Cable & Wireless Optus

Submission to the Productivity Commission's inquiry into

"International Telecommunications Market Regulation"

CONTENTS

1. INTRODUCTION

1.1 This submission is written in response to the Productivity Commission inquiry into International Telecommunications Market Regulation. Cable & Wireless Optus is interested in a number of aspects of the international telecommunications market:

- the performance of the international market in recent years;
- the impact of the domestic regulatory environment on the performance of the international market;
- the role the Australian Government should play in reforming the domestic competitive environment and in pursuing further reform internationally, principally through the World Trade Organisation (WTO) forum.

1.2 Cable & Wireless Optus suggests the international call market is undergoing quite rapid change, as competition increases globally. This rapid change is delivering benefits for consumers both in Australia, and overseas.

1.3 Cable & Wireless Optus argues that the Australian Government must be vigilant in pursuing liberalisation in the domestic market, and active in promoting competition internationally.

2. THE INTERNATIONAL TELECOMMUNICATIONS MARKET

The importance of international telecommunications

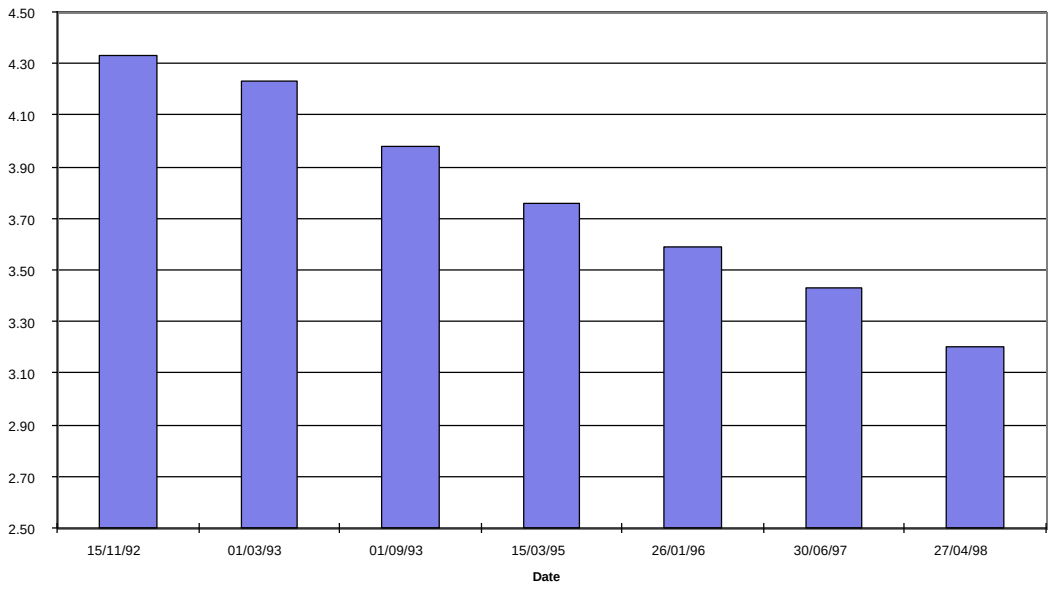
2.1 International telecommunications services are important to Australia for a number of reasons:

- they make up a significant portion of business costs, and thus impact on Australia's competitiveness; and
- for residential users, the elasticity of demand for international services is relatively high, meaning that reductions in price lead to commensurately large consumer gains.

Price performance of international calls

2.2 Price falls in the international market have been impressive since the introduction of competition — with total reductions in the order of 50 per cent. Cable & Wireless Optus' standard reference international prices (a subset of the total pricing picture) have fallen 26 per cent in real terms since 1992, as shown in Figure 1.

Figure 1: Cable & Wireless Optus reductions in international call prices since 1992



2.3 Figure 1 presents Cable & Wireless Optus benchmarking of its standard agreement price falls since 1992. The benchmarking is based on Cable & Wireless Optus' 10 most popular call destinations, and is adjusted for inflation over the period. The prices in the basket include peak, off-peak and weekend rates. A three minute call duration is assumed.

2.4 The prices in Figure 1 are list prices, and do not include the volume discounts Cable & Wireless Optus offers residential customers. Clearly, once the very substantial volume discounts for residential customers are factored in, the pricing picture becomes even more impressive.

2.5 However, the Productivity Commission should note that the price falls in the international market in its entirety have far exceeded this 26 per cent figure, due largely to discounts given to business users. When this is taken into account, the price fall experienced is around 50 per cent.

2.6 It should also be noted that much of the discounting in the international call market pursued by new service providers has been ensured by Cable & Wireless Optus role as wholesaler to these service providers, thus facilitating competition in the Australian market. In other words, service providers use Cable & Wireless Optus' network to provide cheaper services to consumers.

