

**Senate Environment, Communications, Information Technology & the Arts
Legislation Committee**

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

Communications, Information Technology and the Arts

Telstra Corporation

Additional Estimates 2000-2001, (21-22/2/01)

Question :134

Topic: ADSL

Hansard Page: 188

Senator Lundy asked:

For ADSL – Can you tell me if you differentiate between business and residential clients?

Are you in a position to tell me how they compare?

And also if the ADSL packages vary from region to region. Some parts of Australia in fact cost more than in other parts as well, if you could.

Answer:

For Residential customers that are preselected to Telstra for their long distance and fixed to mobile services, the monthly fee for ADSL ranges from \$73 (Blast Off), \$78 (Freedom Standard) and \$89 (Freedom Deluxe). For Residential customers that are not preselected to Telstra for their long distance and fixed to mobile services, the monthly fee for ADSL ranges from \$89.50 (Blast Off), \$94.50 (Freedom Standard) and \$105.50 (Freedom Deluxe).

Business customer's monthly fees with preselection are \$73 for Business Blast Off, \$84 for Business Standard and \$116 for Business Deluxe and without preselection are \$89.50 for Business Blast Off, \$105.50 for Business Standard and \$132.50 for Business Deluxe. The higher charges for business customers are based on Telstra's understanding that Business customers require higher speed and bandwidth.

ADSL prices do not vary from region to region. Uniform Telstra BigPond ADSL pricing applies Australia-wide. For example, a Telstra customer in Alice Springs will pay the same to access the Internet using ADSL as a Sydney CBD customer.

**Senate Environment, Communications, Information Technology & the Arts
Legislation Committee**
ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
Communications, Information Technology and the Arts
Telstra Corporation
Additional Estimates 2000-2001, (21-22/2/01)

Question : 135

Topic: Exchange Upgrades

Hansard Page: 189

Senator Lundy asked:

In terms of the upgrade of exchanges – How many of those rural exchanges have in fact now been upgraded to carry the advanced digital services?

If you could, and also identify the individual exchanges that have been upgraded and identify the individual exchanges which are currently on your schedule and when they are likely to be done.

Maps would be good.

Answer:

Telstra regrets that equipment delivery timelines have delayed the commencement of the IRIM upgrade program. The program was launched in February 2001 by the upgrade of the Wanalta Exchange and a small number of exchanges are being upgraded as training exercises as equipment deliveries ramp up. The program will commence in earnest in April, ramping up to the upgrade of some 60 sites per week in May. The program is still expected to be completed by November 2001 given exigencies of weather and equipment production concerns.

Attached is a list of exchanges to be upgraded as part of that program. The upgrade schedule has not yet been finalised. A copy will be made available to the Committee when it is finalised but Telstra advises that it is subject to considerable variation due to changing supply and other considerations. Telstra does not have any maps setting out the locations of IRIMS to be upgraded.

**Senate Environment, Communications, Information Technology & the Arts
Legislation Committee**
ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
Communications, Information Technology and the Arts
Telstra Corporation
Additional Estimates 2000-2001, (21-22/2/01)

Question : 136

Topic: Big Pond Access

Hansard Page: 136

Senator Lundy asked:

Has Telstra in any way, shape or form altered the code in the CD it distributes with its Big Pond access set up in such a way that it provokes an automatic disconnect following the download of e-mail

Answer:

No. Telstra's Big Pond installation CD does not contain such a code.

There are however instances where Big Pond may disconnect a user. These cases depend on the plan that the end-user is on and in many cases can be configurable by the end user. The types of events by which Telstra may disconnect a user are:

- 1) a customer reaches an idle time limit
- 2) a customer reaches a session timeout limit
- 3) a customer's credit expires on a pre-paid service
- 4) a customers 'usage cap' is reached
- 5) a fraudulent event is detected, generally resulting in the account being totally blocked.

These events form part of the terms and conditions of the service and provide a differential range of product offerings tailored to meet end user price and service expectations.

Question: 137

Topic: Big Pond-Disconnection

Hansard Page: 190

Senator Lundy asked:

Can you also tell me if you collect data or provide any information about the frequency of disconnects that occur when people do dial into Big Pond, either business or residential products, as to the frequency of the disconnect causing a reconnection as part of that connection and whether there is any mechanism that Telstra has evoked either unwittingly or wittingly to cause a disconnection following a process such as an e-mail download as part of using Windows Explorer, which I understand comes on that CD and is part of that installation package.

