



TELSTRA GROUP LIMITED

DITRDCA Thematic review of the Customer Service Guarantee (CSG) Consultation Paper

Public submission

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EXECUTIVE SUMMARY

Telstra welcomes the opportunity to respond to the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (**DITRDCA**) Thematic Review of the Customer Service Guarantee (**CSG**) Consultation Paper.

CSG remains relevant but reform needed to reflect industry changes

The CSG was introduced in 1997 with an overall objective that remains relevant today; to provide consumer protection in relation to certain important areas of service (connections, fault rectification and appointments) and thus maximise service continuity. However, the structure of the industry and the way in which telecommunications services are provided to Australian consumers has changed significantly. Most notably, NBN Co now supplies most fixed line connections in Australia. At the same time, the way consumers use telecommunications services has shifted, with an overwhelming switch to mobile for voice and greater use of online services.

Need for broader reform of the consumer protection framework

There is a need for a broader review of consumer protection regulation, particularly for consumers in rural and remote areas of Australia. The CSG should not be considered in isolation given the interaction with the Universal Service Obligation (**USO**) and the Statutory Infrastructure Provider (**SIP**) regime. Ideally these instruments of policy would be reviewed together to ensure the delivery of connectivity efficiently, flexibly and using the latest technologies for the benefit of all Australians. A comprehensive review would require extensive industry consultation and engagement with USO consumers to develop a framework that delivers positive outcomes. The timeframe for the current review of the CSG does not allow for this. As such, Telstra's view is that any review of the CSG should include a commitment to holistic reform in the near future.

CSG should apply primarily at the wholesale layer

In principle the CSG should apply only at the wholesale layer, with Retail Service Providers (**RSPs**) competing on a level playing field to provide the best possible service to consumers, consistent with the policy intent underlying the establishment of the NBN. The first step to delivering on this principle is to apply CSG service levels at the wholesale layer. This can be achieved through the making of standards as provided for by the SIP regime. If retail service level regulation remains in place, wholesale service level regulation should correspond with that regulation to ensure there is no gap between the two layers. In any event, CSG service levels should apply on a national basis.

Retaining a technology neutral approach will help optimise customer outcomes

If the retail CSG is retained, it is important that it also retains flexibility for RSPs to meet the ultimate goal of continuity of service by all efficient means, including by using alternative technologies. This is particularly important in rural and remote areas of Australia where distance can impede ability to provide a service – or rectify a fault – quickly. The current technology neutral approach focused on customer outcomes is the best way to achieve this because it is not dependent on any particular combination of networks and technologies as might apply at a particular location at a particular time. While Telstra considers SIP standards should be introduced to provide a 'back-to-back' with any retail obligations, technology neutrality also allows RSPs to compete to address any 'gap' between the CSG and the underlying wholesale supply in the most efficient and effective way at any point in time.

The changes needed to ensure the CSG is fit for purpose require further consultation

If the Government decides to retain the CSG at the retail level and in structurally the same form as today, there are changes required to ensure it is fit for purpose. The current approach to compensation, maximum timeframes and performance standards was developed when the industry was substantially different. They



should be updated to reflect the current state of the industry. For example, Telstra's legacy network is now characterised by declining volumes and customers who are increasingly geographically isolated. To determine whether CSG metrics remain appropriate requires an evidence-based approach aimed at promoting simplicity and consistency, whilst ensuring service continuity for consumers. Telstra would welcome working with the Department and industry on this in advance of the sunset of the CSG instruments.

Relevance of the CSG should be reviewed within a shorter timeframe going forward

Given the now rapidly changing nature of the industry in which the CSG is applied, it would be preferable for the CSG to be subject to a shorter sunset date than in the past. Telstra considers that a three-year term would be appropriate. Alternatively, the regulatory instruments that give effect to the CSG could include a change clause if technology change or other developments makes a review appropriate.



INTRODUCTION

Telstra welcomes the opportunity to respond to the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (**DITRDCA**) Thematic Review of the Customer Service Guarantee (**CSG**) Consultation Paper.

