26 May 2003

Doug Campbell
Director
Australian Competition and Consumer Commission
GPO Box 520J
Melbourne VIC 3001

Fax (03) 9663 3699

Dear Doug

Key Performance Indicators for Non-price Terms and Conditions

This letter sets out Optus' comments on the ACCC's discussion paper on the development of Key Performance Indicators for Non-price Terms and Conditions.

In summary, Optus believes that the ACCC needs to address some fundamental questions before proceeding with this process. In particular, the current proposals outlined in the ACCC's discussion paper do not appear to meet the requirements and intended purpose of the legislative reforms.

Optus believes that the ACCC may have put the cart before the horse. That is we believe that it may be more useful for industry if the ACCC were to issue benchmark model non-price terms and conditions prior to developing specific KPIs. Whilst the model terms and conditions are mainly to facilitate certainty for access seekers by articulating a benchmark set of standards, these will also have some influence on the KPIs.

The development of model terms and conditions is pertinent, particularly given that the deadline is fast approaching for the ACCC to make a determination setting out these conditions for the core services. However, the discussion paper currently before industry amounts to little more than a summary of Telstra's information gathering capabilities. At best, it is an inquiry into the administration of one aspect of the draft special Telstra direction.[1]

Optus eagerly awaits the ACCC's next steps on the benchmarking of model non-price terms and conditions in order to take the process forward and to clarify a number of issues regarding the relationship between these and the KPIs. In the interim, Optus has the following

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[1] Australian Competition and Consumer Commission (Accounting Separation – Telstra Corporation Limited) Direction (No. 1) 2003.

comments with respect to those specific KPIs dealt with in the ACCC's current discussion paper.

Deficiencies in the proposed KPIs

The Government's original intention for formulating KPIs was to implement the accounting separation framework and assist in identifying whether Telstra is discriminating between itself and competitors that interconnect with Telstra on terms and conditions of supply.

Optus does not believe that this objective has been fulfilled by the current approach taken in the ACCC's discussion paper. Optus' main concern is that the KPIs have so far been developed based on the current and prospective limited capabilities of Telstra's information systems in being able to derive appropriate data on its internal wholesale (retail) and external wholesale activity. Optus also believes that data services, which are identified as contentious areas for the model terms and conditions, have been completely ignored. KPIs need to be outcome focused, and should not be limited by Telstra's information systems or current processes, as this defeats the vein and purpose of the performance monitoring exercise. The fact that the mechanisms for the delivery of the internal and external wholesale services are different is precisely what the KPIs are designed to monitor. The ACCC is required to fulfil the specific requirements of the legislation, as directed to do so. Optus submits that the current approach and specific KPIs do not meet the Government's Direction nor its intended objective. As such, Optus has raised these concerns with the Department of Communications, Information Technology and the Arts.

The KPIs put forward by Telstra are meaningless for the intended purpose because Telstra is already required to meet its target provisioning times and appointment times (as set by the standard CSG requirements), and its billing accuracy targets. Telstra's proposed KPIs will reveal nothing with respect to whether Telstra is discriminating between itself and competitors that interconnect with Telstra on terms and conditions of supply.

Telstra has provided specific KPIs for "Availability and Performance". Optus believes these KPI's do not address the issue of availability or performance and as such are incorrect. The KPIs listed are relevant for ordering and provisioning. However, whilst there are a number of contentious issues in relation to "Availability and Performance" that require rectification, such as downtimes and notice periods for service upgrade, the development of appropriate and meaningful KPIs requires closer regulation of Telstra's systems themselves. As outlined in our letter of 29 January 2003, this area should be developed further, through the model non-price terms and conditions.

Similarly for the KPIs relating to 'Appointments met', Optus does not believe that this is a relevant or useful KPI in this situation.

Ideally, in developing KPIs, the services to be compared would be similar and be supplied from the same delivery platform, in order that the outcomes are directly compared. However, given that Telstra does not formally account for the supply of internal wholesale services to itself in the same manner it provides external wholesale services to third parties, the next best alternative is to compare the outcomes for those particular steps within the delivery of the service that are similar in function. The aim is then to find steps within the service delivery that are comparable, where the outcomes can be directly compared across internal wholesale and external wholesale services.

It is expected that over time the ACCC will work with Telstra to gain a better understanding of Telstra's processes and the key differences between the internal wholesale and external wholesale delivery platforms. Optus has constructed more useful KPIs in this submission with the expectation that these improvements will permit further development of more detailed KPIs in the future.

