

Operational Separation Plan

1 Operational Separation Plan

This is the final Operational Separation Plan (“**OSP**”) required under section 52 of Schedule 1 of the Act.

2 Commencement

Telstra was notified of Ministerial approval of this OSP under section 55(1) of Schedule 1 of the Act on 23 June 2006 (the “**Approval Date**”). As a result of the notification of approval, this final OSP will commence on the Approval Date. Telstra will comply with this final OSP from the Approval Date.

3 Operational and organisational separation

Operational and organisational separation into Business Units

3.1 Telstra will maintain the following Business Units:

- (a) one or more Wholesale Business Units;
- (b) one or more Retail Business Units; and
- (c) one or more Key Network Services Business Units.

3.2 A Key Network Services Business Unit is a Business Unit that supplies:

- (a) Fault Detection, Handling and Rectification; and
- (b) Service Activation and Provisioning.

3.3 Telstra will organise and operate:

- (a) the Retail Business Unit in a manner such that it is substantially separate from the Wholesale Business Unit and Key Network Services Business Unit;
- (b) the Wholesale Business Unit in a manner such that it is substantially separate from the Retail Business Unit and Key Network Services Business Unit; and
- (c) the Key Network Services Business Unit in a manner such that it is substantially separate from the Wholesale Business Unit and the Retail Business Unit.

Telstra will do this including through complying with clauses 3.4 and 3.5.

Staffing of Business Units

3.4 Telstra will ensure that:

- (a) an Employee who is engaged to work for the Wholesale Business Unit undertakes work principally for the Wholesale Business Unit;
- (b) an Employee who is engaged to work for the Key Network Services Business Unit undertakes work principally for the Key Network Services Business Unit; and
- (c) an Employee who is engaged to work for the Retail Business Unit:
 - (i) undertakes work principally for the Retail Business Unit; and
 - (ii) is not permitted to undertake any work for the Wholesale Business Unit;
- (d) Telstra records functional movements of staff between the Wholesale Business Unit, the Retail Business Unit and the Key Network Services Business Unit to enable monitoring of compliance with this clause 3.4.

For the avoidance of doubt, this clause 3.4:

- (e) does not prevent an Employee of the Key Network Business Unit or the Wholesale Business Unit undertaking work for a Business Unit of a different kind, where such work only forms a small part of that Employees role;
- (f) is not intended to prevent legitimate short-term secondments or transfers of Employees, as required by Telstra; and
- (g) does not apply to any Employee who undertakes work for a Corporate Business Unit.

The Wholesale Business Unit

3.5 Telstra will ensure that:

- (a) the position of the person who has direct responsibility for the management of the Wholesale Business Unit is of the same level of seniority in Telstra's management structure as the position of the person who has direct responsibility for the management of the Retail Business Unit (or where there is more than one Retail Business Unit, is of the same level of seniority in Telstra's management structure as that of the most senior position having direct responsibility for the management of a Retail Business Unit);
- (b) the staff of the Wholesale Business Unit are located in premises that:
 - (i) are physically separate from any premises occupied by staff of the Retail Business Unit (although this does not mean that the staff need to be located in a separate building);
 - (ii) have security measures in place that prevent a member of the staff of the Retail Business Unit from gaining access to the premises where the staff of the Wholesale Business Unit are located unless:
 - (A) the member of staff of the Retail Business Unit enters the premises for the purposes of meeting with a member of the staff of the Wholesale Business Unit; and

- (B) the entry to the premises by the member of staff of the Retail Business Unit is authorised by a member of staff of the Wholesale Business Unit; and
 - (C) the member of staff of the Retail Business Unit is accompanied, to the extent practicable, while in the premises by a member of the staff of the Wholesale Business Unit;
- (c) the Wholesale Business Unit has principal control over and responsibility for:
- (i) marketing Eligible Services to wholesale customers;
 - (ii) managing service delivery to wholesale customers; and
 - (iii) negotiating supply contracts with wholesale customers;
- (d) the Retail Business Unit has no control over or responsibility for:
- (i) marketing Eligible Services to wholesale customers;
 - (ii) managing service delivery to wholesale customers; or
 - (iii) negotiating supply contracts with wholesale customers.

3.6 In clause 3.5(c), “*managing service delivery*” is to be interpreted as meaning undertaking the first contact points and other interactions between the Wholesale Business Unit and the wholesale customers in relation to service delivery of wholesale services the wholesale customer acquires. Managing service delivery does not mean undertaking the Service Activation and Provisioning of a service or Fault Detection, Handling and Rectification in relation to a service.

3.7 Note that:

- (a) clause 3.5 does not prevent a wholesale customer from choosing to be, with the agreement of the Retail Business Unit, a Retail Customer and, in that event, the Retail Business Unit dealing with that wholesale customer as a Retail Customer;
- (b) clause 3 does not prevent certain processes and functions (which are not material in relation to the wholesale business) that are integrated for operational efficiency continuing, including:
 - (i) the involvement of Employees in the supply of Global Services (such Global Services customers being therefore neither wholesale customers nor Retail Customers), whether or not those Employees are also involved in the supply of services to domestic wholesale customers or Retail Customers;
 - (ii) the integration of the supply of and provision of associated services in relation to disability products;
 - (iii) the provision of 000 emergency call services;
 - (iv) activation of certain products such as Telecards, personal identification numbers for restricted premium rate services and InfoCall Credit limits.

