



Moe and District Residents Association Inc.

No. A0052091G
ABN 67 968 298 734

4th December, 2011

Ms. Rosemary Sinclair
Chair, Regional Telecommunications Review Committee
2011-12 Regional Telecommunications Review Secretariat
Department of Broadband, Communications and the Digital Economy
GPO Box 2154
CANBERRA ACT 2601

Dear Ms. Sinclair,

Please accept this as a letter of submission to the 2011-12 Regional Telecommunications Review. We take this opportunity to thank the Committee for holding a meeting in Moe to hear the views of regional telecommunication users. We note, however, the difficulty we experienced at the meeting caused by those representatives of telecommunication providers who were present and who sought to rebut or otherwise respond to matters we were trying to bring before the Committee. We hope the Committee will make clear in future that its user consultative meetings are intended primarily for users. Telecommunication providers should either not be allowed to attend such sessions or do so in an observer capacity only.

Moe and District Residents Association Inc. (MADRA Inc.) is a voluntary, community based organization of residents in Moe and the surrounding district. MADRA was formed in 2008 by local residents to improve the level of representation and advocacy on issues of importance to our community.

MADRA's membership is mostly made up of older people who need a reliable telephone service. Most do not have personal access to a computer and related online technologies.

This submission provides a number of local case studies arising from our recent experiences as a local residents group seeking to advocate on telecommunication matters. Some of the case studies arise out of the experiences of individual members.

Mostly, our submission and its case studies relate to **Questions 16, 17, 18 and 19** of your Review.

However, we take this opportunity to start with **Question 2** given the special circumstances of the Latrobe Valley region. As profiled in the attached letter to Minister Stephen Conroy, the Latrobe Valley is facing an uncertain and potentially very difficult future arising from implications of the carbon tax, with probable closure of brown coal fired power stations and resultant significant job loss. Bringing forward and prioritizing roll out of the NBN in our region would provide a much needed economic stimulus. Despite appeals to the Australian government for such special assistance to our region, as yet no support for a prioritized NBN roll out has been forthcoming. We ask the Regional Telecommunications Committee to support an early rollout of NBN into Gippsland and to make special mention of this matter in its recommendations to the Minister.

Case Study 1 - Closure of Moe Telstra Call Centre

MADRA's statement of purposes provides for us: *"to lobby all levels of government for the balanced economic development of Moe district to create sustainable industry and technology based employment and education"* and *"to advocate on behalf of residents where any government has failed to address their concerns and needs."*

In February, 2011 Telstra made a surprise announcement that it was closing its Moe based customer call centre in April, 2011. The call center employed some 114 people at the time of closure, and some 300 people at its peak.

The call centre was established around ten or so years ago. Latrobe City Council contributed \$500,000 of ratepayer funds toward start up costs, as a regional economic development initiative. The Moe Telstra call centre had been recently assessed by Telstra as its highest performing call centre, nationally. At the time of its announcement, Telstra did not make clear why it was closing the call centre.

Following a public meeting organized by the CPSU, MADRA became active in a local campaign to try and keep the call centre open. This led us to investigate why Telstra was closing the centre, and to identify implications for customers.

We became aware that Telstra was moving to an online format for customer queries and complaints, and offshoring much of its direct customer contact (call centres) to the Philippines. In addition to the job loss impacting our local economy, we became very concerned about the implications of Telstra's actions on older customers who do not have personal access to computers and online service. The nearest face-to-face Telstra customer service center is some 30-40 minutes drive from Moe. Moe has a considerable population base of some 17,000 people including a significant aging population.

On 28th February, we distributed a media release. An excerpt follows:

"Mr. Thodey's very recent decision to expand Telstra's online customer service base comes at the same time as the public announcement to close the Moe call centre, despite it being Telstra's nationally top performing call centre site. Mr. Thodey is moving Telstra away from providing live, phone based customer services to **computer and online customer self service**. In so doing, he is ignoring the needs of the many senior Australians who don't have computers, are not on-line, and who need responsive, culturally appropriate and human-based customer services."

