

19 July 1999

Productivity Commission
PO Box 80
BELCONNEN ACT 2616

(Attention Ms Margaret Di Michiel)

Dear Sirs

RESPONSE TO THE PRODUCTIVITY COMMISSION POSITION PAPER
International Telecommunications Market Regulation

On 16 June the Productivity Commission (the Commission) released a position paper for its inquiry into International Telecommunications Market Regulation. Interested parties were requested to comment on the Commission's analysis and preliminary options. This submission provides written comments from AAPT.

General

AAPT supports the Commission's analysis of the international telecommunications market and the identification of issues for comment. In particular, AAPT strongly supports the Commission's comments on interconnection, the cost of leasing international lines, and the restrictions on purchasing cable capacity. Of these three matters, AAPT believes the need for cost based interconnection prices is the most pressing and further comments on this matter are set out below.

AAPT also supports the options for change set out in chapter 6.

Interconnection

In section 6.3 the Commission summarises the relevant points regarding interconnection with domestic fixed line networks. AAPT strongly supports the following points..

- interconnection is assuming more importance in the total cost equation, and thus the relative, inefficiencies from incorrect interconnection pricing are increasing;
- an excessively high interconnection price will most likely encourage inefficient investment; and
- there should be relatively little recovery of unallocable overhead\$ from interconnection charges for international PSTN traffic, as it is likely to be more efficient to recover most of these costs elsewhere.

AAPT believes that this last point also applies to national long-distance PSTN traffic.

The Commission also comments upon the need to separately consider mobile networks from fixed networks, and proposes the complete separation from the accounting rate system of international traffic originating or terminating on mobile networks (leaving payments for that traffic entirely to commercial negotiation). While generally supporting this proposition, AAPT believes that the points highlighted above in respect of fixed networks must also apply to mobile networks. Therefore, before any concerted effort is directed at international settlements for mobile traffic, it is important to ensure that mobile interconnection charges in Australia are cost based.

While noting that the ACCC has not commented upon whether the charges included in Telstra's GSM Undertaking are in accordance with cost based pricing, AAPT is strongly of the view that the current interconnection charges of all three mobile carriers in Australia are significantly above cost. AAPT would therefore urge the Commission to provide further comments on mobile interconnection charges in its report to Government stressing the benefits of cost based interconnection for these networks.

Other

In section 5.1 the Commission comments on the prospect for developing broad orders of magnitude of the benefits of reform. While generally supporting the Commission's proposal, AAPT believes that identification of key issues and the options for reform, including achievement of those reforms, must remain as a priority to any measurement activity.

Should you wish to discuss any aspect of this submission please call Mr Neil Tuckwell on (03) 9882 0355.

Yours sincerely

Brian Perkins