- 3.8 Telstra will:
- (a) implement a process to track and record any Retail Business Unit staff's access to the Wholesale Business Unit premises;
 - (b) ensure that under the Customer Responsiveness Strategy the number of complaints made by wholesale customers in relation to Telstra's obligations under clause 3 are monitored;
 - (c) ensure that the obligations under clause 3.5(b) are reflected in the Information Security Strategy.

4 Requirements relating to the provision of high quality wholesale services

4.1 Telstra will prepare the following strategies:

- (a) a Service Quality Strategy;
- (b) an Information Equivalence Strategy;
- (c) an Information Security Strategy; and
- (d) a Customer Responsiveness Strategy,

which meet the relevant requirements and purposes as set out in the Determination (each a "**Strategy**").

4.2 Telstra will:

- (a) provide a copy of each Strategy to the Minister and the ACCC by 30 June 2006; and
- (b) make a copy of the Strategy available on Telstra's internet site by 30 June 2006.

4.3 Telstra will comply with each Strategy after the date specified for the relevant Strategy in the table below:

Strategy	Date after which Telstra will comply with the Strategy
Service Quality Strategy	31 August 2006
Information Equivalence Strategy	31 October 2006
Information Security Strategy	30 November 2006
Customer Responsiveness Strategy	31 July 2006

Service Quality Strategy

- 4.4 The Service Quality Strategy will include provisions requiring that:
- (a) the frequency, completeness and accuracy of the provision of call or data traffic record information for Eligible Services offered to wholesale customers is at least equivalent to that provided to the Retail Business Unit in respect of the comparable Eligible Service by implementing billing systems with the capability to provide electronic transfer of call usage records and other billing data with the provision of a summarised monthly invoice in electronic format;
 - (b) the billing information provided to the Wholesale Business Unit in relation to the supply of an Eligible Service is at least equivalent to that provided to the Retail Business Unit in respect of the comparable Eligible Service by ensuring that the Wholesale Business Unit will have equivalent access to the billing feed from the Network Data Mediation Layer;
 - (c) Telstra describe target timeframes for the provision of timely and effective access to Telstra's exchange buildings to relevant wholesale customers and commit to measure performance against those timeframes;
 - (d) Telstra implement processes to promote the principle of equivalence of supply by the Key Network Services Business Unit of Fault Detection, Handling and Rectification, and Service Activation and Provisioning; and
 - (e) Telstra meets certain service standards described in clause 5.18 of this OSP, which will be measured quarterly.
- 4.5 By complying with the Service Quality Strategy, Telstra will ensure the standard of delivery of Eligible Services made available to wholesale customers is equivalent to the standard of delivery of comparable Eligible Services supplied to the Retail Business Unit.

Information Equivalence Strategy

- 4.6 The Information Equivalence Strategy will require Telstra to provide a Network Notification Process consisting of two reporting frameworks:
- (a) the Long Term Notification Report (to be more fully described in the Information Equivalence Strategy) will be prepared and provided to affected wholesale customers every 12 months and will contain general details of any relevant change in network functionality, network architecture, network capacity and operational support systems where:
 - (i) the relevant change will adversely affect the availability or functionality of Eligible Services that are supplied by Telstra to that wholesale customer;
 - (ii) Telstra has entered into a binding contract with a vendor for the supply of products or services necessary for the implementation of the relevant change;
 - (iii) Telstra has received all internal approvals necessary in order to implement the relevant change; and
 - (iv) the relevant change is intended to be implemented within a two year period from the date of the Long Term Notification Report;

- (b) a series of short term or operational notifications that will be made to relevant Telstra wholesale customers on a more frequent basis. It is expected that these will generally include notifications in relation to:
 - (i) planned events;
 - (ii) certain access network upgrades;
 - (iii) availability of ADSL capability;
 - (iv) exchange service area information;
 - (v) major service impacting network incidents;
 - (vi) other general service or provisioning impacting matters relating to operational support systems; and
 - (vii) disaster recovery plan information.

4.7 The Information Equivalence Strategy will also include provisions that allow and support customer forecasting of network demand.

4.8 By complying with the Information Equivalence Strategy, Telstra will demonstrate that the provision of information provided by the Key Network Services Business Unit or the Wholesale Business Unit to wholesale customers about relevant changes to Telstra's network is, to the extent possible, equivalent to the provision of the same or similar information to the Retail Business Unit.

Information Security Strategy

4.9 Telstra will set out in the Information Security Strategy the processes by which it will comply with the requirements set out in clause 11 of the Determination including:

- (a) the principles for access and use of confidential information of a wholesale customer. These principles of access and use will require Telstra to ensure that:
 - (i) the Wholesale Business Unit does not disclose confidential information relating to the wholesale customer to the Retail Business Unit unless authorised to do so by the wholesale customer or to the Key Network Services Business Unit otherwise than on a need-to-know basis or where authorised to do so by the wholesale customer; and
 - (ii) the Key Network Services Business Unit does not disclose confidential information relating to the wholesale customer to the Retail Business Unit unless authorised to do so by the wholesale customer;
- (b) the principles for determining when an employee of the Key Network Services Business Unit has a need-to-know the confidential information of a wholesale customer. The default position under Telstra's systems will be that a Key Network Services Business Unit staff member has 'no access' and accordingly must establish that they 'need-to-know' confidential information of a wholesale customer either for the purposes of performing an agreement with that wholesale customer or otherwise as it is necessary for that staff member to perform his or her duties effectively, before the information will be disclosed to that staff member and can be used by that staff member;

- (c) describing the security measures in relation to Telstra's information storage systems and data systems (including data collection, storage and archiving). In particular this will describe the processes for where the information will be stored in systems shared with the Retail Business Unit;
- (d) describing the security measures taken in relation to the physical security of confidential information;
- (e) describing the measures taken to ensure that an employee of the Retail Business Unit or the Key Network Services Business Unit who had been an employee of the Wholesale Business Unit at any time does not disclose or use confidential information of a wholesale customer of which the employee had become aware whilst working for the Wholesale Business Unit;
- (f) outlining the steps that will be taken to implement the policy, including describing the proposed further training of staff in relation to the Information Security Strategy.