This submission provides Telstra's views on the future of CSG arrangements as follows:

1. Relevance of the CSG given the change in industry structure and consumer approach to voice services
2. Application of the CSG taking to account different underlying networks and delivery of fixed voice services
3. Changes needed to the CSG to maintain relevance now and into the future

01 Relevance of the CSG

When the CSG was introduced in 1997, the landscape in which voice telephony services were provided to customers was very different to what it is today. The Consultation Paper acknowledges this change, with the most significant developments including:

- Consumers have changed the way they access voice services, including an overwhelming shift towards mobile and the use of broadband networks. Notably, only around 36% of adult Australians now have a fixed voice service.
- A majority of voice services are now supplied over the NBN (or similar networks) rather than Telstra's networks, which now account only for approximately 8% of fixed line services in predominantly rural and remote areas of Australia.
- Regulatory settings have adjusted to reflect these changes, with NBN's service quality obligations provided in its Wholesale Broadband Agreement (**WBA**) and proposed Special Access Undertaking (**SAU**). Government also has the ability to set wholesale service levels through the SIP regime.

Within this context, it is appropriate that the CSG be reviewed to determine whether it remains relevant and, if so, whether the approach taken to implement the CSG requires reform.

Consideration of the ongoing relevance of the CSG would ideally take place within a broader review of consumer protection regulation. Telstra's view is that the CSG should not be considered in isolation given its interdependence with the USO, the SIP regime, and the range of subordinate regulation that supports them. These instruments should be reviewed within a holistic framework that can deliver connectivity efficiently, flexibly and using the latest technologies for the benefit of all Australians, particularly for consumers in rural and remote areas of Australia. These geographically isolated consumers face unique challenges not experienced in other parts of the country, not least that they fall outside the NBN fixed line footprint. A broader review would require extensive industry consultation alongside engagement with affected consumers to develop a framework that delivers achievable and positive outcomes. The timeframe for the current review of the CSG does not allow for this.

As Telstra understands it, the overall objective of the CSG remains relevant today despite the changes in the telecommunications industry. That is, the CSG was introduced to incentivise RSPs to effectively maximise voice service continuity through the setting of standards against key service areas – connections, fault rectification and appointments. The importance of these service areas has not diminished as evidenced



through the inclusion of connection, fault rectification and appointment service levels (with associated rebates where service levels are not met) in the proposed NBN SAU.

However, Telstra considers that reform is required. This includes application of the CSG or CSG-equivalent standards at the wholesale level to achieve voice service continuity. If retail service level obligations are retained, review is needed to ensure the CSG remains fit for purpose in an industry characterised by rapid development, changes in consumer behaviour and technological evolution. This submission sets out Telstra's views on the reform required ahead of more holistic reform in the medium term, including review of the USO.

02 Application of the CSG

The Consultation Paper explores a number of options for the future of the CSG, broadly around whether a different approach might be appropriate for Telstra's legacy network compared to other wholesale networks. Specifically:

1. Retain the current approach (with modernisation) to the CSG for Telstra's legacy network but extend it to ADSL to ensure consistency with the NBN and other comparable networks.
2. Emphasise the role of delivery requirements at the wholesale level on NBN Co and other SIPs, including protection for broadband services as well as fixed voice.
 - a. Allow CSG to lapse recognising that other wholesale arrangements are in place that provide similar protection to the CSG.
 - b. Place new requirements on RSPs to provide wholesale performance outcomes to consumers.
 - c. Explicitly rewrite the CSG to work back-to-back with the wholesale arrangements that have evolved.
 - d. Retain existing CSG arrangements consistent with the option for Telstra's legacy network.

The Consultation Paper also states that the CSG will likely need to continue to apply to the Telstra legacy network serving the 8% of premises in rural and remote Australia outside the NBN Co fixed line footprint.

At a high level, Telstra considers that adopting a different approach for Telstra's legacy network and other wholesale networks is unnecessarily complicated and potentially detrimental for consumers. Any approach to CSG should be applied at a national level for consistency and to ensure the delivery of equivalent consumer outcomes.

In principle the CSG should apply at the wholesale level, with RSPs competing on a level playing field to provide the best possible service to consumers, consistent with the policy intent underlying the establishment of the NBN. There are wholesale arrangements currently in place within the NBN fixed line footprint that, as noted in the Consultation Paper, provide similar protection to the CSG. Telstra has previously set out its position¹ that it would be inappropriate to have overlapping and competing sets of obligations where any difference between regimes may create an incentive to preference one fault type over another, i.e., voice versus broadband, despite the same underlying cause. Accordingly, Telstra does not support applying the current CSG at the wholesale level *in addition* to the existing contractual wholesale service levels set out in NBN Co's WBA due to the risk of unintended consequences (i.e., creating an incentive to preference one fault

¹ Telstra, Submission on draft Telecommunications (Statutory Infrastructure Providers – Standards, Rules and Benchmarks) Determination 2021 (March 2021).



type over another) and resulting consumer detriment. Rather, the CSG or CSG-equivalent metrics should be imposed at the wholesale level to *replace* the corresponding service levels in the WBA.