2.7 The discounts given to business users is a worldwide phenomenon. In its latest Communications Outlook publication, the OECD notes:

> "The standard international peak and off-peak rates for OECD countries ... provide a starting point against which to compare discount rates. Since 1991, standard prices, sometimes called collection charges, for peak rate international calls have sharply decreased in virtually every OECD country while international traffic has increased. Exceptions are those countries in which the PTOs prefer to increase the discount rather decrease the list price. The preference of operators in the United States is the obvious case in point: while the distinction between peak and off-peak has been abolished in the discount plans of the leading PTOs, such as AT&T, MCI and Sprint, it is still maintained in their respective lists of

standard prices. At the same time, the actual prices paid by users are dramatically lower in the case of these operators. [1]

2.8 Cable & Wireless Optus does not have full visibility of Telstra's price performance over the same period. However, Access Economics recently estimated that Telstra's IDD prices had fallen by 4.3 per cent in 1996, and a further 4.5 per cent in 1997. Access Economics estimated that these price falls led to an increase in consumer surplus of approximately $52 million in 1996 and $40 million in 1997. [2]

2.9 Obviously, reductions in Telstra's international call prices tell only part of the story. Telstra's competitors, including Cable & Wireless Optus have offered significantly lower prices to consumers.

How much do these price falls benefit consumers?

2.10 In estimating the consumer benefit that has resulted from falls in international call prices, it is important to understand the elasticity of demand for international calls.

2.11 The price elasticities for international calls are larger than long distance or local elasticities (see Table 1). Albon, Hardin and Dee (1997) estimated an elasticity of 1.2 as being representative for Australia.

Table 1: Price elasticities of demand for international calls

Study	Price elasticities
Hackl and Westlund 1996 (Sweden)	varying from 0.07 to 1.38, according to distance, for call minutes
Acton and Vogelsang 1992 (United States)	about 0.36 for a number of inbound calls
Bewley and Fiebig 1988 (Australia)	about 0.49 for a number of outbound calls

[1] OECD, Communications Outlook, 1999, pp. 173 – 174

[2] Access Economics, 1998, Review of Price Controls on Telstra, pp. iii–vi.

Appebe, Snihur, Dineen, Farnes and Giordano 1988 (Canada)		varying from 0.43 to 0.53 for call minutes
BTCE 1991 (Australia)		about 1.01 for number of calls
Access Economics (Australia)		used 1.00 for IDD

Source: Productivity Commission, 1999, International Benchmarking of Australian Telecommunications Services, p. 226

Consumers have responded to lower priced international calls

2.12 As discussed, the demand for international calls is quite price elastic. This means that for a given fall in price, the response in terms of quantity demanded will be quite pronounced. This has certainly been the case in the international call market in Australia.

2.13 Table 2 shows the growth in international calls since 1993, and compares this with growth in other calls. International calls grew by just under 55 per cent in the period, driven largely by reductions in price over the period.

Table 2: Telephone call patterns, 1993 to 1998

	Local (billion)	STD (million)	IDD (million)	Total (billion)	Mobile (billion)	Total (billion)
1993	9.7	2000	124	11.8	0.8	12.6
1994	10.0	2130	144	12.3	1.1	13.4
1995	10.3	2270	167	12.7	1.2	13.9
1996	10.5	2400	194	13.1	1.5	14.6
1997	10.8	2550	233	13.6	1.9	15.5
1998	11.1	2700	275	14.1	2.1	16.2

Percentage change	12.6	25.9	54.9	16.3		61.9	22.2

Source: Productivity Commission, 1999, International Benchmarking of Australian Telecommunications Services, p. 20

2.14 As discussed earlier, the price falls experienced in Australia are much larger than the falls in standard rates imply. This is borne out with the increase in international call volumes shown in Table 2.

2.15 Using the Productivity Commission elasticity of demand estimate for international calls of 1.2, we would expect a 26 per cent fall in price to lead to a 31 per cent increase in demand. However, this has not been the case. Quantity demanded has increased by around 55 per cent, supporting the estimate that price falls experienced have been in the 50 per cent range.

Estimating the consumer benefit of lower international call prices

2.16 The consumer gain from the lower priced international call can be calculated as follows:

Consumer gain = P 93 * (Q 93 + Q 98)/2 – P 98 * (Q 93 + Q 98)/2

= 1.41 * (124 + 275)/2 – 0.705 * (124 + 275)/2

= 281 –140

= $140 million

2.17 Cable & Wireless Optus expects that this consumer gain will continue to grow, as prices continue to fall in the future. The Australian Government has a role to play in ensuring these benefits flow to consumers, both through ensuring its domestic regulation is applied in a pro-competitive fashion, and in pursuing anti-competitive practices of other nations in international fora such as the World Trade Organisation.