4.10 By complying with the Information Security Strategy, Telstra will protect confidential information relating to Telstra's wholesale customers.

Customer Responsiveness Strategy

4.11 The Customer Responsiveness Strategy will describe:

- (a) processes for dealing with day-to-day complaints by wholesale customers, including a process for ensuring that complaints are dealt with in a timely and effective manner;
- (b) the monitoring of complaints made in relation to Telstra's obligations under clause 3.5;
- (c) the provision of help desk facilities and escalation procedures to assist in the handling of complaints. Telstra will provide defined escalation procedures to address operational and commercial issues arising through the performance of its contractual obligations (for example, issues arising out of delays in service provisioning or restoration, where wholesale customers have special end user requirements or in emergencies), where these are unable to be resolved at the help desk level. The escalation path may take the form of regular working groups, service review groups, electronic lodgement of complaints or recourse to designated individual personnel available on request;
- (d) a requirement for Telstra to produce and publish on its internet site a Complaints Management Policy (as amended from time to time) for the information of its wholesale customers;
- (e) Telstra will conduct regular reviews (at least annually) with wholesale customers about the quality of eligible services supplied to wholesale customers and for the management by Telstra of wholesale customers' concerns, including:
 - (i) providing a process to enable wholesale customers to provide views and advice on how the operational or technical attributes of services supplied to them by Telstra could be improved in order to better meet their needs;

- (ii) providing a process for the views and advice provided by wholesale customers to be passed on to the Key Network Services Business Unit for consideration;
 - (iii) developing action plans to improve any areas identified (as a result of the feedback from wholesale customers) to be problematic;
- (f) the types of alternative dispute resolution processes that may be selected by the wholesale customer and Telstra for the resolution of disputes about the technical or operational attributes of Eligible Services supplied to wholesale customers. The Strategy will set out the following principles in relation to the use of alternative dispute resolution:
- (i) an alternative dispute resolution process can be nominated by either party to the dispute as an alternative to notifying a dispute (or continuing the notification of a dispute) with the ACCC or taking court proceedings and will apply if both parties agree to participate in an agreed process and agree the terms of such process;
 - (ii) if both parties agree to participate in an alternative dispute resolution process, a party may not commence court proceedings except to the extent allowed under the procedures agreed between the parties, or if urgent interlocutory relief is sought prior to the process coming to an end;
 - (iii) if the parties agree to engage in an alternative dispute resolution process, and agree the terms of the process, the outcome of that alternative dispute resolution process will be binding on both parties to the dispute;
 - (iv) for the avoidance of doubt, nothing in the Strategy restricts a party from taking action in relation to other matters unrelated to the technical or operational attributes of Eligible Services supplied to that wholesale customer, such as actions in relation to advertising, consumer protection and breach of confidentiality.

4.12 By complying with the Customer Responsiveness Strategy, Telstra will:

- (a) monitor its compliance with the Service Quality Strategy and the Information Equivalence Strategy;
- (b) ensure that Telstra is responsive to complaints made by its wholesale customers; and
- (c) establish a process for resolving disputes between Telstra and its wholesale customers.

5 Promotion of equivalence in relation to the supply of Designated Services.

Establishment of a price equivalence framework relating to Designated Services

5.1 By 30 June 2006 Telstra will establish a price equivalence framework relating to Designated Services (which in clauses 5.1 to 5.5 means “Designated Services” as defined in the *Telecommunications (Operational Separation - Designated Services) Determination (No.1) 2005*) aimed at achieving the following outcomes:

- (a) public assurance that Telstra is acting legitimately in the pricing of relevant Eligible Services supplied to customers of a Retail Business Unit, when compared with the prices at which Telstra provides Designated Services to wholesale customers;
- (b) increased certainty for Telstra that its pricing decisions do not contravene Part XIB of the Trade Practices Act; and
- (c) improved information for the ACCC in the performance of its functions under Part XIB of the Trade Practices Act.

5.2 Telstra will meet its obligations in clause 5.1 by Telstra consulting with the Department and the ACCC to develop a price equivalence framework that reflects the following principles:

- (a) the price equivalence framework should focus on services and markets where there are bottlenecks such that there is a significant concern that pricing behaviour may raise concerns about compliance with the Trade Practices Act;
- (b) the price equivalence framework should not impose unreasonable costs or delays on Telstra and should allow Telstra to obtain legitimate benefits from vertical integration;
- (c) the price equivalence framework does not duplicate, replace, affect or extend the Trade Practices Act but will be consistent with that Act;
- (d) the implementation of a price equivalence framework will not directly affect Telstra's pricing conduct or pricing decisions nor is it a price setting mechanism;
- (e) the price equivalence framework should provide the ACCC with greater transparency and understanding of Telstra's pricing behaviour, and will enable the ACCC to provide public assurances about the degree of transparency available to it (which, for the avoidance of doubt, does not include allowing the ACCC to disclose to the public or a wholesale customer any pricing strategy of a Retail Business Unit);
- (f) outcomes resulting from the application of the price equivalence framework will not be determinative of whether Telstra has or has not acted inconsistently with the Trade Practices Act and any test results will remain confidential; and
- (g) the ACCC will not be inhibited in its exercise of its functions under Parts XIB and Part XIC of the Trade Practices Act by any material resulting from, or by the application of, the price equivalence framework.