Recognising existing wholesale arrangements would be consistent with option 2(a) above. Consumer protection in this scenario would be dependent on the continuation of the wholesale arrangements currently in place and RSPs passing on equivalent protection to their customers. At the wholesale level this could be addressed by imposing key CSG-equivalent metrics in the form of SIP standards. SIP standards would apply at a national level to all wholesale providers ensuring consistency in consumer outcomes.

If there is to be ongoing retail service level regulation, this should also apply on a national basis. This may change in time as wholesale arrangements and the ongoing approach to the supply of services outside the current NBN fixed line footprint become more certain. In the meantime, as noted in Section 1 above, it is important the CSG recognises differences in the underlying network used to provide fixed services and adapts to the changed landscape in which such services are provided.

It is also important the CSG retains flexibility for RSPs to ensure continuity of service including using alternate technologies. This is particularly the case in rural and remote areas of Australia where distance can impede ability to provide a service – or rectify a fault– quickly despite best efforts. The current technology neutral approach focused on customer outcomes that allows RSPs to ensure voice service access and continuity as efficiently as possible is the best way to achieve this. It also allows for the potential introduction of new approaches that a prescriptive regulatory instrument might not allow. For example, the innovative use of hybrid modems to ensure continuity of service where there is a fault in the underlying network technology was not foreseen when the CSG was introduced.

A technology neutral approach acknowledges that there can sometimes be a ‘gap’ between what a wholesale provider is prepared to, and an RSP is required to, supply to an end customer. The mechanisms in place to address this gap (i.e., proposed SAU or SIP standards) have not yet ensured a ‘back-to-back’ approach and the reviews underway are likely to take time to resolve. Telstra considers there should be urgent review of wholesale standards to ensure that, at a minimum, RSPs are able to meet their commitments to consumers. For example, as set out above, Government should set SIP standards in relation to the key CSG metrics that provide RSPs with the wholesale supply needed to comply. Similarly, the SAU should include wholesale service standards that effectively support RSP obligations across all service classes. In the meantime, there remains a need for ongoing flexibility for RSPs to meet their obligations without relying on wholesale support. The current technology neutral approach to the CSG allows RSPs to address this by seamlessly providing an alternate service (such as a hybrid modem). The ability to provide an interim service is another mechanism that ensures service continuity in this scenario, although Telstra recognises the importance of placing limitations on the use of interim services as the CSG standard currently does.

The Consultation Paper considers whether the CSG in areas serviced by Telstra should be extended to ADSL, thereby providing for greater consistency between the treatment of the Telstra legacy network and the NBN (and other comparable networks). Telstra does not consider that this would be appropriate. Firstly, the focus of the CSG has always been on voice services. Secondly, the NBN is only relevant in the context of the CSG in that it is the technology over which a voice service is delivered in the majority of Australia. A technology neutral approach would ensure consistency without the imposition of a potentially costly additional regulatory obligation for a service that may have a limited lifespan and therefore limited consumer benefit (as acknowledged in the Consultation Paper).

03 Changes required to the CSG

If the Government decides to retain the CSG at the retail service level in substantially the same form as today, there are changes required to ensure it is fit for purpose. This section provides Telstra’s view on those changes.



Further reform may also be required depending on the approach taken for the CSG moving forward. Telstra expects the Department will consult on those changes when appropriate and will provide a view at that time.

The CSG is given effect through legislative instruments, specifically:

- Telecommunications (Customer Service Guarantee) Standard 2011
- Telecommunications (Customer Service Guarantee) Amendment Standard 2011 (No.1)
- Telecommunications (Customer Service Guarantee – Retail Performance Benchmarks) Instrument (No.1) 2011
- Telecommunications (Customer Service Guarantee) Record-Keeping Rules 2011

Telecommunications (Customer Service Guarantee) Standard 2011

The CSG Standard sets out maximum timeframes for connections, fault rectification and appointment keeping as well as compensation amounts payable where a CSP fails to meet those maximum timeframes. It is Telstra's understanding that these have not been reviewed or amended since the CSG was introduced in 1997 and, as such, may no longer be appropriate.

