



Spark^{nz}

111 Contact Code

Spark Cross Submission

Public Version

Commerce Commission

7 August 2020

Introduction

1. We welcome the opportunity to provide comments on submissions to the Commerce Commission's draft Copper Withdrawal Contact Code. Our comments mainly relate to points raised by Chorus in its submission.
2. Spark is keen to discuss our submissions further at the Commission's industry workshop.

We Need A Minimum Of 12 Months To Implement A Solution

3. Chorus suggests in its submission that RSPs only need six months to implement their power outage solutions as RSPs have been aware that the Code has been coming since 2018 and RSPs have access to off-the-shelf solutions which can be used to meet the Code's requirements.
4. This position fundamentally misses the key issues for RSPs:
 - we do not yet have enough information about the Code requirements, process, or implementation, to be able to confidentially build our systems and processes
 - we cannot start to procure devices until we fully understand the specifications and likely volumes of the different types of deployments.
5. As we noted in our submission, the 'off the shelf' products referred to by Chorus are unlikely to be suitable for mass market deployment, particularly for vulnerable consumers

Process and Systems Implications

6. Our current approach for managing customers under the TCF Disconnection Code is low volume and manual. While we would like the process to be as automatic as possible the nature of the 111 Contact Code is that it will require a customer by customer approach. Some of the manual work can be reduced if there is an explicit assumption stated in the Code that a mobile device can be provided as default option for customers unless some specific criteria apply (eg lack of mobile coverage in their premise).
7. But even with this clarification the changes we will need to make to our business in order to design and properly implement the Code are substantial. Currently, volumes for medically dependant customer under the TCF Disconnection Code are modest and the effort involved in supporting them is managed within our Credit Team. The new 111 Contact Code will broaden the scope of those who can apply and who can approve these applications. We expect volumes could be significant, especially initially.
8. And, because the Code deals specifically with emergency calling, and with vulnerable customers, we will have to take a substance over speed approach to managing those

volumes. We set out below examples of the new processes that will be required by RSPs.

- The application process means forms will be sent to us in different formats and will need to be manually checked and verified to make sure they have been completed properly. Paper forms sent by post will need to be scanned and stored.
- We will need systems in place to contact customers to inform them of the status of their application and keep them up to date as we provide a technical solution.
- We will need to create skilled resource to action requests from vulnerable consumers so we send the right type of solution to each customer. We will need to establish an escalation process so customers can raise issues related to their status.
- We will have to establish a support model that includes a ring fenced team who have the permissions and training to manage applications and queries. We will also need to consider back up resource for if volumes exceed our capacity, including how we can supplement the team with extra help.
- We will need to sort out the logistics of sending solutions to our customers, including working through the challenges of getting devices delivered to customers - we experienced some of these challenges with our wireless battery backup devices. Shipping logistics also need to be worked out for when the customer needs to return a faulty device, changes retail provider or their vulnerable status changes.
- We will need to update our online information and customer collateral, so consumers understand what is available to them and how to apply for vulnerable status.
- We will need to update our customer leave processes so we can recover equipment provided to vulnerable customers if they change provider or stop service.
- We will need to make, and provide notice of, changes to our terms and conditions to provide clear obligations on vulnerable consumers to inform us of their change of status, to return equipment etc.
- We will need to make consequential changes to other existing processes to ensure they take account of a customer's vulnerable status. For example, we will need to make changes to our disconnection processes to cover situations where a customer is vulnerable according to the 111 Contact Code.
- The Code will require us to have new processes and systems in place for storing customer information. We will need to manage sensitive information about our customers (even if we do not request information about the underlying medical issues some customers may provide that anyway, and just

the fact that someone is on our vulnerable list may be sensitive information itself for some people). Application information and any subsequent dialogue about their application will need to be kept secure and subject to strict access controls. We do not currently have the capability to store this information in our existing CRM systems.