3. INTERNATIONAL TRAFFIC PAYMENTS AND PATTERNS

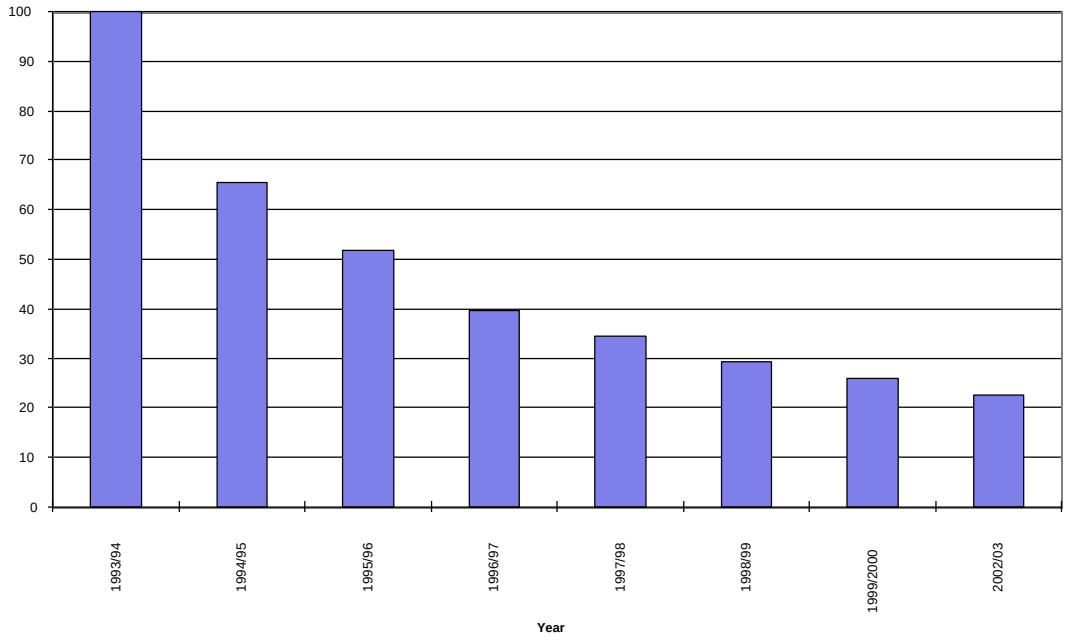
3.1 The volume of international calls has increased significantly over recent years, driven largely by falling prices.

3.2 The Independent Regulators Group (IRG) of the European Union recently noted:

> "that the majority of cross border traffic is still being conveyed under the accounting rate mechanism but that accounting rates themselves have fallen in some cases substantially.[3]

3.3 Figure 2 shows the decline in the average accounting rate paid by Cable & Wireless Optus from 1993–94, and estimates the trend until 2003. The chart shows the total accounting rate payments over the period. Note that an index method has been used to protect commercial in confidence information.

Figure 2: Cable & Wireless Optus accounting rate index, 1993 to 2003



[3] OFTEL, 1999, Common Position of the Independent Regulators Group on Cross Border Interconnection Charges, p. 1.

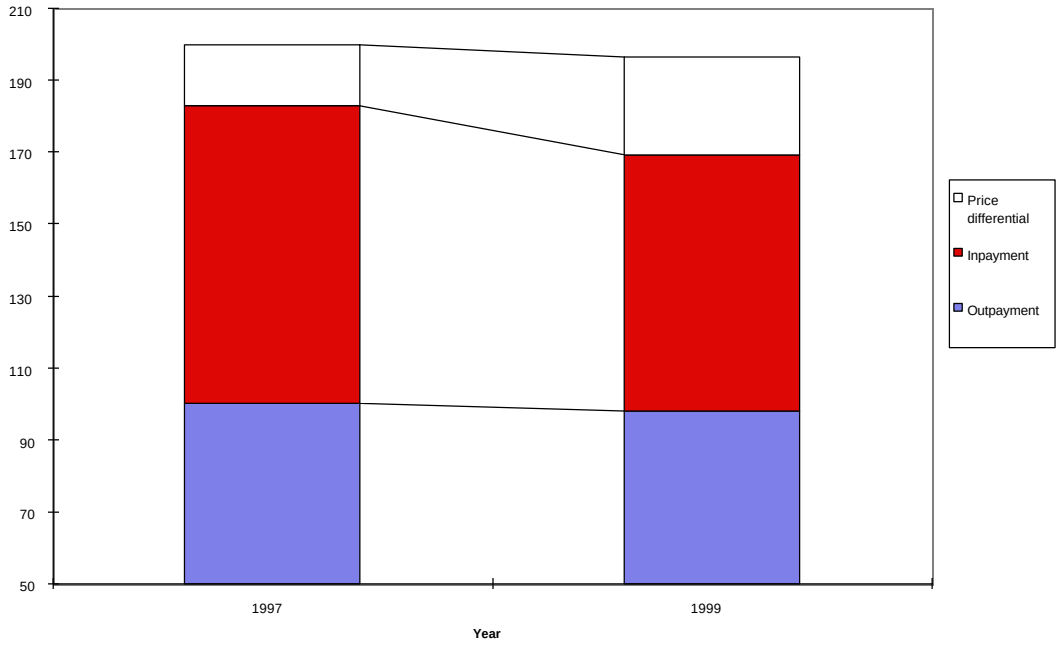
3.4 The intense competition in the international market is reflected in the high number of competing carriers, all operating on low margins to boost traffic on their networks. Particularly in the wholesale market, which comprises around 50 per cent of Cable & Wireless Optus traffic, margins are extremely low.