"...For many senior Australians, their telephone is literally their life line into a range of medical and support services. For these people, problems reporting or resolving telephone-related issues can be dangerous. Yet, Mr. Thodey and Telstra want to dump the customer service needs of these Australian senior citizens into the Philippines and other cheap, distant third world countries. Closing down the Moe call centre is very bad for the 114 workers at that site and for our community. It is also a very bad decision for those senior Australians who will be forced into trying to sort out their telephone problems with a disempowered operator sitting in a call centre somewhere in the third world." (From MADRA Media Release *'Telstra Moe Call Centre closure dumps senior Australians into third world'* 28/2/11)

MADRA wrote to Minister for Broadband, Communications and the Digital Economy, Senator Stephen Conroy, bringing to his attention the form of 'redlining' Telstra is engaged in and the disadvantage this may cause to many senior Australians (22/3 see attached). The Minister's letter of response (12/4) confirmed Telstra's move to *'online communication and self serve phone system'*. While also confirming that *'the government's role is to establish the legislative and regulatory framework within which telecommunications service providers operate'* the letter included an important caveat - *'as a private company, the Australian Government has no power to direct Telstra in relation to the operational decisions it makes, including decisions on employment issues.'*

The Minister's letter made no reference to the concerns we raised about the consequences of Telstra's actions for many senior Australians.

Continuing investigations by MADRA led to an additional and disturbing realization that the Philippines does not have legislatively provided privacy protections. The Philippines is also one of the most corrupt countries in the world rated by *Transparency International's* 2010 corruption list as #134 of 178 countries surveyed. By comparison, Australia is #8: the smaller the number, the less corrupt. Telecommunications is deemed by *Transparency International* as being one of the seven industries most liable to corrupt practices owing to the significant public/private sector interface and therefore, presenting significant opportunities for corrupt government officials to seek bribes/payments from companies seeking to do business there. The costs of such corruption are routinely passed on to customers

A MADRA member made a formal complaint to Telstra about its apparent non-compliance with Australia's National Privacy Principles (NPP 9), regarding trans-border information flows. The complaint requested that Telstra alter the customer's contract to make explicit Telstra's vicarious liability in the case of a privacy breach involving Philippine based contract companies and their workers. Telstra was also asked to provide the corporate details and whereabouts of the Philippine based call centres to which Australian customer information is being sent. Telstra refused both requests.

A subsequent complaint was made to the Office of the Australian Information Commissioner (OAIC). The OAIC rejected the complaint, upholding Telstra's actions to offshore customer's personal data without their explicit knowledge and consent, or clarity as to where their data is being stored.

Case Study 1 – Analysis

This case study throws up a number of important issues.

1. Once upon a time, Telstra practiced a pro-decentralisation, pro-regional Australia employment policy. After announcing its intention to close its Moe call centre, Telstra made further announcements that it was ending its contracts with call centre companies in Wagga Wagga, Bundaberg and Geelong as well as in metropolitan Sydney and Melbourne. We understand that almost two thousand people have lost their jobs this year as a direct result.
2. Many of these well paid, previously secure jobs for regionally located Australians have been transferred into the Philippines. Our investigations revealed that Philippine call centre workers servicing Telstra customers are paid between \$1-3 per hour. This compares to the \$22 per hour base rate of equivalent Australian employees. The cost of providing direct customer contact services is included in the service charges and fees paid by Telstra customers. To our knowledge, Telstra has not passed on fee relief to its customer base proportionate to the cost cutting benefits it has realised by transferring these services to a low pay country.
3. It may not be the function of Australian telecommunication regulators to concern themselves about the employment policies of Telstra and other telecommunication companies servicing Australian customers. However, we contend that such 'operational decisions' can have a very direct bearing on the quality and equity of customer service provision. Our concerns about many senior Australians and many low income households who do not have computers and online services are real. Case Studies 2 and 3 (below) provide opportunity to reflect further on their situation.
4. Significant changes to operational practice, such as off-shoring a range of front line customer services and back office functions (such as debt collection) to the Philippines, can also bring into question the adequacy of existing telecommunications regulations that were devised for a quite different employment and service provision landscape. For example, 'the customer queries and faults line' has long been serviced in-house by Australian based Telstra employees. While the standard Telstra contract provides for the