- Keeping application information secure is a significant piece of our build – it is really important that access to the information we store is secure and limited to only those who need it. We need to have monitoring in place to ensure any hacks are alerted to our security teams. Server logs must be stored in an external server for extra protection, e.g. it is common a hacker would remove the trails of their presence, however if logs are stored elsewhere, they cannot do that.
 - We will need to change our standard CRM systems so that the customer’s vulnerable status is captured on the customer’s account information, along with any basic information that our front line staff will need to know (eg the customer is deaf). Changes to our CRM systems are subject to detailed analysis as they have the potential to cause wider impact on our ability to service our customer. Changes to our CRM systems need to be scheduled to fit in with other changes and require a clear requirements statement and impact assessments to understand the level of work required.
 - We will have obligations to notify customers of their rights under the 111 Contact Code. We will have to plan and implement this communication campaign and ensure we have the appropriate documentation in place on our website etc for customers to find more information. Ideally, we would be able to do this in a phased approach to avoid a large wave of simultaneous requests from notified customers. The Code should allow us to take a phased approach over the first 12 months of operation once our systems are up and operational (ie starting 12 months after the Code is published) so we can manage individual customers appropriately.
9. Given the nature, costs and wider impact of the changes needed to our systems we will not start work until we properly understand the requirements. Otherwise we risk missing or incorrectly specifying key requirements which push timeframes out further and drive additional cost into our business.
10. It is also worth noting that we have a fully committed backlog of work across our businesses which we will need to reprioritise to implement solutions for the Code. We can only reprioritise existing projects once we understand the full requirements and timeframe for implementation.
11. For example, Chorus has a number of B2B changes planned over the next 12 months. Its recent Assure B2B change was a significant build for us and took over 3 months to implement. There are a number of Provisioning B2B changes coming too which will need to be scheduled around. These are essential to keep our BAU products

operational. It is challenging enough coordinating all the various Chorus workstreams and the impact this has on RSPs. We also have changes driven by the other LFCs we need to schedule. Adding the changes required for the 111 Contact Code during this period of time will require careful scheduling and cannot happen quickly.

Process and Systems Implications

12. As we noted in our submission we need up to 12 months for the procurement of new devices and be able to make commitments on volumes. This procurement process can only start from when we have the final requirement for the device and an idea of volumes. This applies to both mobile and battery backup solutions. We cannot meaningfully engage with suppliers until we know exactly what it is we need to make available, and the likely volumes of both mobile and battery backup solutions.

We Need A Better Understanding Of Volumes

13. Volumes are directly related to the definition of a vulnerable end user and who qualifies. At one extreme the definition could be taken to be people who work in dangerous professions (including farming), anyone who is elderly and anyone with financial hardships, or simply anyone who cannot access 111 from their landline in a power outage. We think this would be considerably outside the scope of what was intended by legislation, but these broader interpretations have been argued by some submitters.
14. The definition will make a difference to the number of eligible premises. For example:
 - around 10% of New Zealand's population are 70 years old or older¹.
 - one in five children living in New Zealand live in relative poverty after housing costs have been deducted and one in eight live in households reporting material hardship².
 - It was estimated there were around 50,000 farms in 2016³
15. The number of premises which will qualify for a solution under the 111 Contact Code is a significant unknown and will impact the total cost of the scheme to industry. For example, consumers may claim they don't have access to an existing mobile device so they can receive a free mobile device from their provider. We will not be able to verify whether they actually have a mobile device in their name unless they are a Spark on-account customer, so we will need to take their word for it.

¹ NZ Census data 2018

² <https://www.stats.govt.nz/news/latest-child-poverty-statistics-released>

³ http://archive.stats.govt.nz/browse_for_stats/environment/environmental-reporting-series/environmental-indicators/Home/Land/farm-size-and-numbers.aspx

16. Volumes influence the conversations we have with our suppliers and our approach to equipment sourcing. We will adopt a different approach if we only have to source a few hundred battery backup units than if we have to source tens (or hundreds) of thousands and have them in place for the launch of the scheme.
17. The likely phasing of demand is also important. We will aim to have enough stock on hand initially, but if demand outstrips supply then there is likely to be delays in getting additional units as there are global supply chain issues since COVID-19
18. It is also important to understand the likely split between mobile handsets and battery backup solutions. Our assumption is that only a small number of households will need battery backup as a mobile solution will be sufficient for the majority of vulnerable consumers. However, if the Code allows a customer to choose the type of solution, or a customer can reject a mobile device for reasons other than lack of mobile signal at home, then we would see demand for battery devices jump considerably (and costs increase for RSPs).
19. Each RSP will need to go through its own procurement process and estimate the likely demand from its own customer base, and ensure it has enough stock on hand to meet requests (presumably it will be unacceptable for a customer to register as a vulnerable consumer then have to wait months for a device to be provided).
20. A centralised national procurement approach could be beneficial to average some of these effects out across the industry. This will be particularly relevant if we need to customise devices in some way for the New Zealand market (eg setting up device preset dial numbers so that a customer can make a 111 call by simply pressing and holding the number 1 on the handset)
21. Whatever procurement approach is taken, before serious discussions can begin with suppliers we need to understand the likely volumes for both mobile device and battery backup devices, and when these volumes are needed.