3.5 These low wholesale margins have enabled strong competition from new service providers. Cable & Wireless Optus has continually acted as a "carrier's carrier", fostering competition and passing on the benefits of lower costs to consumers in the form of lower prices.

3.6 Another interesting trend in the international market has been the differential rate of price reductions in the in-payments and outgoing payments for international calls.

3.7 Cable & Wireless Optus has found that the strong and vigorous competition in the Australian market has led to rapid reductions in the price of in-payments for termination of inbound traffic. However, the price for out-payment have been falling at a much slower rate. Out-payments prices have been falling for developed countries, but there are still a significant number of less developed countries keeping the rates artificially high. This has the effect of increasing the divergence between the price of in-payments and out-payments, as shown in Figure 3. Again, price indices have been used to protect commercial in confidence information.

Figure 3: Out-payments and in-payments — the growing divergence in price



3.8 This divergence between the price of in-payments and out-payments has led to a change in the overall balance of traffic. This shift in traffic is the result of the different rates of liberalisation internationally.

The impact of the refile market

3.9 The accounting rates for international traffic are becoming less relevant as the proportion of traffic routed via the refile market increases.

3.10 The international telecommunications market has historically comprised a series of bilateral agreements between countries, with disparate call volumes. The refile market takes advantages of arbitrage opportunities within this system, and has had the effect of driving down the price of terminating calls to some of the traditionally high cost countries, such as China, India and Pakistan.

3.11 As an illustration, prices to China and Pakistan have halved on the refile market between 1997 and 1999, while Indian refile prices have fallen by nearly 10 per cent over the same period.

3.12 While not eradicating the need for the Australian Government in promoting lower accounting rates, as the United States has traditionally done, this does lesson the importance of high accounting rates.

3.13 The message for the Australian Government is this — high domestic interconnection costs to the incumbent's network is the main factor holding back benefits to consumers.

3.14 In the European Community, countries which have reduced their interconnection rates are enjoying very low international call prices.

4. THE IMPACT OF DOMESTIC REGULATION ON THE INTERNATIONAL MARKET

4.1 If Australian consumers are to enjoy the benefits of a competitive international service, the domestic market needs to be regulated in a pro-competitive fashion.

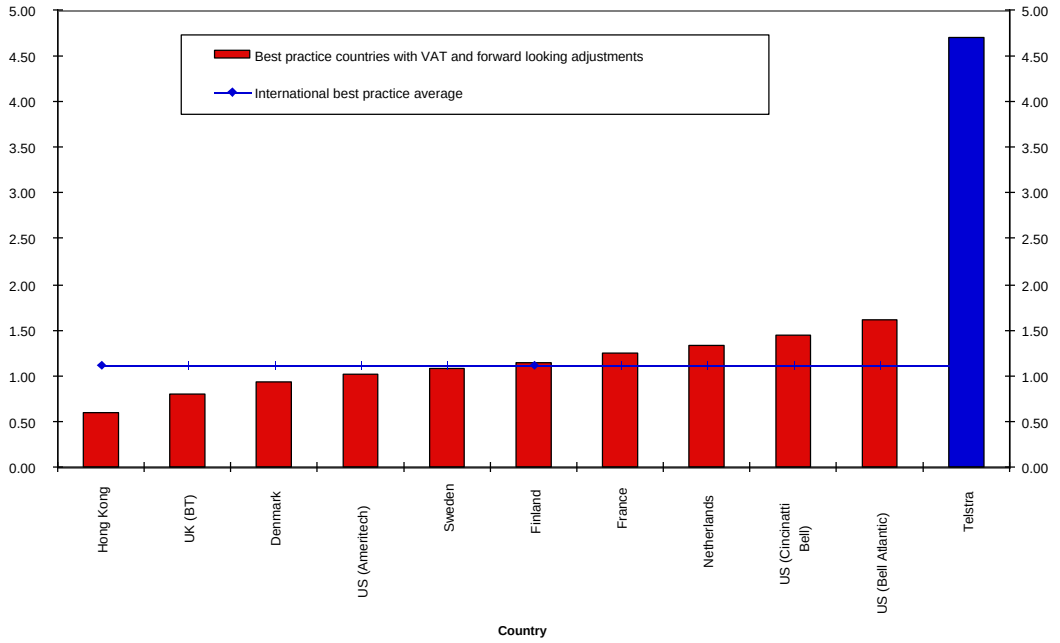
4.2 Currently, Telstra's high interconnect charges are having the effect of denying the benefits of international telecommunications reform to Australian consumers.