In the time made available to respond to the Consultation Paper, Telstra is not able to make specific recommendations on what the levels should be for each of these components of the CSG. Each requires evidence-based analysis and careful consideration to ensure any revision of the metrics achieves the intended objective. The remainder of the section sets out Telstra's view on what should be taken into account when reviewing each component of the CSG.

Maximum Timeframes

Maximum timeframes are set for connections, fault rectification and appointment keeping.

Connection timeframes differ depending on the type of connection (in place, new but close to infrastructure and spare capacity, and new without infrastructure or spare capacity) and the size of the community (urban, major rural, minor rural and remote). Similarly, fault rectification timeframes differ based on a simpler size of community classification (urban, rural, and remote). Review of these timeframes needs to consider:

- Whether the 'size of community' is still relevant as a differentiator for timeframes given the changes in the supply of telecommunications since 1997. Including whether a different approach is needed for the Telstra legacy network given the infrastructure, population density and geographic location of services.
- The interaction with wholesale service standards within the nbn fixed line footprint and any implications for what is achievable for RSPs.
- What can reasonably be achieved by RSPs within a timeframe given changes in customer profiles and activity required, including impact of distance involved i.e., whether timeframes are practicable given the geographic location of services and the work that needs to be completed to connect or rectify a service fault.

Appointment keeping timeframes are based on the appointment time or window agreed between the RSP and the customer. A timeframe is not met when the connection or repair timeframe does not occur at the agreed time or outside the window, with some additional leniency where long distances are involved. As with connections and fault rectification, review of these timeframes needs to consider whether the appointment windows are still appropriate given the change in population density and geographic location of customers particularly within the Telstra legacy network, which typically mean longer distances to travel.



Compensation

The CSG Standard includes compensation that must be paid to a customer when a CSP fails to meet a maximum timeframe. Compensation must be paid directly and automatically to an end-user and may be in the form of a credit on a customer's bill rather than a standalone payment. This differs from rebates (with the exception of missed appointment rebates) paid by NBN Co when its service levels are not met in that there is no mandated direct pass-through to the affected end-user although an RSP is required to provide a 'fair value benefit' (monetary or otherwise). Missed appointment rebates on the NBN must be passed through to the impacted customer through either direct payment or credit.

The same CSG compensation levels apply for connections and faults and escalate after the first 5 business days that a maximum connection timeframe has been missed. Compensation for appointments missed is applied as a flat rate per missed appointment. As noted above, the levels have not changed since 1997 and were set relative to other pricing that applied at the time, e.g., Telstra understands that the standard connection and fault rebate is related to the line rental charge that was in place in 1997.

Review of compensation levels needs to consider:

- Changes in the relative importance of a fixed line service as a form of communication since 1997, noting that the number of fixed line services has decreased significantly while mobile services have increased.
- Costs incurred by RSPs to meet CSG timeframes when dependent on wholesale supply, e.g., if fault rectification is dependent on, and requires ongoing communication with, NBN Co.
- The interaction with any applicable wholesale rebates e.g., whether differences need to be taken into account between wholesale rebates and CSG rebates to reflect the relationship with wholesale supply (whilst acknowledging liability). The table below shows the difference between the current CSG standard and the NBN WBA for a standard connection, repair and appointments to illustrate the difference.

Table 1: Compensation comparison

	CSG Standard	NBN WBA
Connection (per day)	\$14.52 - first 5 BD \$48.40 - after 5DB	\$7.50 – capped at 30 days
Repair (per day)	\$14.52 - first 5 BD \$48.40 - after 5DB	\$15 – capped at 60 days
Appointments (per appointment)	\$14.52	\$50 – first appointment \$75 – subsequent appointments

The above considerations are not a complete list of what should be taken into account when reviewing the maximum timeframes and compensation levels. Telstra considers the Department should immediately commence further consultation with stakeholders to determine appropriate measures going forward. In the interim it may be appropriate to retain the current levels if timing does not provide for a review to take place before the relevant CSG instruments sunset in October 2023.

There are also other elements in the current CSG Standard that should be changed to modernise the CSG Standard or reflect how services are now supplied to customers. These are set out in Table 2 below.