collection of personal data from the customer and its transfer to third parties for the purpose of servicing the contractual undertakings between Telstra and its customer, the unbroken experience of Telstra customers until very recently has been for Telstra direct customer contact services to be provided by Australian-based labor. That is, the provision of such services has been firmly within the reach of Australian legal jurisdiction and regulation. Without informing or seeking the consent of its Australian customer base, Telstra's 'operational decisions' to offshore much of its direct customer contact services have seen it change the meaning of 'third party' to include overseas-based third parties clearly outside of Australian legal jurisdiction and regulation.

In the case of a Philippines located privacy breach involving an Australian based telecommunications customer, there is no legally binding requirement arising from Philippines law for the Philippines-based third party contractor to alert the Australian customer. Even if the Australian customer becomes aware of the breach, they do not have access to the details of any of the Philippine based third party contractors used by Telstra. In summary, the Australian customer can't find out where the breach may have occurred, has no recourse under Philippines law to pursue the matter and may not be able to sustain the argument of Telstra having any vicarious liability given the customer's 'tacit acceptance' of the terms of their contract with Telstra. The standard Telstra customer contract does not specify the provider's vicarious liability in such matters.

The OAIC responded by declining to further investigate the complaint specified in Case Study 1.

Case Study 2 – What Customer Service Obligations?

Two MADRA members reported ongoing problems with their telephone service and Telstra's failure to respond. The couple is senior in years and each has health problems necessitating a reliable telephone service. They do not have a mobile telephone, computer and/or related online service.

The problems with their telephone started in early 2011 causing extreme crackling on the line and loss of service from time to time. After three-four calls to the Telstra 'customer queries and complaints line' over a six month period, the customer was advised to collect and install a new, Telstra provided handset. They did so but the problem persisted. The customer contacted Telstra again on three more occasions over a three-four month period, advising that the problem was still unresolved. On the final occasion, Telstra agreed to send out a technician who went on to discover a line maintenance problem outside of the customer's home. A day or two before the technician visited, the customer brought their complaint to MADRA authorizing us to contact Telstra to ensure resolution of the problem.

We estimated that Telstra had notched up more than \$5,000 in CSO payments to the customer between the time of the handset replacement and the customer's final complaint that had triggered the technician-based service call. We contacted Telstra advising them of the customer's entitlement to a CSO payment. Telstra advised that they had telephoned the customer on two occasions in response to the second round of complaints, leaving messages on the customer's voice mail. They advised that because the customer had not followed up the message/s left by Telstra, the complaint had been cancelled and Telstra released from any CSO payment obligations on the matter. After checking with the customer, we confirmed that they did not have a voice mail service, having never activated the service at any time in the forty+ year life of their telephone contract.

Case Study 3 – Customer Service Obligations Avoided

After briefing MADRA members about Telstra's apparent avoidance of CSO payments arising from the experience identified in Case Study 2 (above), another MADRA member

brought forward an example of Telstra's apparent deliberate avoidance of CSO payment obligations.

An elderly, close friend of the MADRA member had had ongoing problems with their landline telephone service, reporting this to Telstra via the 'customer queries and complaints line'. Telstra responded saying they could not fix the problem within a three week period, asking whether the customer had a mobile phone service. The customer advised that their daughter, who did not live with them, had a mobile phone service but that they did not. Telstra offered to and subsequently re-routed calls to the customer to their daughter's mobile phone service. She provided a messenger service to her parent, at her inconvenience, for the three or more weeks it took Telstra to supply a technician to fix the problem. Telstra did not make a CSO payment or advise the customer of their entitlement to the payment.

Case Studies 2 an 3 – Analysis

Core to both these case studies is the importance of a reliable landline telephone service for those elderly customers who do not use other modes of information and telecommunication technology. For customers with this profile, access to a highly responsive 'customer queries and complaints line' is essential. The 30-40 minutes travel distance to a face-to-face customer service centre, as is the case for Moe residents, may well be prohibitive for many of these same customers. Consequently, the 'customer queries and complaints line' is their only ready access point into Telstra's administrative and problem solving systems.