5.3 The price equivalence framework will set out the arrangements and approach under which Telstra will conduct imputation tests and consider results from those tests to assess Telstra's proposals for material price changes for Designated Services. The price equivalence framework will comprise:

- (a) Telstra's Price Equivalence Framework Strategy, which is expected to set out how the price equivalence framework will apply to material price changes proposed by Telstra for Designated Services and to generally describe the elements of the price equivalence framework including:
 - (i) a description of the customer classes to which the price equivalence framework will apply;

- (ii) a work plan and timeline describing the implementation dates for each of the elements of the price equivalence framework;
 - (iii) a description of the periodic reporting arrangements to the ACCC in relation to the price equivalence framework; and
 - (iv) a description of the way the Annual Compliance Report will include an update on progress against the work plan and timeline referred to in clause 5.3(a)(ii);
- (b) Telstra's Retail Pricing Tool, which is a set of imputation tests that seek to assess the impact that Telstra's price changes would likely have on the margin available to an efficient competitor. The Retail Pricing Tool is expected to be applied by Telstra in accordance with the terms of the Price Equivalence Framework Strategy to test material price changes proposed by Telstra for Designated Services before those price changes are generally released to the market. The Retail Pricing Tool will require amendment from time to time to reflect such changes as new market developments, changes to inputs and improvements in the testing methodology;
 - (c) a schedule of notional wholesale prices for Designated Services to be considered by Telstra as an input to the Retail Pricing Tool. The schedule will require amendment from time to time to reflect such changes as new market developments, changes in prices and demand and improvements in the testing methodology; and
 - (d) the ACCC's Retail Pricing Protocol (where such a protocol has been developed by the ACCC), which will specify the ACCC's views on methodological issues for Telstra's consideration in the Retail Pricing Tool and describe how the imputation test results derived from the Retail Pricing Tool will be interpreted by the ACCC in assessing allegations of vertical price squeezes.

5.4 After 30 June 2006, Telstra will comply with the price equivalence framework (as it may change from time to time) in accordance with its terms and from the dates specified in the Price Equivalence Framework Strategy and Telstra's compliance with the price equivalence framework will be reported on in accordance with clause 6.

5.5 Telstra will make a copy of the agreed Price Equivalence Framework Strategy available on Telstra's internet site.

Equivalent operational quality of Designated Services

5.6 Telstra will demonstrate the operational quality of Designated Services supplied to wholesale customers is equivalent to the operational quality of Designated Services supplied to the Retail Business Unit through compliance with the Strategies referred to in clause 4 and meeting the obligations set out in clauses 5.15 to 5.19. However, equivalence in operational quality will not be applicable to Designated Services with a tailored lower operational quality purchased by a wholesale customer or developed by the Wholesale Business Unit for the purposes of enabling that wholesale customer to differentiate their retail offering from the service provided by the Retail Business Unit.

Notional contracts

- 5.7 Telstra will establish notional contracts in relation to the supply of key elements of Designated Services between the operationally separated Key Network Services Business Unit and:
- (a) the Wholesale Business Unit; and
 - (b) the Retail Business Unit.
- 5.8 The notional contracts will include the matters set out in clauses 5.11 and 5.12 (as appropriate) to demonstrate equivalence in:
- (a) the operational quality of Designated Services supplied to the Wholesale Business Unit and the Retail Business Unit; and
 - (b) the standard of delivery of:
 - (i) Fault Detection, Handling and Rectification; and
 - (ii) Service Activation and Provisioning,in relation to Designated Services supplied to the Wholesale Business Unit and the Retail Business Unit.
- 5.9 The notional contracts will be completed and implemented no later than 31 July 2006.
- 5.10 Telstra will comply with the commitments in the notional contracts once the notional contracts are finalised and implemented.
- 5.11 Telstra will include the following in the notional contract between the Wholesale Business Unit and the Key Network Services Business Unit:
- (a) the KPIs and a commitment to meet or exceed the KPIs;
 - (b) requirements relating to forecasting of Designated Service usage;
 - (c) that the Wholesale Business Unit will have equivalent access to the network plant database (NPAMS as that database may change from time to time) as any Retail Business Unit in order to enable service qualifications for orders for Designated Services;
 - (d) monitoring and reporting on performance against the KPIs;
 - (e) that the Wholesale Business Unit will have access to the equivalent billing feeds from the Network Data Mediation Layer in relation to call traffic as any Retail Business Unit for the Designated Services;
 - (f) accountability for performance;
 - (g) service improvement commitments, if any, resulting from the Service Quality Strategy;
 - (h) information security requirements; and

- (i) information equivalence requirements.
- 5.12 Telstra will include the following in the notional contracts between the Retail Business Unit and the Key Network Services Business Unit which sets out:
- (a) the KPIs and a commitment to meet or exceed the KPIs;
 - (b) requirements relating to forecasting of Designated Service usage;
 - (c) monitoring and reporting on performance against KPIs;
 - (d) accountability for performance;
 - (e) service improvement commitments, if any, resulting from the Service Quality Strategy;
 - (f) information security requirements; and
 - (g) information equivalence requirements.
- 5.13 Telstra will make available a copy of each of the notional contracts on its internet site after finalisation.
- 5.14 Compliance with, and performance of, the notional contracts will be verified or measured (as relevant) by the process described in clause 6.