We Need To Understand the Final Requirements

22. Prior to the draft Code being published we were expecting that we would be required to provide a battery backup which would be consistent with the approach taken in comparable markets such as the UK. However, the draft Code proposed a 12 hour battery backup solution was needed.
23. As noted in our submission, it is very difficult to see how we could achieve 12 hours battery backup in a device which would be practical for a residential household, given the likely weight and size of these devices.
24. Based on our initial survey of available devices, we do not think a 12 hour battery solution is a viable proposition and many of the other submitters have taken a similar view.

25. We also note that a number of the submissions noted that power outages usually last a couple of hours or, much less frequently, for multiple days at a time. Again, this suggests the 12 hour requirement for a battery backup unit is too excessive.
26. We expect that the Commerce Commission will need to reduce the proposed 12 hour requirement to something more pragmatic and we have suggested 2 hours.
27. However, until we know for sure what the final requirement will be, we cannot engage meaningfully with suppliers. Once we have identified and shortlisted devices we will need to test them for use with our equipment (especially given our experience with batteries previously). We will also need to evaluate customer usability issues for vulnerable consumers before making our final decision on what device to use.
28. We will then need to work through the supply chain issues such as availability of stock, shipping of the equipment (internationally and/or domestically), storage etc.
29. Alongside all this will be contractual discussions which will include things like device performance and quality guarantees, availability, forecasting, delivery and of course price.

Chorus Contribution to the cost of battery backups provided due to CWC

30. Chorus argues that it would be impractical to impose costs on other parties based on copper withdrawal, as it would require there to be a standing (but constantly changing) central list of addresses where copper has been withdrawn using parts of the CWC. We disagree with Chorus.
31. Our position is that Chorus should always be responsible for providing battery backup devices for its access network in all circumstances where a vulnerable customer is unable to use a mobile device. When power outages occur, Chorus' ONT, and the LFCs' ONTs, stop working. That is a function of their service and of their equipment and so should be their responsibility. Equally, where RSPs' modems or home gateways stop working due to a loss of power it should be our responsibility to provide solutions for that.
32. Where Chorus withdraws its copper network and forces RSPs and customers onto other technologies, it is even clearer that it should bear the costs of its own technology decisions.
33. Chorus also argues that if it did have to cover the cost of battery backup devices then the cost would be spread over all fibre customers. We do not think this is a disadvantage – in fact it would be a reasonable regulatory outcome for the costs of vulnerable consumers to be spread more widely across a larger set of telecommunications users. This is effectively what happens when an RSP has to cover extra cost in its network but on a more localised scale. Costs will ultimately be passed through to end users through higher retail prices, so the wider the averaging of the cost the less the individual cost impact will be.

Consumer Feedback

34. We have not had time to fully consider the 136 page 111 Contact Code: Consumer feedback document published by the Commerce Commission the day before cross submissions were due. However we do have some comments on the issues highlighted in the summary infographic.
35. We remain of the view that self-certification for vulnerable consumers is open to abuse. The promise of a free mobile phone or battery backup solution will act as a strong incentive on some consumers to apply even when they would not strictly meet the requirements. There will be a significant cost for RSPs to provide additional devices as well as the application process overhead discussed earlier. RSPs do not want to be in a position where they are having to evaluate people's health conditions and other personal information about their circumstances, especially given the consequences if we get it wrong. Independent expert validation is essential if the scheme is going to be successful.
36. We have sympathy for the argument that annual re-certification may not be needed for all cases, but we also recognise that some people will only meet the definition of a vulnerable consumer for a short period of time.
37. One model which could be adopted is that used for mobility parking permits. There are similarities here in that the applicants get access to a valuable resource (convenient parking locations) as a result of their personal circumstances. These application forms need to be signed off by a doctor, and the doctor can advise the length that the permit is required (eg a long-term permit of five years, a short-term permit of up to 12 months or an extension to a short-term permit).⁴
38. This would seem a sensible way to balance the differing needs of RSPs and consumers, although it would require us to ensure our systems can manage different renewal periods for applicants which we would need to build in to our system implementation design.
39. Finally, the request to contact customers every 3-4 months to confirm their situation has not changed is disproportionate. Customers need to have some of the responsibility for updating their RSP if their situation has changed (for the better or worse) and the solution provided is no longer acceptable. Having a short and long-term approach as per the mobility parking permit would alleviate some of these concerns.

⁴ <https://www.ccsdisabilityaction.org.nz/mobility-parking/applications-and-renewal/#applyforpermit>
Application form: <https://www.ccsdisabilityaction.org.nz/assets/Uploads/Mobility-Parking-Application-Form-2020-FINAL-Update-2020-07-09-FILLABLE3.pdf>