



Fixed to Mobile Prices

t's Time!

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ars in 2003"

ATUG's Top 100 Survey 2002

Major users identified fixed to mobile charges as a key issue:

- 30% of total voice spend is on fixed to mobile
- Highest per minute rate
- Growing rapidly - more mobiles than fixed lines
- Not subject to strong negotiation - "High termination costs have to be recovered"

Fixed to mobiles

- Industry is 10 years old
- Competition has not been effective in pushing prices towards costs
- Regulation has achieved cost oriented prices for other services
- Regulation is needed for fixed to mobiles

ACCC

Price Change Report 2001-02

% Change for PSTN services index - all groups

Table 1

	2001 -2002	1997/98 - 2001/02
Basic access	+13.2%	+42%
Local calls	-11.7%	-34.5%
Long distance	-8.7%	-27.5%
International	-15.3%	-59.3%
Fixed to mobile	-3.2%	-20.8%
OVERALL	-2.8%	-19%

Prices should be closer to costs

Fixed to mobile prices (AUD cents)

- Cost estimate - 8-10 cents per minute
- Wholesale rate - 21 cents per minute
- Corporate rate - 27 cents per minute
- Average Retail rate - 38 cents per minute
- Wholesale rate is 55% of the average retail price

PSTN Interconnection

ACCC view 2003-04 on PSTN Interconnect

1.2 – 1.25 cents per minute

- Wholesale interconnection (upper end) is
 - 23.4% of average retail local call
- Hard for users to believe that mobile networks really THAT much more expensive!

ACCC Regulation

- ACCC regulation on mobiles is "light-handed" and reflects the prevailing wisdom that mobiles is a competitive business
- If this is so why, are termination charges so far above cost?
- Retail benchmarking is not the answer!

ACCC Report

- ACCC report into Retail Price Benchmarking for mobile termination services shows:

	Jan-Jun 2001	Jul-Dec 2001	Jan-Jun 2002	Jul-Dec 2002
Telstra	Base	-1.4%	+7.5%	-1.7%
Vodafone	-	Base	+3.6%	-9.0%
Optus	Base	+9.9%	+6.8%	-3.7%

- This is not enough to push termination charges towards cost!

International experience

INTUG www.intug.net

United Kingdom

- action by the OFTEL (Jan 2003) to reduce rates by up to 45% over next 3 years to a "fair charge"
- long and very detailed proceedings Competition Commission proved prices were excessive
- The Commission estimated welfare gains of between 325 and 700 million British pounds

United States

- US Trade Representative annual “1377” report cites F2M termination charges - 794% higher than fixed rates in Australia.
- In 1996 FCC imposed ceilings on what US carriers pay for fixed termination rates. Since then consumers pay over 50% less for IDD call minutes while using 46% more minutes.
- Commerce Dept says similar consumer trends will emerge in the mobile market if the principle of cost-orientation is extended to cover international mobile services.
- The FCC may impose a price ceiling on mobile termination similar to the one it currently imposes on fixed termination

OECD Communications Outlook 2003

- "The last several years have seen increased concern with regard to fixed to mobile termination where mobile operators terminating calls are regarded as having a bottleneck position."
- A number of initiatives have been taken by regulators to put further pressure on mobile termination charges
- France, UK, Italy, Netherlands, Portugal and Sweden all moved to reduce termination charges in 2001/02.

Australian example

May 2003 - Telstra Residential

- Fixed to mobile - 49c per minute
- Mobile to fixed - 37c per minute
- Fixed to fixed (long distance) - 27c per minute
- Mobile to mobile on-net - 33c per minute
- Mobile to mobile off-net - 48c per minute

- A reduction to 10c per minute in mobile termination IF PASSED ON TO CONSUMERS would result in a benefit to consumers of at least \$750 million each year

AAPT - Calls to Mobiles

http://www.smartchat.com.au/smartchat_anytime.asp

http://www.smartchat.com.au/smartchat_hometime.asp

- Connection – 33c
- Call cost per minute – 33c to any mobile
- Comparisons – national 25c per minute, local 17.5c per call, UK 18c per minute

AAPT - Calls to Mobiles

http://aapt.com.au/smallbusiness/busreach_max.asp

<http://aapt.com.au/smallbusiness/busreach.asp>

- Connection – 22c
- Call cost per minute – 22c to AAPT mobiles, 35c to other mobiles
- Comparisons – national 14c per minute, local 16c per call, UK 18c per minute

Optus - Home Services Calls to Mobiles

http://www.optus.com.au/Vign/ViewMgmt/display/0,2627,1033_32118-3_6749--View_311,00.ht

- Connection – 35c
- Call cost per minute – 35c per minute, any mobile
- Comparisons – national 24c per minute, local 20c per call, UK 21c per minute

Optus - Business Services

Calls to Mobiles

http://www.optus.net.au/Vign/ViewMgmt/display/0,2627,1033_32687-3_6763--View_311,00.htm

- Connection – 25c
- Call cost per minute – 35c per minute, any mobile
- Comparisons – national 16c per minute, local 22c per call, UK 21c per minute

Telstra - Calls to Mobiles

Home Users (Home Line Plus - \$26.50 per month)

<http://www.telstra.com.au/phones/homeservices/distance.htm?tR=3hm>

Using the Home Cost Call Calculator to get per minute information

https://register2.telstra.com.au/callcostcalculator/iccc_home.jsp?tR=3sb

- Connection – 33c
- Cost per minute – 33c to Telstra mobile, 37c to non-Telstra mobiles
- Comparisons –national 23c per minute, local 20c per call, UK 37c per minute

Telstra - Calls to Mobiles

Small business (Business Line Complete - \$34.95per month)

<http://www.telstra.com.au/switch/costbus.htm>

<http://www.telstra.com.au/services/smallbusiness.htm?tR=3>

Using the business cost calculator at:

https://register2.telstra.com.au/callcostcalculator/iccc_bus.jsp?tR=3sb

- Call connection – 27.5c
- Call cost per minute – 33c to Telstra mobile, 40c to non-Telstra mobiles
- Comparisons –national call 26.4c per minute, local call 22c per call, UK 37c per minute

Fixed to Mobile Prices

It's Time!

Thank you