Operational quality equivalency

- 5.15 The Strategies will assist in the achievement of equivalence in the operational quality of Designated Services supplied to wholesale customers and the Retail Business Unit by describing, among other things, the measures Telstra will implement:
- (a) to ensure that the standard of delivery of Designated Services supplied to wholesale customers is equivalent to the standard of delivery of Designated Services provided to the Retail Business Unit, through a commitment to the implementation of processes to promote the principle of equivalence of supply by the Key Network Services Business Unit of Fault Detection, Handling and Rectification, and Service Activation and Provisioning;
 - (b) to demonstrate that information provided by the Key Network Services or Wholesale Business Units to wholesale customers about relevant changes to Telstra's network is, to the extent possible, equivalent to that provided to the Retail Business Unit, such as by developing and implementing a network change notification process as described in clause 4.6;
 - (c) to protect confidential information relating to Telstra's wholesale customers, such as by the implementation of policies, procedures and systems to ensure that confidential information of wholesale customers is not disclosed to the Retail Business Unit; and
 - (d) to establish an alternative dispute resolution process for resolving disputes with Telstra's wholesale customers.
- 5.16 Telstra will ensure that service qualification provided by Telstra to a wholesale customer in relation to the supply of a Designated Service is equivalent to service qualification provided to the Retail Business Unit in relation to the supply of the Designated Service (in particular

the time in which the initial advice is provided as to whether a Designated Service is presently capable of being supplied) by implementing service qualification capability for the Wholesale Business Unit with the following functionality:

- (a) the ability to service qualify an active Full National Number (FNN) to determine if that service number can support the relevant set of Wholesale ADSL Layer 2, Unconditioned Local Loop and Line Sharing Service products; and
- (b) the ability to service qualify an address to determine the address capability of whether it can support the relevant set of Wholesale ADSL Layer 2, Unconditioned Local Loop and Line Sharing Service products (whether or not there are active or inactive services (that is, services previously connected and subsequently disconnected) at that address).

5.17 The following are target timeframes for the provision of advice as to whether a Designated Service is presently capable of being supplied by Telstra:

- (a) to a wholesale customer for Wholesale ADSL Layer 2, Line Sharing and Unconditioned Local Loop service qualifications (where there is a clear copper path) completed manually - 2 clear Working Days; and
- (b) to the Retail Business Unit for BigPond Layer 2 Service service qualifications (where there is a clear copper path) completed manually - 2 clear Working Days.

5.18 By 30 June 2006 Telstra will identify key performance indicators relevant to:

- (a) the operational quality of each Designated Service; and
- (b) the standard of delivery, in relation to Designated Services, of:
 - (i) Fault Detection, Handling and Rectification; and
 - (ii) Service Activation and Provisioning,

(the “**KPIs**”).

5.19 Each calendar quarter Telstra will measure the equivalence of the operational quality of Designated Services supplied to wholesale customers and the Retail Business Unit by:

- (a) measuring the percentage difference (if any) in performance of the KPIs between delivery by the Key Network Services Business Unit of Designated Services to the Wholesale Business Unit and to the Retail Business Unit;
- (b) measuring the percentage difference (if any) in the percentage of bona fide complaints from wholesale customers and the Retail Business Unit about the operational quality of the supply of a Designated Service resolved by the Key Network Services Business Unit within 30 days from receipt of a complaint.

General

5.20 The following table specifies the Designated Services supplied to wholesale customers and the services which will be taken to be the equivalent services supplied by the Retail Business Unit to be used solely to assess the extent of equivalence in the standard of the delivery of Fault Detection, Handling and Rectification and Service Activation and Provisioning.

Designated Service (Retail)	Designated Service (Wholesale)
Local exchange access component of Basic Telephone Service (BTS)	Domestic PSTN Originating Access Service*
Local exchange access component of Basic Telephone Service (BTS)	Domestic PSTN Terminating Access Service*
The component of Basic Telephone Service comprising a continuous metallic twisted pair between a Telstra local exchange MDF and the NBP at an end user premises. NB: For Fault Detection, Handling and Rectification only.	Unconditioned Local Loop Service*
Basic Telephone Service (BTS) - Local Calls	Local Carriage Service*
BigPond ADSL Layer 2 Service	Line Sharing Service* (also known as Spectrum Sharing Service)
Megalink 2 Mbit/s Service	Domestic Transmission Capacity Service*
BigPond ADSL Layer 2 Service	Wholesale ADSL Layer 2 Service [#]

*As described in the relevant ACCC declaration of the same name.

[#] As described in the *Telecommunications (Operational Separation - Designated Services) Determination (No.1) 2005*.

5.21 For the purposes of this clause 5, **operational quality** includes technical quality.

6 Compliance and reporting requirements

6.1 Telstra will be taken to have systems, procedures and processes that meet the requirements of section 48(2)(f) of Schedule 1 of the Act if Telstra complies with clauses 6.2, 6.3, 6.4, 6.5 and 6.6.

Compliance reporting

6.2 The implementation of this OSP will be conducted by the relevant Business Units and segregated from the internal monitoring of compliance with this OSP.