Rather than having KPIs for each whole 'core' service we have separated KPIs into comparable activities within each 'core' service. Whilst there are a number of contentious areas that have been dealt with in the model non-price terms and conditions, the following are KPIs for specific steps or activities are considered the most meaningful KPIs at this stage:

1. Ordering and provisioning of copper for data services

2. Ordering and provisioning of copper for voice services

3. Faults and maintenance for data services

4. Faults and maintenance for voice services

5. Billing for voice services

Proposed KPI tables for each of these processes are at Attachment 1 to this letter.

Comments on the specific questions for respondents in the discussion paper

Optus asserts that:

- The proposition that Telstra's Basic Access Service is the only meaningful comparator for non-discriminatory performance must be rejected outright. This term has multiple meanings and is open to manipulation. It fails to accurately compare Telstra's delivery of services between its internal wholesale delivery and the supply to wholesale services to access seekers. The categories proposed by Optus in the Attachment to this letter provide the most meaningful analysis.

- The use of CSG timeframes as the target basis for the KPIs is inappropriate. This will not reveal the necessary variances between Telstra's external and internal wholesale supply. The CSG is a stand-alone obligation on all service providers, which should not be confused with the non-discriminatory objectives of accounting separation.

- The separation of customer groups into business and residential customers requires further delineation in some instances. For example, Table 3 of our attachment reflects the different levels of service assurance that Telstra offers to customers. The KPIs should reflect instances where customers pay a premium for guaranteed faster fault rectification and maintenance.

- Optus urges the ACCC to consider further delineation for customer groupings. This could include separating business customer types into 'major corporate or government', 'medium or large businesses' and 'small business'. There may also be sub-groups within these that can be identified on criteria such as total telecommunications spend, industry category, the number of services provided to the customer or number of employees. The ACCC will be aware of recent disputes between Telstra and its competitors concerning customer provisioning, transfers and maintenance in relation to corporate customers. Optus considers it critical to monitor variances between Telstra's external and internal wholesale offerings in this area.

If you would like to discuss this matter further please do note hesitate to contact me or Jason Ockerby.

Yours sincerely

Andrew Sheridan
General Manager
Interconnect & Economic Regulation

Table 1: Ordering and provisioning of copper for data services

Key Performance Indicator	Customer type	Statistical measure	External Wholesale	Internal Wholesale	Variance
Time taken from request for Service Qualification (SQ) to delivery of that SQ information	Residential	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
	Business	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
Time taken from the delivery of order for copper to the cutover of service to network termination points (excluding installation at customer end)	Residential	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
	Business	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			

Table 2: Ordering and provisioning of copper for voice services

Key Performance Indicator	Customer type	Statistical measure	External Wholesale	Internal Wholesale	Variance
For customer activation where it is a simple service reconnection, the time taken from request for order or transfer of service to service being available	Residential	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
	Business	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
For customer activation where it is a new service that does not involve additional cabling or capacity, the time taken from request for order or transfer of service to service being available	Residential	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
	Business	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
For customer activation where it is a new service that can be completed using available capacity, the time taken from	Residential	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			

request for order or transfer of service to service being available	Business	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
For customer activation where it is a new service that requires additional infrastructure, the time taken from request for order or transfer of service to service being available	Residential	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
	Business	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			

Table 3: Faults and maintenance for data services

Key Performance Indicator	Customer type	Statistical measure	External Wholesale	Internal Wholesale	Variance
Time taken from notification of a fault to the full rectification of that fault.	Residential	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
	Business standard service	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
	Business service assurance	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
	Express service assurance	Average (mean)			
		Median			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			

It is important to show this KPI for the different levels of business customer because for the service assurance customers they are paying significant premiums to Telstra for faster rectification of service faults, amongst other things. Telstra has an escalation policy for faults for valuable customers and, as such, this should be reflected in the KPIs.

Table 4: Faults and maintenance for voice services

Key Performance Indicator	Customer type	Statistical measure	External Wholesale	Internal Wholesale	Variance
Time taken from notification of a fault to the full rectification of that fault.	Residential	Average (mean) number of days			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
	Business	Average (mean) number of days			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			

Table 5: Billing for voice services

Key Performance Indicator	Customer type	Statistical measure	External Wholesale	Internal Wholesale	Variance
Timeframe from connection of service to the first bill which includes a basic access charge	Residential	Average (mean) number of days			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
	Business	Average (mean) number of days			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
Timeframe from end-user making a call from their service to receiving a bill for that particular call	Residential	Average (mean) number of days			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			
	Business	Average (mean) number of days			
		Standard deviation (SD)			
		% of calls within one SD of mean			
		% of calls within two SD of mean			