Table 2: Proposed changes to Telecommunications (Customer Service Guarantee) Standard 2011

Reference	Issue	Proposed Change
Part 2 Division 1 5(6)	Subsection requires a CSP to give written information to customers about applicable performance standards, provider obligations and entitlement to damages for contravention of standards at least once every two years. Example of information to be given to customers in writing includes publication in a telephone directory or as part of other general information published by the CSP.	Reference to a telephone directory should be removed given limited distribution and decreased usefulness as a source of general information. The example of information provided should be amended to clarify that information can be provided on a CSP website. This is now the most common way customers access information about their services.
Part 2 Division 1 7(4)	Subsection sets out circumstances that may be taken into account when determining whether a CSP has contravened a performance standard due to customer action such as refusing permission to enter a site.	Consistent with the USO Requirements and Circumstances Determination 7(4)(e-g) this should include where CSP employees may be at risk in undertaking activities relating to the performance standard.
Part 2 Division 2 8	This subsection includes reference to Telstra's Universal Service Obligation Standard Marketing Plan as determining the maximum connection period for a customer in specific circumstances.	Telstra's Universal Service Obligation Standard Marketing Plan no longer applies. References to the Plan should be removed and replaced with "aim to supply the STS within 20 working days."
Part 2 Division 4 17	This subsection sets out criteria for determining whether an appointment is kept.	This subsection should include a circumstance where customer requests on the day changes for some reason which results in a CSP still attending the appointment but outside the original appointment period.
Part 3 25	This section requires a CSP to publish a notice of exemption from the performance standards in at least one edition of a daily newspaper.	Reference to a daily newspaper is outdated and should be revised to allow for notification on a CSP website or other online site e.g., social media application or local media site.
Part 6 and 7	Transitional arrangements	No longer needed and should be removed.

Telecommunications (Customer Service Guarantee – Retail Performance Benchmarks) Instrument (No.1) 2011

The CSG Benchmarks Instrument requires qualifying CSPs to exceed CSG timeframes in 90% of cases, on both a national basis and within urban, rural and remote areas. A CSP is required to meet the benchmarks if it supplies at least 100,000 CSG services in an annual benchmark period. Telstra is one of only two CSPs subject to CSG benchmarks, with the majority of eligible services in rural and remote areas of Australia.



As noted in the Consultation Paper, Telstra has not failed to meet the benchmarks set out in the CSG Benchmark Instrument since 2012. However, compliance with these benchmarks is increasingly difficult as volumes decline on Telstra's fixed legacy network. Put simply, the remaining customer base comprises those services that are overwhelmingly geographically isolated and, when appointments are required for connections or faults, there is a greater risk that timeframes will not be met despite best efforts. In this scenario even a very low volume of 'misses' against timeframes has a significant impact on benchmark performance.

The change in the customer base on the Telstra fixed legacy network means the current approach to calculating performance benchmarks is unsustainable. There is a risk that, if unchanged, it may have a detrimental impact on service quality as RSPs are incentivised to connect and assure services in an unbalanced way that does not provide equitable treatment of all customers in order to avoid being penalised. To address this challenge, the way benchmarks are calculated should be reviewed in respect of the population distribution today, not the population distribution from decades ago when Telstra's networks were national in scope.

As with maximum timeframes and compensation levels, detailed analysis and consultation with consumer groups to understand the change in the services supplied by Telstra's legacy fixed network is required to determine the right performance benchmarks. It is important for any performance benchmark to continue to drive a positive behavioural outcome and ensure the consumer protection intended by the CSG. We would like the opportunity to engage further with the Department to consider how we could approach this review and consultation.

Other changes

The sunset timeframe for the CSG legislative instruments is exceptionally lengthy given the dynamic nature of the telecommunications sector. It has also resulted in the need for substantial reform and modernisation as set out at a high level in this submission. Telstra considers that it would be more appropriate for the revised legislative instruments to be reviewed on a more regular basis particularly as industry looks at solutions for the ongoing supply of services in rural and remote Australia. Accordingly, we propose a sunset or review date in three years' time, or in October 2026. Alternatively, the instruments could include a change clause that enables review if an event takes place that makes a review of the CSG appropriate. Such events could include changes in the wholesale supply of fixed voice services or the introduction of new regulatory frameworks.