6.3 Telstra will meet its compliance and reporting requirements as follows:

- (a) a committee of the Telstra Board will oversee the activities of the Director of Equivalence (the “**OSP Committee**”);
- (b) the appointment of the Director of Equivalence, who:

- (i) will be an executive with responsibilities and duties as set out in clause 6.6;
 - (ii) will not be within the Wholesale Business Unit, Retail Business Unit or the Key Network Services Business Unit; and
 - (iii) will be sufficiently senior in Telstra's management structure to permit the person occupying that position to perform the duties set out in clause 6.6(b), (d), (e), (f), (h), and (k).
- (c) Telstra's Independent External Auditor will verify compliance with this OSP as set out in clause 6.4;
- (d) preparing an annual report to address Telstra's progress in implementing and operating in accordance with this OSP as required by section 51(1) of Schedule 1 to the Act (the "**Annual Compliance Report**"). This Annual Compliance Report will include a summary of:
- (i) Telstra's progress in developing, implementing and complying with notional contracts;
 - (ii) Telstra's performance in meeting all of its obligations under this OSP, including commitments contained in notional contracts;
 - (iii) any areas of non-compliance with this OSP and action taken to address the non-compliance;
 - (iv) the type of complaints Telstra has received from wholesale customers as contemplated by the Customer Responsiveness Strategy;
 - (v) action taken by Telstra to respond to the complaints referred to in subparagraph (iv) above;
 - (vi) action taken by Telstra to address any systemic problems in relation to its obligations under this OSP;
 - (vii) the results of measurements, taken in accordance with clause 5.18 of this OSP, of the equivalence of the operational quality of Designated Services supplied to wholesale customers and the Retail Business Unit;
 - (viii) for the 2006-07 financial year and for each subsequent financial year, any areas of material non-compliance with the price equivalence framework described in clauses 5.1 to 5.5;
 - (ix) for the 2006/2007 financial year and for each subsequent financial year, any areas of material non-compliance with the Information Security Strategy;
 - (x) for the 2006/2007 financial year and for each subsequent financial year, any areas of material non-compliance with the Customer Responsiveness Strategy; and
 - (xi) any matter arising out of implementation of or compliance with this OSP that has impaired Telstra's ability to compete on a fair and efficient basis;
- (e) within 120 days of the end of each financial year commencing for the 2006/2007 financial year, Telstra will provide the Minister and the ACCC a copy of its Annual

Compliance Report for that financial year and also make available on Telstra's internet site:

- (i) a copy of its Annual Compliance Report for that financial year; or
- (ii) if the Minister has agreed to the publication of only particular extracts from its Annual Compliance Report for that financial year, those extracts.

Independent auditing

- 6.4 An independent external auditor will be appointed to audit the extent to which Telstra complied with this OSP during each financial year commencing for the 2006-2007 financial year (and prepare a report on this compliance at the end of each financial year) through:
- (a) reviewing and confirming the accuracy of the Annual Compliance Report against the requirements of this OSP
 - (b) reviewing the data and internal testing procedures that have been performed by Telstra, to produce the Annual Compliance Report;
 - (c) reviewing Telstra's internal compliance program in relation to this OSP.
- 6.5 Within 120 days of the end of each financial year commencing for the 2006-2007 financial year, Telstra will provide the Minister and the ACCC with a copy of the independent external auditor's report for that financial year and make available on Telstra's internet site:
- (a) a copy of the independent audit report for that financial year; or
 - (b) if the Minister has agreed to the publication of only particular extracts of the independent audit report for that financial year, those extracts.

Responsibilities of the Director of Equivalence

- 6.6 The Director of Equivalence will have responsibility for:
- (a) monitoring Telstra's compliance with this OSP by:
 - (i) executing an appropriate risk based internal audit program to monitor the compliance with this OSP and provide assurance over the information supporting this OSP as follows:
 - (A) compliance issues and assurance issues will be reported to the Director of Equivalence and subject to formal remediation and remediation verification;
 - (B) material compliance issues, and assurance issues will be reported to the CEO, the OSP Committee and Minister on an annual basis;
 - (ii) conducting the internal audit program in such a way that the independent external auditor can review its conduct as required in clause 6.4; and
 - (iii) obtaining the following information, through reports:
 - (A) *results of performance of this OSP* - including achievement of the KPIs and other indicators and explanations of variations outside agreed tolerances;

- (B) *performance issues* - material variations against the KPIs;
 - (C) *compliance issues* - material departures from required processes; and
 - (D) *assurance issues* - issues concerning reliability of data used to calculate performance measures;
- (b) reporting to the CEO and the OSP Committee on Telstra's compliance with this OSP;
 - (c) increasing awareness within Telstra of the requirement of this OSP;
 - (d) accepting, facilitating and responding to requests for information from the ACCC in relation to this OSP;
 - (e) developing and overseeing an ongoing internal education program directed towards ensuring compliance with this OSP;
 - (f) liaising with the external auditor responsible for the preparation of the independent audit report;
 - (g) overseeing the remediation of significant performance issues within this OSP, such remediation to be undertaken under the Customer Responsiveness Strategy (as appropriate). The status of remediation will be reported on a periodic basis to the OSP Committee;
 - (h) monitoring the adequacy of processes for investigating and responding to complaints from wholesale customers;
 - (i) production of the Annual Compliance Report;
 - (j) reporting to the Minister on Telstra's compliance with this OSP; and
 - (k) monitoring implementation of measures to respond to non-compliance with this OSP.

