

In its earlier submissions to the Commission, RSL COM indicated a preference for a TSLRIC pricing approach, contending that this was more likely to achieve the desired outcomes, and was consistent with the pricing approach adopted by the Commission in respect of the other preselectable call types (national long distance and international calls). RSL COM still has a preference for this approach.

Notwithstanding the above view, RSL COM welcomes the opportunity to provide its views on the implementation of GSM pricing principles as detailed in the Commission's final paper.

## **1. Date of Initial Starting Point.**

The Commission, in its GSM Final Pricing Principles Paper, created an expectation of a 1 July 01 start date, coupled with a start price of \$0.245c per min. Negotiations between Access Seekers and Access Providers have occurred, or are occurring on this basis.

As an Access Seeker, RSL COM considers 1 July 01 an appropriate date from which the lowest price should be taken.

## **2. Starting Price For Future Access Disputes.**

Any future access dispute will occur in one of two broad timeframes;

- Relating to the initial 6 month period,
- Relating to a period after the initial 6 month period.

In the first instance, it would be appropriate to use the wholesale starting price determined by the Commission.

In the second instance, it would be more appropriate to use the most recently negotiated price between the Access Seeker and the Access Provider.

This approach effectively places a moratorium on arbitrations during the first six month period. If all parties are aware that the wholesale starting price would be the price used by the Commission in any arbitration in the first 6 months, there is a greater possibility of reaching a commercial settlement.

In our view, the first six month period will be critical to the success of the Commission's benchmarking approach.

## **3. Benchmarking Timeframe.**

The Commission has proposed that retail price movements be measured over a six monthly period.

A monthly time period is considered inappropriate, as it may be difficult to measure retail price movements. Any adjustment to the wholesale price involves administrative costs to both the acquirer and the supplier. A monthly measurement may be so small as to make the administrative cost more than any potential savings from the application of the price movement. Additionally, a monthly measurement may return anomalous outcomes resulting from seasonal changes, such as public holidays and the like.

A 12-month time period is considered too long, and may impact negatively on wholesale price movements. Strategic management of retail prices may occur over a 12-month period.

6 months appears therefore to be an appropriate timeframe. It is sufficient enough a period to allow for some 'normalisation' of retail prices and avoid the potential outcomes of strategic retail pricing.

A 6 month period is likely to avoid disputes. We consider it unlikely that there would be any commercial benefit in referring a dispute to the Commission when there is an opportunity to negotiate and/ or review these rates every six months.

#### **4. Yield Methodology Vs retail Basket Methodology**

A yield methodology would appear to involve the least administrative effort, but still produce an effective result.

The Retail Basket method, with its potential for 'lag' and greater cost disqualify this approach.

As the Commission points out in its paper, the benchmark approach requires a measurement of the difference between two absolute values, and therefore the outcome is unlikely to be affected.

Revenue per minute is considered an appropriate proxy for average price. In our view, it is easier to define the component values for a per minute approach than it is to try and define a subscriber. Less information is required for the revenue per minute approach, and one would expect the equation to therefore be relatively simple.

#### **5. Which Services to Include in Revenue Calculations.**

In determining which services to include in the revenue calculations, we were mindful of the desired outcome – the cyclic calculation of a proxy average retail price.

It seems appropriate to RSL COM that the first step in this process was to establish the principles involved;

- The inputs should not be subject to strategic management. As an example, if handsets were included in the calculation, the retail price movement could be managed by over pricing or under pricing the handset.
- The inputs should only include retail revenues. Revenues from wholesale should be excluded.
- The collection of input data should be easily verified.
- The data gathering exercise should not be onerous or overly time consuming.

With these principles in mind, it is our belief that the following retail revenue components should be included in the calculation;

- Outgoing call revenue. (GSM only)
- Outgoing call minutes, including free minutes (GSM only)

And includes revenues from Data, SMS, WAP, Voicemail.

The inclusion of resale revenues is not supported, as the revenue to the mobile carrier is from the resellers, and is more appropriately considered wholesale revenue. This revenue may also be the subject of various commercial arrangements such as subsidies, commissions etc, which may make the accurate collection of this data complex.

The inclusion of fees such as handset charges, connection fees and access fees are not considered as appropriate for inclusion, principally because the application of these fees and charges could be strategically managed to deliver a particular outcome. Additionally, these charges are frequently waived for consumers as an attraction for procuring one or another carrier's product. Determining whether or not the charges and fees had actually been recovered from end users, or charged and subsequently credited may not be possible.

## **6. Period on Period Approach**

RSL COM sees no practical alternative to a period on period approach.

## **7 Adjustments for Quality**

Earlier, RSL COM has advocated not including handset prices in the calculation, this approach would avoid the need to consider this question.

We do not believe that the inclusion of a lower valued handset in a package is necessarily a reduction in quality.

We note also that the aim of the exercise is to determine a methodology for the calculation of comparable absolute values at regular time intervals.

## **7. Record Keeping Rule vs. Voluntary Provision**

It is our view that the making of a record-keeping rule is the most appropriate mechanism for the collection of this information. Such a rule would provide certainty to the industry in general, and ensure that the provision of information occurs.