Answer:

**Senate Environment, Communications, Information Technology & the Arts
Legislation Committee**

**ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
Communications, Information Technology and the Arts**

Telstra Corporation

Additional Estimates 2000-2001, (21-22/2/01)

Yes. Telstra does collect data on disconnections by monitoring of the authentication server logs. However, this mechanism has limitations as it is not possible to distinguish valid log-outs from 'drop-outs' in all cases. For example, a 'drop-out' in Windows 95 appears to be the same as a valid 'log-out' in Windows NT. As a result, this data is not a reliable measure of drop-outs.

See answer to Question 136.

Question: 138

Topic: Reduction in Demand/Volumes in Regional Australia

Hansard Page: 191

Senator Mackay asked:

What work was done and what specific figures can you give me in relation to the reduction of demand and volume in relation to regional Australia specifically?

Answer:

While total demand (as demonstrated by basic access lines in service) has increased in the half year ended 31 December 2000 (compared with the previous corresponding period), by 1.8%, the retail component of this has declined by 7%. Likewise total national long distance fixed to fixed minutes have also declined in this period by around 7%. This information is only available on an aggregate basis.

While the effect of this on Telstra's capital expenditure program is minimal, the use of more cost effective means of servicing capital requirements has a significant impact on our capital program.

For example, the current national average cost of a service order connection is \$2,200 per order, a significant saving on the average cost some 12 months ago of \$3,000 per order.

Question: 139

Topic: NDC Employment

Hansard Page 194 & Written Question on Notice:

Senator Mackay asked:

Where are the 250 NDC job losses in Australia coming from, in which States and where in each State.

There has been a further round advised in relation to NDC, or are the 35 in Tasmania a proportion of the 250?

Tasmania's share of the 250 round is 35?

**Senate Environment, Communications, Information Technology & the Arts
Legislation Committee**
ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
Communications, Information Technology and the Arts
Telstra Corporation
Additional Estimates 2000-2001, (21-22/2/01)

Answer:

The following sets out State targets for the 250 NDC job losses. Locations where NDC staff have been offered voluntary redundancy are indicated. As further offers are still to be made, the locations of these staff are not available. Statistics on offers and acceptances are correct as at 27 March 2001.

New South Wales

Target: 145

Offers accepted/awaiting acceptance:

Metropolitan areas: 67 accepted, 1 awaiting response

Country Areas: 49 accepted, 1 awaiting response (as below)

Location	Staff	Location	Staff
Albury	2	Helensburgh	1
Armidale	1	Katoomba	1
Ashford (Inverell)	1	Kurrajong Heights	1
Ashtonfield	1	Merewether	1
Banks ACT	1	Minmi	1
Bateau Bay	1	Mittagong	1
Bathurst	1	Mt Annan	1
Braidwood	1	Nth Dorrigo	1
Bullaburra	1	Newcastle	1
Charlestown	1	Nowra	1
Eurobodalla	1	Ourimbah	1
Emu Plains	1	Penrith	2
Central Coast (Woy Woy)	1	Port Macquarie	1
Cootamundra	1	Raymond Terrace	2
Daviston	1	Springwood	3
East Gosford	1	Tenterfield	1
Foster	2	Umina	1
Glenbrook	1	Uralla	1
Gosford	2	Wagga	2
Green Point	1	Warrimoo	1
Griffith	2	Total:	50

Western Region (WA, NT, SA)

Target: 50 (18 WA, 20 SA, 12 NT)

Offers accepted/awaiting acceptance:

Metro: 40 accepted, 10 awaiting response

Location	Staff
-----------------	--------------

**Senate Environment, Communications, Information Technology & the Arts
Legislation Committee**
ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
Communications, Information Technology and the Arts
Telstra Corporation

Additional Estimates 2000-2001, (21-22/2/01)

WA-Perth	18
NT-Darwin	12
SA-Adelaide	20

Country: Nil

Vic/Tas Region

Target: Vic 3, Tas 27.

Offers accepted/awaiting acceptance:

Metro: Vic 3 accepted, Tas Nil

Country: Vic Nil, Tas 2

Queensland:

Target: 25

Offers accepted/awaiting acceptance:

Metro: 6 accepted.

Country: 7 accepted, 2 awaiting response (as below)

Location	Staff
Alexandra Headland	1
Beerburrum	1
Biggera Waters	1
Bushland Beach	1
Caboolture	1
Gatton	1
Pt Vernon	1
Toowomba	1
Upper Caboolture	1

The 250 positions represent the second round of offers made by NDC to its staff. The first round offers were made during October and November 2000.