Internal documents and programs

6.7 Telstra will develop appropriate programs and policies that are directed towards:

- (a) educating Telstra's Employees about the role of, and the requirements of, this OSP including by the development of online learning courses which are auditable as to attendance and completion; and
- (b) encouraging Telstra's Employees to meet the requirements of this OSP.

Provision of information to the ACCC

6.8 If:

- (a) the ACCC provides Telstra with a request in writing for information in relation to any matter directly related to this OSP; and
- (b) the ACCC provides Telstra with a written statement setting out reasons why the information is required for one or more of the following purposes:

- (i) to enable the ACCC to monitor Telstra's performance and progress in implementing the requirements in this OSP;
- (ii) to enable the ACCC to investigate Telstra's compliance with this OSP:
 - (A) as a result of a complaint received by the ACCC from a wholesale customer; or
 - (B) where the ACCC has a reasonable basis to believe that Telstra has breached or may be in breach of this OSP;
- (iii) to enable the ACCC to provide advice to the Minister about Telstra's Annual Compliance Report;
- (iv) to enable the ACCC to provide advice to the Minister about Telstra's independent audit report;
- (v) to enable the ACCC to provide advice to the Minister in relation to a proposal by Telstra to vary this OSP or a final rectification plan;
- (vi) to enable a review of the operational separation arrangements to be undertaken;
- (vii) to enable the ACCC to enforce a final rectification plan; and
- (c) the ACCC undertakes to notify the Minister of the making and details of its request,

then Telstra will provide the requested information to the ACCC:

- (d) in the manner and form required by the ACCC; and
- (e) within the timeframe that is specified by the ACCC.

Compilation and creation of documents for the ACCC

6.9 If:

- (a) the ACCC provides Telstra with a request in writing to compile reports or documents in relation to any matter directly related to this OSP after:
 - (i) having provided Telstra with a draft request and sought Telstra's comments about the costs that would be likely to be incurred by Telstra as a result of the request; and
 - (ii) having had regard to any written comments provided by Telstra about the costs that would be likely to be incurred by Telstra as a result of the request;
- (b) the information to be contained in the reports or documents is not available in a suitably aggregated or disaggregated form;
- (c) the ACCC provides Telstra with a written statement that the cost of compiling such reports or documents is reasonable and proportional given the purpose of, and likely benefit accruing from, its request for the compilation of the reports or documents;
- (d) the ACCC provides Telstra with a written statement setting out reasons why the reports or documents are required for one or more of the following purposes:

- (i) to enable the ACCC to monitor Telstra's performance and progress in implementing the requirements in this OSP;
- (ii) to enable the ACCC to investigate Telstra's compliance with this OSP:
 - (A) as a result of a complaint received by the ACCC from a wholesale customer; or
 - (B) where the ACCC has a reasonable basis to believe that Telstra has breached or may be in breach of this OSP;
- (iii) to enable the ACCC to provide advice to the Minister on Telstra's Annual Compliance Report;
- (iv) to enable the ACCC to provide advice to the Minister about Telstra's independent audit report;
- (v) to enable the ACCC to provide advice to the Minister in relation to a proposal by Telstra to vary this OSP or a final rectification plan;
- (vi) to enable a review of the operational separation arrangements to be undertaken;
- (vii) to enable the ACCC to enforce a final rectification plan; and
- (e) the ACCC undertakes to notify the Minister of the making and details of its request and any written comments provided by Telstra about the costs that would be likely to be incurred by Telstra as a result of the request,

then Telstra will compile reports or documents and provide them to the ACCC:

- (f) in the manner and form required by the ACCC; and
- (g) within the timeframe that is specified by the ACCC.

Creation of records for the ACCC

6.10 If:

- (a) the ACCC provides Telstra with a request in writing for Telstra to create and retain records in relation to any matter directly related to this OSP after:
 - (i) having provided Telstra with a draft request and sought Telstra's comments about the costs that would be likely to be incurred by Telstra as a result of the request; and
 - (ii) having had regard to any written comments provided by Telstra about the costs that would be likely to be incurred by Telstra as a result of the request;
- (b) the ACCC provides Telstra with a written statement that the cost of creating and retaining the records is reasonable and proportional given the purpose of, and likely benefit accruing from, its request for Telstra to create and retain those records;
- (c) the ACCC provides Telstra with a written statement setting out reasons why the records may become necessary for one or more of the following purposes:

- (i) to enable the ACCC to monitor Telstra’s performance and progress in implementing the requirements in this OSP;
 - (ii) to enable the ACCC to investigate Telstra’s compliance with this OSP;
 - (iii) to enable the ACCC to provide advice to the Minister on Telstra’s Annual Compliance Report;
 - (iv) to enable the ACCC to provide advice to the Minister about Telstra’s independent audit report;
 - (v) to enable a review of the operational separation arrangements to be undertaken; and
- (d) the ACCC undertakes to notify the Minister of the making and details of its request and any written comments provided by Telstra about the costs that would be likely to be incurred by Telstra as a result of the request,

then Telstra will:

- (e) create records in the form required by the ACCC; and
- (f) retain those records for the period specified by the ACCC.

7 Definitions

In this OSP the following words have the following meanings:

“**ACCC**” means the Australian Competition and Consumer Commission.

“**Act**” means the *Telecommunications Act 1997* (Cth).

“**Annual Compliance Report**” is defined in clause 6.3(d).