We consider these telephone customers to be amongst the most vulnerable. It is highly unlikely that the majority of working class Australians sixty five years or older, were required in their working lives to have any substantial contact with computers and other information technologies. A recent survey conducted in Latrobe City municipality of senior residents revealed that only eleven per cent of the 65+ year cohort was computer literate, owning and using computers on a regular basis. For the remaining eighty-nine per cent, Telstra's move to 'on-line customer self service' for queries and complaints is inaccessible and redundant.

Secondly, for the vast majority of older customers with long standing telephone contracts, their perception and long experience of the telecommunications industry service standard was that of ready access to a secure, uninterrupted, affordable telephone service. Where problems occurred, these were quickly reported and readily resolved. Happily, until quite recently, this understanding and practice was also shared by the industry service provider.

The desire for secure, uninterrupted, affordable, well serviced telecommunications provision might endure in the customer base. However, industry providers no longer automatically subscribe to and deliver at an agreed industry service standard. Regardless of the customer service obligations described in the back of the White Pages, the industry service standard has changed. As described in our Case Studies, the practice of the main telecommunications service provider, Telstra, (but other service providers, too) is now one of disagreeing with the previous long standing industry service standard, avoiding customer service obligations, and engaging in routine cost cutting measures regardless of whether that results in 'self-service', interrupted service or, indeed, no service to some customers.

Conclusions

It is doubtful that this situation would be improved via more customer education and information. As evidenced in Case Study 2, our advocacy on Telstra's outstanding customer service obligation payments netted no result for the customer on that matter. With the arrival of the technician at the customer's home and the technical problem fixed,

the primary concern of the customer was finally resolved. They did not want to embark upon yet another lengthy, stressful process trying to be paid the outstanding CSO monies Telstra owed them. Telstra's demonstrated propensity to resort to untruths under questioning about this matter didn't make the customer angry: it made them frightened. They inferred from Telstra's behaviour that it had the power to act any way it liked, including using blatant untruths at their expense to excuse its underperformance and the withholding of CSO payments from them, and that was the deal if they wanted their telephone connected and operating.

The threat of a substantial monetary fine payable in each case of service standard non-compliance is only potent if it is part of a strong regulatory framework that makes absolutely clear what the agreed service standard is and backs this up with well resourced and active regulatory compliance measures. This cannot occur under self-regulation or indeed, via compliance 'self-service' where 'educated customers' are expected to drive industry compliance.

We believe it is the Australian government's distinct responsibility to set service standards via regulation, licensing requirements and whatever other means at its disposal and to ensure there are robust compliance arrangements designed to ensure industry service providers meet the prescribed standards.

The setting of such standards must of itself be undertaken with a particular sensitivity to customer needs including those who are most vulnerable.

Secondly and contrary to the misguided comments of the Minister, as reported above, we believe the Australian government and its regulators *should* be interested when telecommunication providers make major 'operational decisions' - like outsourcing front line customer inquiry and complaint services to unregulated, overseas jurisdictions. Robust regulatory compliance should see Australian regulators initiating investigations to ascertain whether such decisions are undermining industry service standards, stranding customers, and/or causing non-compliance with other inter-related legislative provisions such as customer privacy protections.

If you require further information, please phone [REDACTED].

Regards,

Cheryl Wragg
Secretary
On behalf of MADRA Committee of Management and members

Attach.

Correspondence to MADRA: C/- 10 Dwyer Street, MOE, Vic. 3825 [REDACTED]



Moe and District Residents Association Inc.

No. A0052091G
ABN 67 968 298 734

22nd March, 2011

Senator Stephen Conroy
Minister for Broadband, Communications & the Digital Economy
Level 4
4 Treasury Place
MELBOURNE, Vic. 3002

Dear Minister,

Re: Telstra Proposed Closure of Moe Call Centre

Moe and District Residents Association Inc. (MADRA Inc.) wishes to convey our deep concern and protest about the recent announcement made by Telstra to close the Moe call centre. We request that your contact Telstra CEO, Mr. David Thodey, directly and urgently seeking his intervention to reverse this decision.