Tasmania's share of the 250 is 27, with an additional 8 positions remaining from the first round of redundancies.

**Senate Environment, Communications, Information Technology & the Arts
Legislation Committee**
ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
Communications, Information Technology and the Arts
Telstra Corporation
Additional Estimates 2000-2001, (21-22/2/01)

Question: 140

Topic: E71's

Hansard Page 195 & Written Question on Notice:

Senator Mackay asked:

What I would like, Mr Stanhope, is a copy of all of the E71s in Australia.

Answer:

Telstra regards the E71 database as commercial-in-confidence. Telstra would be pleased to allow individual members of the Committee to view the database on the understanding that it is commercially sensitive and is not to be divulged to others.

Question: 141

Topic: E71's

Hansard Page 195 & Written Question on Notice:

Senator Mackay asked:

In relation to that, we would like analyses of each E71 (sub-standard plant) in Australia by the number of complaints or potential faults, whatever term you want to use, that are in the E71 and the dates from which they refer?

- Specify type of defect reported per E71
- Number of faults or other defects per E71
- How many faults or defects in total by each Federal electorate
- How many in total in each State
- The dates of when each of the faults/defect was first reported
- Provide a summary of the number of working hours per fault to repair it and in total by Federal Electorate

What are the projected costs of each fault/defect by Federal electorate.

Answer:

As indicated in the answer to Question 140, Telstra regards information in the E71 database as commercial-in-confidence. Nevertheless, the following information is provided in relation to two of the individual questions raised:

Type of defect reported per E71.

E71's on the database are categorised into restoration priority. The respective priorities and their proportion of the total entries in each category are listed below:

**Senate Environment, Communications, Information Technology & the Arts
Legislation Committee**

**ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
Communications, Information Technology and the Arts**

Telstra Corporation

Additional Estimates 2000-2001, (21-22/2/01)

- **Priority 1** - 0.6% of entries involve service affecting faults which are attended to as high priority;
- **Priority 2** - 17.3% of entries record safety related reports, which are being attended to as a high priority eg. a broken pit in a high traffic area;
- **Priority 3** -16.1% of entries recorded. These are non urgent and rectification will be programmed as part of the next contracted project in that area;
- **Priority 4** - 66.0% of entries recorded. These are low priority activities eg. a cracked pit lid, missing marker post or a fault in a cable that has plenty of good spare pairs even though one pair is reported faulty. This type of fault would most likely require the disruption of services unnecessarily to repair the fault that isn't customer impacting.

Priority 1 & 2 are programmed for rectification immediately. Priority 3 & 4 are programmed to be carried out in conjunction with other work in that area when that is required.

Number of faults or other defects per E71.

There is one fault/defect condition associated with each E71.

Question:142

Topic: Reporting of internal sub-standard plant.

Written Question on Notice:

Senator Mackay asked:

What system is used to report internal sub-standard plant requiring repair. Please provide the same details as for the E71s above(in question 141) for the internal sub-standard plant as well.

Answer:

The E71 database is used to record plant requiring repair. This detail is captured in the Priority 3 and 4 sections (as detailed in the response to Question 141).

See answer to Question 140.

**Senate Environment, Communications, Information Technology & the Arts
Legislation Committee**

**ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
Communications, Information Technology and the Arts
Telstra Corporation**

Additional Estimates 2000-2001, (21-22/2/01)

Question: 143

Topic: Pair-gain systems

Written Question on Notice:

Senator Mackay asked:

Pair-gain systems – please provide a list of where all Telstra’s pair-gain systems are in Australia. And please provide a list of what type of pair-gain system (for example 6/16, RAM 8, 16/96). Please provide this with a Federal electorate breakdown

Answer:

Telstra has nearly 68,000 pair-gain systems around Australia. These comprise, RAM8, 16/96, 6/16, SCADS, 6/15, DCS20, RIMs and RCMs.

Telstra considers the pair-gain system database to be commercial in confidence. Additionally, the database is not in a form that would readily enable the contents to be sorted into Federal Electorates.

Telstra would be pleased to allow individual members of the committee to view the database on the understanding that it is commercially sensitive and is not to be divulged to others.

Question: 144

Topic: Northern Rivers-Service

Hansard Page: 197

Senator Lundy asked:

It relates to the Northern Rivers region of Australia in the north-east corner of New South Wales. I would like to request from Telstra universal service obligation reports, the number of faults, average repair times, et cetera, including something known as the Telcats stats for the consumer access network of those regions?