“**Business Unit**” means a part of Telstra and if there is more than one business unit of a particular kind in existence at a particular time, then, unless a contrary intention appears, a reference in this OSP to a business unit of that kind is taken to be a reference to the business units of that kind (taken as a group).

“**Carriage Service Provider**” has the same meaning as in the Act.

“**Carrier**” has the meaning given by section 7 of the Act.

“**Corporate Business Unit**” means a Business Unit of Telstra which is not a Retail Business Unit, Wholesale Business Unit or Key Network Services Business Unit.

“**Customer Responsiveness Strategy**” means the strategy described in clauses 4.1, 4.2 and 4.11, as amended from time to time.

“**Department**” means the Department of Communications, Information Technology and the Arts.

“**Designated Services**”:

- (a) when referring to the supply of services to wholesale customers or the supply of services by the Wholesale Business Unit, means:
- (i) Domestic PSTN originating access service;
 - (ii) Domestic PSTN terminating access service,
 - (iii) High Frequency Unconditioned Local Loop Service (Line Sharing Service);
 - (iv) Local carriage service;
 - (v) Unconditioned local loop service;
 - (vi) Wholesale ADSL Layer 2;
 - (vii) Domestic transmission capacity service,

as each of those services is described in the *Telecommunications (Operational Separation - Designated Services) Determination (No.1) 2005*; and

- (b) when referring to the supply of services to Retail Customers or the supply of services by the Retail Business Unit means the services taken to be the comparable service to those Designated Services supplied by the Wholesale Business Unit to be used solely to assess the extent of equivalence in the standard of the delivery of Fault Detection, Handling and Rectification and Service Activation and Provisioning under this OSP as specified in clause 5.19.

“Determination” means the *Telecommunications (Requirements for Operational Separation Plan) Determination (No.1) 2005*.

“Director of Equivalence” means the person appointed for the purposes of clause 17(1) of the Determination.

“Eligible Service” has the same meaning as in section 152AL of the Trade Practices Act.

“Employee” includes a natural person who is acting as Telstra’s agent, or is engaged by Telstra as a consultant or contractor acting in an equivalent role to an employee or carrying out the role of an employee.

“Fault” means any service difficulty reported to Telstra by a wholesale or a retail customer and accepted by the Key Network Services Business Unit as being Telstra’s responsibility to resolve.

“Fault Detection, Handling and Rectification” means the process taken by the Key Network Services Business Unit to resolve Faults (and does not include any commercial terms, rebates, compensation or other commercial arrangement which may be offered by a Business Unit in relation to any Fault or delay). This process commences with the Fault being recorded by the Key Network Services Business Unit and will involve fault sectionalisation (where facilities of another Carrier’s or Carrier Service Provider’s network is involved), testing and fault rectification and clearance.

“Final Rectification Plan” means a final rectification plan under Division 3 of Schedule 1 of the Act.

“**Global Services**” means the provision of Eligible Services outside Australia or to a customer located outside Australia.

“**Independent External Auditor**” means the person appointed for the purpose of preparing the independent audit report as required by clause 16 of the Determination.

“**Information Equivalence Strategy**” means the strategy described in clauses 4.1, 4.2, 4.6 and 4.7, as amended from time to time.

“**Information Security Strategy**” means the strategy described in clauses 4.1, 4.2 and 4.9, as amended from time to time.

“**Key Network Services Business Unit**” is defined in clause 3.2.

“**KPIs**” is defined in clause 5.18.

“**MDF**” means main distribution frame.

“**Minister**” means the Minister for Communications, Information Technology and the Arts.

“**NBP**” means network boundary point.

“**NPAMS**” means Telstra’s Network Plant and Assignment Management System.

“**Network Data Mediation Layer**” means the software interface that collects, mediates and correlates usage, content and transaction data from the public switched telecommunications network and then distributes that data to various software applications such as billing.

“**Price Equivalence Framework Strategy**” is described in clause 5.3(a).

“**Related Party**” means any person in which Telstra has a beneficial ownership interest greater than 20% whether held directly or indirectly or through any contract, arrangement or understanding.

“**Retail Business Unit**” means a Business Unit by which Telstra deals with its Retail Customers.

“**Retail Customer**” means a customer of the Retail Business Unit and includes customers that are Related Parties of Telstra, customers who resell Eligible Services under one or more Telstra Brands and customers to whom Telstra supplies services for resale on a commission basis or under a revenue sharing arrangement.

“**Retail Pricing Tool**” is described in clause 5.3(b).

“**Service Activation and Provisioning**” means the process to provision a service undertaken by the Key Network Services Business Unit (and does not include any commercial terms, rebates, compensation or other commercial arrangement which may be offered by a Business Unit in relation to any service activation or provisioning). This process commences on acceptance or verification of an order by that business unit, may involve the making of appointments and ends on service activation.

“**Service Quality Strategy**” means the strategy described in clauses 4.1, 4.2 and 4.4, as amended from time to time.

“**Telstra**” means Telstra Corporation Limited.

“**Telstra Brand**” means all brands in which Telstra has (directly or indirectly) an ownership interest, licence or right of use from time to time in connection with the supply of Eligible Services.

“**Trade Practices Act**” means the *Trade Practices Act 1974* (Cth).

“**Wholesale Business Unit**” means a Business Unit by which Telstra deals with its wholesale customers.

“**Working Day**” means a day other than:

- (a) a Saturday or Sunday; or
- (b) a day which is a public holiday in the place where the relevant transaction or work is to be performed.