Our chief concerns are:

- 1) Job loss in our region with consequent local and regional negative economic impacts. Moe and district was and continues to be hard hit as a result of electricity industry restructuring throughout the 1990s. This saw the loss of more than 3000 jobs from this immediate area with a much higher loss at a regional level: some 8000 direct jobs lost and 12,000 indirect jobs lost. We are yet to see a comprehensive structural readjustment assistance program for this region. Federal, State and local governments neglected to repair the damage arising out of national competition policy, electricity industry privatisation, hospital privatisation and the introduction of large numbers of poker machines simultaneously impacting this region. As we move into a carbon tax scenario, we are expecting more jobs to be lost from this immediate area and regionally.

The Moe Telstra call centre was one of the few job creation initiatives supported by the local/State government and designed to help ameliorate unemployment arising from the implementation of 1990s federal and state government economic policies. With its pending closure we ask - what is the Federal government going to do for this region to help repair the damage of the 1990s as we approach the Federal implementation of a carbon tax? Why are you allowing Telstra to close the Moe call centre when it was established to deliver regional economic assistance to Moe and district?

- 2) By offshoring many Australian based call centre jobs to the Philippines, Telstra is engaging in a form of redlining. As made clear on the website of Telstra CEO, Mr. David Thodey, Telstra's preferred form of customer service in the future is computer and on-line customer self service. While this may be convenient for many Telstra customers, it is not the case for the many millions of senior Australians and low income households who do not own a computer, and/or do not use the internet. The cohort of Telstra customers who cannot access online self service facilities are being delegated to that of

a second class of customer: one which must explain technical or account problems to distant and disempowered operators of NESB origin, unfamiliar with Australia, its geography and local idioms.

- 3) The Philippines does not yet have privacy laws that deliver security of customer information. There is no recourse to make complaint about privacy breaches occurring in the Philippines. Until that government passes legislation and establishes the necessary administrative and compliance measures, the lack of means to pursue privacy breaches will continue into the future. Telstra does not routinely provide details of third party contract companies it is using to supply direct voice customer services based in the Philippines nor do their standard customer contract arrangements stipulate that Telstra carries vicarious liability for any and all privacy breaches arising from its 'agents' and their employees in the Philippines. Although National Privacy Principle 9 provides for some equivalency of privacy protection arrangement where transborder information flow is occurring, we assert that Telstra is not delivering on that requirement.
- 4) Many of our members, and we would suggest, many people in the wider Australian community strongly object to Telstra changing its customer service arrangements in order to exploit the low pay and repressive industrial/political environment in the Philippines. Telstra's parasitic behaviour is at the expense of Australian jobs and the economic stability of regional Australia centres. Since announcing its decision to close Moe call centre, Telstra has also ended its contracts with a number of call centre companies operating from Wagga Wagga, Bundaberg, and Geelong as well as Sydney and Melbourne metropolitan areas. Offshoring these jobs into a low pay and exploitative regime represents a significant departure from Telstra's *and* the Federal government's regional economic development responsibilities. Why should Telstra generate all its income from Australia and yet be allowed to strip out as many Australian based jobs as it can get away with? What is the Federal government doing to stop this grossly unfair and exploitative behaviour?

We call on you and the Federal government to pressure Telstra to maintain Australian call centre jobs, to continue delivering on its regional development responsibilities, to protect the security of Australian customer information and to ensure delivery of high quality and responsive local direct voice customer services to all Telstra customers.

Your urgent assistance on these matters would be appreciated. We await your response.

Regards,

Cheryl Wragg
Secretary
MADRA Inc.

cc. Hon. Julia Gillard PM, Hon. Jenny Macklin, Hon. Robert McClelland,
Tony Windsor MP, Andrew Wilkie MP, Senator Bob Brown, Tony Abbott MP