Answer:

The Northern Rivers area has been interpreted as the North Coast Field Service Area. This area runs from south of Coffs Harbour to Tweed Heads in the north and west to the Great Dividing Range. The data provided covers the six months from September 2000 until February 2001.

During this six-month period, the highest on record monthly rainfalls in northern NSW were recorded, some more than four times the long-term average, causing major flooding over a third of the State. Much of this centred around Gunnedah and Narrabri, but also impacted the Northern Rivers area.

**Senate Environment, Communications, Information Technology & the Arts
Legislation Committee**

**ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
Communications, Information Technology and the Arts**

Telstra Corporation

Additional Estimates 2000-2001, (21-22/2/01)

Consequently, there has been an increase in the number of faults reported directly as a result of these severe weather conditions which included widespread heavy rainfall, lightning strikes and flooding. Towns and communities were isolated by floodwaters, making areas inaccessible due to impassable dirt roads and major road closures. There was an inability to access Telstra plant due to the risk of penetration of water causing further damage and staff safety issues. There were delays in the installation and repair of Telstra Services until customer's premises, Telstra plant and network elements could be safely accessed. Once the rain stopped and the floodwaters began to subside, the ground had to dry before some areas could be accessed. All staff were deployed to areas where access was possible e.g. major towns, and areas with sealed roads. Alternative solutions were offered as appropriate (interim mobiles, diversion etc). As areas became more accessible, staff from neighbouring areas and interstate were deployed into the affected areas.

Customer Service Obligation Reports

These reports have now been replaced by Quality of Service Reports.

CSG Activation (Connections)– North Coast	
Month of Year	% Met *
Sep-00	92%
Oct-00	93%
Nov-00	89%
Dec-00	89%
Jan-01	91%
Feb-01	90%

% Met within required Customer Service Guarantee timeframes.

Activation dropped in this region from November and the primary contributing factor was extreme weather conditions. It is now rising and for February reached the industry benchmark of 90%.

CSG Assurance (Fault restoration) – North Coast	
Month of Year	% Met
Sep-00	98%
Oct-00	96%
Nov-00	86%
Dec-00	89%
Jan-01	93%
Feb-01	n.a.

This chart shows the percentage of faults restored within the prescribed Customer Service Guarantee timeframes. The data provided covers the December quarter and the first two months of 2001.

**Senate Environment, Communications, Information Technology & the Arts
Legislation Committee**

**ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
Communications, Information Technology and the Arts**

Telstra Corporation

Additional Estimates 2000-2001, (21-22/2/01)

The September period figures are higher than the other months by virtue of the dry weather conditions during this period. From October to January, extreme wet weather conditions led to an increase in the number of faults reported during this time. These conditions included the impact of a mini cyclone in Casino on February 2—with the subsequent destruction of the Power Station. In addition, from January 29 until February 2, flooding was experienced from Tweed Heads to Grafton, with the main focus around Lismore / Ballina areas. Flash flooding caused communities to be isolated and staff could not get in or out. Almost 2000 services were identified as being impacted by the storms on February 2.

In February, Telstra claimed a Mass Service Disruption resulting from extreme weather conditions. Consequently, adjusted February figures are not yet available

Faults

Telstra regards information on numbers of faults reported in the Northern Rivers area as commercial in confidence.

Telstra would be prepared to allow individual members of the committee to view this information on the understanding that it is commercially sensitive and is not to be divulged to others.

Average Repair Times

The following table shows average repair times of all faults cleared within one, two or three days.

	North Coast FSA
Month of Year	% COB 1,2,3 Days
Sep-00	98%
Oct-00	95%
Nov-00	89%
Dec-00	92%
Jan-01	94%
Feb-01	82%

This table shows average repair time of all faults cleared within three days including those under CSG requirements. December quarter saw the average repair time for fault rectification at very high levels, peaking at almost 100% in September. The February figure was impacted by severe weather conditions. Early trends in March indicate an improvement in average repair times.

Telcats

Telcats (Customer perception Surveys) are no longer recorded by Telstra.

**Senate Environment, Communications, Information Technology & the Arts
Legislation Committee**

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

Communications, Information Technology and the Arts

Telstra Corporation

Additional Estimates 2000-2001, (21-22/2/01)

Question: 145

Topic: PCCW

Written Question on Notice:

Senator Carr asked:

Pacific Century CyberWorks (PCCW)

Can you explain some of the details of the two new companies that have now been formed as a result of the Telstra alliance with PCCW:

- a) Can you explain the structure of the IP backbone company, Reach, and of the mobiles company, the Regional Wireless Company?
- b) How many employees will each company have and where will they be based?
- c) How many existing Telstra staff will go into these companies?
- d) What Telstra assets have been placed in Reach?
- e) Why have these companies been incorporated in Bermuda?

