elevated level of priority.

The current Rectification Proposal does not explicitly address these issues. This may be because the issues have been addressed as part of Telstra's "business as usual" practice. Although the Metric 5 Report, as summarised below, found that the confidential rectification proposal "would be unlikely to lead to a change in the reporting variances", this does not mean that they should not be adopted as a matter of good practice.

The Metric 5 Report

The ACCC provided a summary of the findings of the Metric 5 Report in its *Telstra's Structural Separation Undertaking Annual Compliance Report 2012-13*² at page 38. The Metric 5 Report examined the measures set out in the rectification proposal and the effect of medical priority assistance faults on BTS fault rectification, and concluded:

- The most likely explanation of the reporting variances is the effect of dealing with medical priority assistance faults, which has a direct impact and correlation on the residential reporting variance and an indirect flow through impact on the business reporting variance.
- The measures in the rectification proposal would be unlikely to lead to a change in the reporting variances and would not effectively address the cause or causes of the reporting variances.
- Although there will be some benefit (in terms of equivalence) obtained from ensuring that priority codes are used appropriately by Telstra Retail customer service representatives, the effect is unlikely to be significant.
- The reinstatement of the ZZZ Code should be beneficial. However, this impact will be small compared to the effects of medical priority assistance faults.
- No further or alternative measures were able to be identified that would provide an effective means of addressing the cause or causes of the reporting variances.

The Metric 5 Report stated that the proposals in the confidential rectification proposal were beneficial. I have not changed my view on this matter and the two elements should form part of an amendment to the Rectification Proposal. If they are part of Telstra's current business practice, then this could be addressed by an amendment to the Introduction.

² <https://www.accc.gov.au/publications/telstras-structural-separation-undertaking-2012-13> published on 24 May 2014 and accessed on 4 July 2014

Evidence as to effects of the Rectification Proposal

The evidence from the Metric 5 reporting in the first quarter of 2014 is that the Rectification Proposal will not lead to equivalence of outputs in respect of fault rectification of basic telephone service faults.

Telstra provides its quarterly “Operational Equivalence Report” on a public basis to its wholesale customers.³ In its March 2014 Operational Equivalence Report,⁴ Telstra reported that fault rectification for residential customers had a variance that was:

- (a) unfavourable to Telstra wholesale customers; and
- (b) at a greater unfavourable level than is expected under the SSU.

I understand that there were a number of issues in the final quarter of 2013 and the early part of this year, which created difficulties for Telstra in meeting its Metric 5 obligations. However, it is my understanding that this outcome occurred at a time when Telstra was taking the measures set out in the Rectification Proposal. As a consequence, it is my view that those measures will not effectively address the cause or causes of the reporting variances.

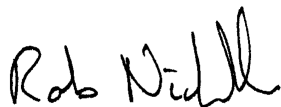
The fact that this is the first unfavourable variance for a number of quarters indicates that the Rectification Proposal goes some way to addressing the cause of the reporting variance. However, the March quarter outcome is evidence that there is further work to be done.

In particular, if the unfavourable variance in the first quarter of calendar 2014 was caused by Telstra being limited by the “where practicable” constraint on its obligations under the Rectification Proposal, then the Rectification Proposal may meet its stated objectives without addressing the underlying problem.

Other issue

I am concerned that there is a “sunset clause” in the Rectification Proposal. It seems to me that it would be helpful if it was made clear that expiry would be on the basis that the measures set out in the Rectification Proposal are expected to be “business as usual” processes at the time of expiration.

Yours sincerely,



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Independent Telecommunications Adjudicator

³ <http://www.telstrawholesale.com.au/structural-separation-undertaking/index.htm#tab-5> accessed 4 July 2014

⁴ <http://www.telstrawholesale.com.au/download/document/operational-equivalence-report-mar-14.pdf>
accessed 4 July 2014