4.3 In delivering an international call, Cable & Wireless Optus is dependant on Telstra's network for originating the call. This means that Cable & Wireless Optus would have to pay 4.7 cents per minute if the ACCC accepted Telstra's undertaking on PSTN. While the ACCC has rejected Telstra's undertaking in a draft decision (as discussed later), the prices it suggests are still considerably above international benchmarks. Cable & Wireless Optus is also dependant on Telstra for terminating incoming international calls, again paying rates well above international best practice for termination.

The impact of high interconnect costs on the international call market

4.4 The interconnection charges Telstra is attempting to levy in its undertaking are more than four times higher than is justified on a cost basis, or on any international benchmarks. Cable & Wireless Optus recently analysed the better performing countries in responding to the ACCC's draft decision on Telstra's access undertaking. Figure 4 shows that Telstra charges over four times international best practice for interconnection.

Figure 4: International best practice interconnect compared with Telstra's interconnect charges



4.5 Note that the Australian Competition and Consumer Commission, in its draft decision on Telstra's access undertaking, has recently advised that Telstra should at least halve it interconnect prices, to around 2.36 cents per minute. This decision is draft, and Cable & Wireless Optus believes the recommended interconnection charge to fall further in the near future. Note that this draft decision still places Australia at double the international best practice average. Cable & Wireless Optus has submitted to the ACCC that world best practice interconnect prices are closer to 1 cent per minute.

4.6 The high interconnection charges adversely effect consumers in a number of important ways.

4.7 The first order effect is that competitors are lumbered with higher interconnection charges than they need to pay. Interconnection charges make up between 20–30 per cent of the costs of providing international calls to the more popular locations. A reduction in the interconnection charge to the best practice level of 1 cent per minute would reduce the price of international calls by around 16 per cent.

4.8 Given the elasticity of demand for international calls, this would increase the demand for international calls by around 19 per cent, increasing consumer gains.

4.9 Cable & Wireless Optus would expect new players to enter the market, as lower interconnect costs encourage entry. This is because the lower cost structure flows to a smaller minimum efficient entry size, lowering the barriers to entry into the international market. Given that margins in the international market have historically been above the normal rate of return, Cable & Wireless Optus would expect to see the number of new entrants expand, as was the case in the UK, which enjoys some of the lowest interconnect charges in the world.

4.10 This increase in competition, combined with increased use of the network, will drive costs lower, and lead to lower prices and better service for consumers, as firms compete to offer consumers a service better than their rivals.

The high interconnect charges distort the operation of the market

4.11 Perhaps even more importantly, the high interconnect costs levied by Telstra, when combined with a blanket approach to their application, results in a bias toward resale based competition in the international call market.

4.12 This results because resellers such as One.Tel are increasingly able to pay an interconnection levy close to that of a full service provider such as Cable & Wireless Optus pays, independent of the cost to Telstra of providing the interconnection service. To expand, One.Tel with only 1 point of interconnect (POI), and thus quite a low investment cost, is able to enter the international call market at about the same interconnection charge as Cable & Wireless Optus, with 66 POIs, even though the cost Telstra incurs in servicing Cable & Wireless Optus is much lower than for One.Tel.

4.13 Regarding originating interconnect costs, the Commission should note that the cost for any service provider to access Telstra's network in the capital cities is low compared to Cable & Wireless Optus' cost to access Telstra's network in regional Australia, and therefore Cable & Wireless Optus' average cost of access. The result of this is most service providers limit their originating access to the capital cities. Thus, the benefits of international price competition are not flowing to regional consumers because of Telstra's high originating access costs.