Answer:

Reach Limited.

- a) The structure of Reach is attached.
- b) Reach Services Australia Pty Ltd will have approximately 300 employees in Australia.

Reach Networks HK Ltd will have approximately 550 employees in Hong Kong

Reach Global Services Ltd (HK) will have approximately 50 employees in Hong Kong.

Other companies across Asia, US, UK, Europe and Bermuda will employ about 200 people.
- c) 330 existing Telstra staff employed by Telstra Corporation and about 80 staff employed by the offshore entities will go into the joint venture company.
- d) Telstra has sold its Global Wholesale Business to Reach. This included all of Telstra's international cable system investments and associated infrastructure, long-term leases over Telstra's international exchange and base-station premises in Australia, foreign subsidiaries having wholesale points of presence (POPs) with associated licences, debtors, space segment agreements, cable construction and maintenance agreements, POP customer and supplier agreements and all international wholesale bilateral carrier and interconnect agreements.
- e) See below

Regional Wireless Company

**Senate Environment, Communications, Information Technology & the Arts
Legislation Committee**

**ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
Communications, Information Technology and the Arts**

Telstra Corporation

Additional Estimates 2000-2001, (21-22/2/01)

- a) The structure of Regional Wireless Company Ltd (Hong Kong) (RWC) is attached.
- b) RWC Ltd (Hong Kong) will have 20 employees who will be primarily based in Hong Kong. HKT CSL Ltd (Hong Kong) will have 1500 employees based in Hong Kong.
- c) Telstra currently has 5 staff preparing to take up secondment roles in HKT CSL Ltd in Hong Kong. Additional secondments may be required in future.
- d) Not applicable

Reach and Regional Wireless Company:

- e) This is a common structure for international telecommunications companies. Bermuda was chosen for commercial reasons - it is an appropriate neutral jurisdiction, with a well-developed legal system.

As regards taxation considerations it should be noted that Australia has complex tax provisions designed to ensure that Telstra pays its correct amount of Australian tax. The Australian taxation integrity framework includes the Capital Gains Tax rules, the Controlled Foreign Company (CFC) rules, international transfer pricing laws and the general anti-avoidance provisions.

The CFC rules are designed to tax Australian resident taxpayers including Telstra, on a current year basis on the profits of controlled foreign companies incorporated in low tax jurisdictions. The rules will apply to Reach and RWC, both of which are incorporated in Bermuda. It should be noted that the rules would apply with a similar outcome if these companies had been incorporated in Hong Kong.

**Senate Environment, Communications, Information Technology & the Arts
Legislation Committee**

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

Communications, Information Technology and the Arts

Telstra Corporation

Additional Estimates 2000-2001, (21-22/2/01)

Question: 146

Topic: PCCW

Written Question on Notice:

Senator Carr asked:

Pacific Century CyberWorks (PCCW)

What are the implications of this corporate structure for existing policy on Telstra ownership? For instance:

- a) If Reach is floated, as appears to be the intention, won't this amount to privatisation of the Telstra assets in it?
- b) How does the new company structure fit in with the current foreign ownership limits on Telstra? (ie maximum foreign equity 30%, with 5% ceiling on any one foreign equity holding)
- c) Last year it was suggested in the industry press that Reach would probably become the preferred vehicle for any further offshore acquisitions or alliances of Telstra's. Is this a way of circumventing the current foreign ownership restrictions?
- d) Does Telstra regard the current foreign ownership rules as appropriate?

Answer:

- a) No decision has been made about any IPO or partial IPO. Telstra's objectives in offshore business is to keep operational control.
- b) The Telstra Corporation Act contains a prohibition on foreign entities holding more than 35% of the portion of Telstra which is not held by the Commonwealth. This prohibition does not in any way constrain disposal of assets by Telstra to foreign entities, or entry by Telstra into joint ventures with foreign entities.
- c) Both vehicles could be considered to be the preferred vehicle for further offshore acquisitions or alliances by Telstra, if they are complementary to such businesses in the Asian region. This will be determined on a case by case basis.

This is not a way of circumventing foreign ownership restrictions as outlined above, these apply only to the portion of foreign ownership in Telstra.

- d) The appropriateness of current foreign ownership rules is not an issue for Telstra to comment on.