

## POWERTEL LTD

### RESPONSE TO ACCC PROPOSED IMPLEMENTATION PROCESS FOR GSM TERMINATION CHARGES

There has been no change in PowerTel's position that GSM terminating access pricing should be based on costs, rather than the retail benchmarking approach as proposed by the ACCC. However, given that the ACCC has not accepted PowerTel's position, we have prepared the following comments on the discussion paper. Our objectives in doing so are to implement a system:

- Which is simple and easy to understand;
- Imposes little or no additional administrative burden on either the ACCC or industry;
- Recognises the delay in establishing an appropriate rate and provides industry with a realistic starting point; and
- Is implemented without substantial further delays (it has now been 4 months since the ACCC published its final report on pricing methodology).

The ACCC's approach seems to suggest that a complex monitoring and implementation process needs to be implemented in order to give effect to the new methodology. Further, there appears to be substantial ground for debate and dispute between GSM carriers and the ACCC on the treatment of input & factors, as well as outcomes from the proposed approach, with potential for further delays to making charging information transparent to the industry. In the light of the amount of uncertainty about how the process will work, even with the risk that it may further delay the process, it may be appropriate for the ACCC to make available to further options once submissions on the ACCC's proposals are made by the GSM carriers.

#### 1. Date of Initial Starting Point

PowerTel notes that the GSM access disputes outstanding with the ACCC were notified in March and November 99, and December 2000, but the ACCC's final report on Pricing Methodology for the GSM Termination Service was not available until 1 July 2001. Whilst we would generally agree that the start date from which the lowest price should be taken should be 1 July 2001, we note that this date would not reflect

- the significant retail price reductions which have occurred prior to that date; or
- the substantial reduction of competition and slow down in retail activity which has occurred in the past six months.

Regardless of which approach is chosen for assessment of retail price movements, we consider the most appropriate starting price should be the lowest starting price *in the market between any categories of parties for GSM mobile termination*. We have previously suggested that such an approach should include the internal transfer price charged by integrated fixed/mobile carriers. The basis for this view is that PowerTel has no evidence that efficient pricing has been available for GSM termination in the market place up to date, and mobile/integrated carriers have been able to arbitrage this position.

#### 2. Time Period for Assessing Retail Price Movements

PowerTel considers that six monthly review periods would provide for a substantial drag effect in price adjustments for GSM services, when taken together with the need for commercial negotiation to implement adjustments. The delay in implementing a process since publication of

the ACCC's final paper has already introduced a drag effect of at least 6 months. Accordingly, our preferred basis would be a quarterly review.

### 3. How to Determine the Average Price per minute and Retail Price Movements

The ACCC's paper does not demonstrate the success or otherwise of either approach proposed in the telecommunications or other industries where such practice may have been followed. As PowerTel is not a mobile provider, it will not be privy to the ACCC's administration of the implementation scheme. It is not possible for PowerTel to confidently assert either scheme will deliver more effective and sensible outcomes, but overall PowerTel tends to support the yield approach.

However, we are still concerned that the approach taken may not be capable of addressing the current anomaly between the price per minute paid for specific categories of calls terminated on mobile networks. This may continue to distort the competitive environment for calls, for example for calls that originate from fixed line carriers & CSPs who do not have a mobile arm and mobile/integrated carriers (fixed to mobile preselection).

The paper raises a number of other issues of concern to PowerTel, including proposals regarding incoming calls, bundling of services and the treatment of handset subsidies within the context of access fees. Issues relating to the "quality" of services similarly need further clarification. As noted above, more meaningful comments could be provided in the context of a more detailed practical model proposed by the ACCC after it has received comments from GSM carriers.

PowerTel considers that a period on period approach may be more appropriate.

### 4. Collection of Information and Disclosure in an Aggregated form

PowerTel supports the introduction of a Record Keeping Rule, which would implement the arrangements over an agreed period. Such an approach would minimise further delays which would arise in bilateral negotiations with mobile carriers, and reduce further drag.