4.14 In addition, the effect of the ACCC regulation of new entrants is that facilities based competition is negated.

4.15 This distorts competitors investment decisions, and leads to a bias away from facilities based competition. This lack of sustained, facilities based competition suits Telstra perfectly, as in the medium term, it diminishes the threat of real competition in its monopolistic markets.

4.16 The policy response needed is the one adopted by the Federal Communications Commission (FCC) in the US. That is, cost based interconnect is made available to infrastructure based competitors, but resellers are confined to an avoidable cost methodology, at a discount between 17 and 22 per cent. Note that the incremental cost methodology typically results in discounts of around 50 per cent of ILEC retail prices in the US.

4.17 The preference for facilities based competition is also obvious in the United Kingdom, where cost based interconnect is available to facilities based competitors, but not to resellers.

4.18 Facilities based competition is preferred in both the US and UK for good economic reasons. If competition is to establish itself with any longevity, facilities based competition is crucial. In a structural sense, ongoing regulation is a pre-condition for resale based competition, whereas facilities based competition promises a properly functioning free market in the medium term. Hausman explains as follows:

> "Facilities based competition is much more beneficial to economic efficiency than is resale competition. Cable & Wireless Optus' market action of investing hundreds of millions of dollars into its network demonstrates that local telecommunications is not a natural monopoly. Thus, facilities based competition is viable. Facilities based competition creates important dynamic economic efficiencies as carriers compete to lower their costs so they can lower their prices. Carriers also compete to offer new services to consumers which are another important form of dynamic efficiency. To the contrary, resale competition does not cause these dynamic economic efficiencies to occur because the incumbent carrier operates the network and determines the services to be offered. Resale competition requires a continued regulatory regime because resellers only compete based on the margin between wholesale and retail which the regulator sets. Thus, regulation must be maintained for the foreseeable future. Facilities based competition eliminates the need for further regulation because market based competition determines prices and services offered. Thus, I consider resale-only based competition to be largely "artificial" regulatory based competition, while facilities based competition creates actual robust competition with significant gains in economic efficiency."

4.19 In contrast to this approach, the ACCC has proposed complete compression of access pricing so that resellers are able to enjoy the same interconnect prices available to facilities based competitors.

4.20 Worse still, the ACCC has proposed to regulate the services of new entrants— an approach not adopted anywhere else in the world. This is being applied in the following areas:

- the declaration of parts of Cable & Wireless Optus' inter-capital city transmission network
- the proposed declaration of the Cable & Wireless Optus local call network;
- the proposed extension of the declaration of the Cable & Wireless Optus broadband network; and
- the proposed declaration of Cable & Wireless Optus mobile network.

4.21 The ACCC approach of no differential access price regulation, and in fact, regulating infrastructure of new entrants, has hampered the workings of facilities based competition in Australia, and undermined the incentive to invest in such infrastructure.

4.22 Cable & Wireless Optus recommends that the appropriate policy in this area is to apply LRIC pricing only to facilities based competitors, and applying an avoidable cost methodology to resellers . In defining what constitutes a facilities based competitor, as measured by the level of sunk costs incurred with entry, two criteria are crucial:

- the competitor provides an alternative local distribution network; and/or
- the competitor has rolled out an inter-city transmission network.

5. THE ROLE FOR GOVERNMENT IN THE INTERNATIONAL MARKET

5.1 In delivering the benefits of a competitive international sector to Australian consumers and business, the Government has two main roles:

- ensuring that the domestic regulatory environment is not impeding the performance of the telecommunications industry; and
- working to secure pro-competitive outcomes internationally.

5.2 The role of the Australian government domestically has already been discussed. This section examines the international role for the Australian government.

5.3 Cable & Wireless Optus recommends that the Australian government should pursue a liberalised international regime largely through the World Trade Organisation.

The World Trade Organisation

5.4 On 5 February 1998, the results of the WTO negotiations on market access for basic telecommunications services formally entered into force. On that date, the schedules on basic telecommunication services of the signatories became an integral part of the GATS schedules of services commitments already in force since the Uruguay Round concluded in 1994.

5.5 At close of the three-year negotiations, in February 1997, the commitments of 69 governments (contained in 55 schedules) were annexed to the Fourth Protocol of the General Agreement on Trade in Services. The world's industrialised countries all participated in the deal. Over 40 developing countries large and small from virtually every region of the world also took part as did six of the Central and Eastern European economies in transition. The markets of the participants accounted for more than 91 percent of global telecommunications revenues.

5.6 Concerns related to establishing a regulatory environment conducive to market entry were discussed at length during the negotiations. Many participants suggested that regulatory disciplines might be inscribed as additional commitments in schedules (an approach made possible by GATS Article XVIII) as a way of safeguarding the value of the market access

commitments undertaken. Participants succeeded in elaborating a set of principles covering matters such as competition safeguards, interconnection guarantees, transparent licensing processes, and the independence of regulators in a commonly negotiated text called the Reference Paper. They also agreed that each would use the text as a tool in deciding what regulatory disciplines to undertake as additional commitments. By the February 1997 deadline, 63 of the 69 governments submitting schedules included commitments on regulatory disciplines, with 57 of these committing to the Reference Paper in whole or with a few modifications. This compares favourably with the April 1996 results, when 44 out of the 48 governments submitting offers included commitments on regulatory disciplines and only 31 of these inscribed the Reference Paper. [4]

5.7 Cable & Wireless Optus has attached a list of WTO definitions and regulatory principles on the regulatory framework for telecommunications services at Appendix A.

The Australian Government's role internationally

5.8 As Appendix A demonstrates, the WTO provisions for telecommunications are far reaching. Broadly, the WTO provisions advocate the pursuit of a liberalised trading regime for telecommunications, based on the principles of non-discrimination and transparency.

5.9 While it is true that the market dynamics internationally will drive prices down independent of much government action, the Australian Government should avail itself of any opportunity to pursue countries that are not liberalising.

5.10 Of perhaps more relevance, Cable & Wireless Optus recommends that the Australian Government continues to pursue liberalisation of telecommunication in negotiations on the General Agreement in Trade in Services (GATS) negotiations in 2000.

5.11 A specific example of market behaviour that the Australian Government should seek to eliminate through the WTO processes is the use of refile to avoid paying the appropriate settlement payment.

5.12 Cable & Wireless Optus has noticed attempts by monopoly countries to avoid international settlements; especially via refile. Refile refers to the practice whereby the overseas

[4] http://www.wto.org/wto/services/tel01.htm

monopoly, avoids reciprocity in settlements by terminating traffic via a third party intermediary buying termination into Australia at cost-based prices.

5.13 This has happened in the last one to two years where there has been a 10 to 20 per cent drop in terminating traffic via normal settlements arrangements from countries such as Thailand.

5.14 Importantly though, in pressing for further liberalisation, the Australian Government needs to ensure its own regulatory regime is not at risk of challenge. Unfortunately, at present, the domestic regulatory regime is open to challenge on a number of fronts.

The Australian Government's domestic regulatory regime is at risk of a WTO challenge

5.15 If the Australian Government is to promote the further liberalisation of telecommunications markets around the world through the WTO forum, it is essential that its domestic arrangements are beyond reproach.

5.16 However, the Australian domestic regulatory regime is open to challenge under WTO provisions on a number of fronts.

Table 3: Australian contravention of WTO

WTO provision	Australian treatment
Interconnection to be provided on non-discriminatory terms when compared to the incumbent's retail arm	This is not the case in Australia. Telstra is attempting to charge independent competitors at four times the price it sells to its retail arm.
Interconnection at cost	Australia is only slowly moving towards this goal.
Unbundled interconnection	Domestic regulation is yet to deliver appropriate, or any, unbundled elements.

Australian interconnect rates fall outside the European Commission interconnect directive

5.17 As further evidence that Australia risks challenge under the WTO, the Productivity Commission should note that interconnection charges in Australia fall well outside the recommended level of the European Commission.

5.18 In coming to a recommendation regarding the acceptable range for interconnection prices for the following year, the EC takes the best performing country, which at present is the UK with LRIC pricing, as the low end of the range. The EC regards 0.8 ECU/100 per minute to be an acceptable low end range for tandem interconnection. The European Commission allows the high end of the acceptable range (for the following year) to be determined by the third best operator in the EC in the previous year. For tandem exchange interconnection, this rate is double British Telecom's rate at 1.6 ECU/100 per minute from 1 January 1999.

5.19 Thus, for tandem interconnection, the acceptable range EC range from January 1999, expressed in Australian cents per minute using PPP conversions, is 1.1 – 2.2 cents per minute. [5]

5.20 The ACCC draft decision on the Telstra Undertaking said all prices need be at least halved to be acceptable. The ACCC assessed Telstra's Undertaking price at 4.73 cents per minute, and therefore the ACCC decision suggests a future price of 2.36 cents per minute would perhaps be acceptable. However, 2.36 cents Australian per minute for tandem interconnection is **above** the European Commission's **"recommended maximum interconnection charges for the period starting 1 January 1999".**

5.21 Clearly, Cable & Wireless Optus has major concerns if the ACCC is recommending an interconnect price in Australia that is outside the acceptable maximum for European Commission Member countries for 1999. It must be remembered that all Member States in the EC, with the exception of the UK, are still in the transition from FDC to LRIC. For the ACCC to recommend a forward-looking interconnect price outside the EC acceptable range after Australia has ostensibly moved to a form of LRIC pricing, suggests the ACCC has come out with significantly too high price recommendation in its draft decision.

5.22 In summary, Australia has failed to liberalise and reform telecommunications regulation, and is in violation of the WTO provisions, and in danger of being challenged by other WTO members for this failure.

[5] BT's interconnection price is 0.59 ECU/min, which translates to 1.1 cents per minute, using the PPP rate of 0.52 as set out in Table 2.

Appendix A — World Trade Organisation telecommunications provisions

The following is a reference paper on the WTO's website, detailing the definitions and principles of the regulatory framework for telecommunications services. [6]

Scope

The following are definitions and principles on the regulatory framework for the basic telecommunications services.

Definitions

Users mean service consumers and service suppliers.

Essential facilities mean facilities of a public telecommunications transport network or service that:

(a) are exclusively or predominantly provided by a single or limited number of suppliers; and

(b) cannot feasibly be economically or technically substituted in order to provide a service.

A major supplier is a supplier which has the ability to materially affect the terms of participation (having regard to price and supply) in the relevant market for basic telecommunications services as a result of:

(a) control over essential facilities; or

(b) use of its position in the market.

1. Competitive safeguards

1.1 Prevention of anti-competitive practices in telecommunications

Appropriate measures shall be maintained for the purpose of preventing suppliers who, alone or together, are a major supplier from engaging in or continuing anti-competitive practices.

1.2 Safeguards

The anti-competitive practices referred to above shall include in particular:

[6] http://www.wto.org/wto/services/tel23.htm

(a) engaging in anti-competitive cross-subsidisation;

(b) using information obtained from competitors with anti-competitive results; and

(c) not making available to other services suppliers on a timely basis technical information about essential facilities and commercially relevant information which are necessary for them to provide services.

2. Interconnection

2.1 This section applies to linking with suppliers providing public telecommunications transport networks or services in order to allow the users of one supplier to communicate with users of another supplier and to access services provided by another supplier, where specific commitments are undertaken.

2.2 Interconnection to be ensured

Interconnection with a major supplier will be ensured at any technically feasible point in the network. Such interconnection is provided.

(a) under non-discriminatory terms, conditions (including technical standards and specifications) and rates and of a quality no less favourable than that provided for its own like services or for like services of non-affiliated service suppliers or for its subsidiaries or other affiliates;

(b) in a timely fashion, on terms, conditions (including technical standards and specifications) and cost-oriented rates that are transparent, reasonable, having regard to economic feasibility, and sufficiently unbundled so that the supplier need not pay for network components or facilities that it does not require for the service to be provided; and

(c) upon request, at points in addition to the network termination points offered to the majority of users, subject to charges that reflect the cost of construction of necessary additional facilities.

2.3 Public availability of the procedures for interconnection negotiations

The procedures applicable for interconnection to a major supplier will be made publicly available.

2.4 Transparency of interconnection arrangements

It is ensured that a major supplier will make publicly available either its interconnection agreements or a reference interconnection offer.

2.5 Interconnection: dispute settlement

A service supplier requesting interconnection with a major supplier will have recourse, either:

(a) at any time or

(b) after a reasonable period of time which has been made publicly known to an independent domestic body, which may be a regulatory body as referred to in paragraph 5 below, to resolve disputes regarding appropriate terms, conditions and rates for interconnection within a reasonable period of time, to the extent that these have not been established previously.

3. Universal service

Any Member has the right to define the kind of universal service obligation it wishes to maintain. Such obligations will not be regarded as anti-competitive per se, provided they are administered in a transparent, non-discriminatory and competitively neutral manner and are not more burdensome than necessary for the kind of universal service defined by the Member.

4. Public availability of licensing criteria

Where a licence is required, the following will be made publicly available:

(a) all the licensing criteria and the period of time normally required to reach a decision concerning an application for a licence and

(b) the terms and conditions of individual licences.

The reasons for the denial of a licence will be made known to the applicant upon request.

5. Independent regulators

The regulatory body is separate from, and not accountable to, any supplier of basic telecommunications services. The decisions of and the procedures used by regulators shall be impartial with respect to all market participants.

6. Allocation and use of scarce resources

Any procedures for the allocation and use of scarce resources, including frequencies, numbers and rights of way, will be carried out in an objective, timely, transparent and non-discriminatory manner. The current state of allocated frequency bands will be made publicly available, but detailed identification of frequencies allocated for specific government uses is not required.