

Unleashing the locals

When AAPT joined the local call price war on 20 November by offering 15 cent untimed local calls, they were inundated with subscriber requests. The price war continues to rage, carrying with it a high consumer uptake.

On July 22, 1999 the ACCC decided to "declare" local call and local interconnection services. This decision is the key to the recent round of local call price discounting.

Declaration means that Telstra and anyone else supplying such services must supply them to anyone who requests them. It also enables service providers to connect their own networks to the existing infrastructure for the delivery of new services and reduces the need to fully duplicate networks. Further, the terms and conditions of that supply can be determined by regulatory processes, not just by commercial negotiation.

A declaration can be made after the ACCC is satisfied that "the long-term interests of end-users" will be served. By "declaring the local loop", the ACCC has put significant additional tools in the hands of those telecommunications companies who have been struggling to buy wholesale access to Telstra's services at prices they feel will allow them to earn a reasonable return from selling local calls themselves.

It was the last of several key regulatory changes which have helped to open up the local call market in Australia:

i) The 1991 legislative changes allowed companies other than Telstra (initially only Optus) to build infrastructure. Optus rolled out its Hybrid Fibre Co-Axial Cable (HFC) network in some metropolitan areas, and began offering 20 cent local calls to customers connected to it in 1995. But relatively few customers signed up. Although Optus and other players were able to offer local calls after 1991 using Telstra's infrastructure, they couldn't cut interconnection deals with Telstra that made it commercially worthwhile;

ii) In 1997, a revised interconnection regime gave "access-seekers" new mechanisms to gain access to Telstra's and other carriers' networks. However, the new Act emphasised commercial negotiation, not regulatory intervention, as the way to determine prices. Some service providers reached agreement with Telstra, and began offering local call services, but none were happy with Telstra's wholesale prices.

iii) It's taken two years for the ultimate regulatory intervention, "declaration" by the ACCC, to be implemented in the crucial local call market. The ACCC has also made important decisions about the basis on which it will assess wholesale prices in other areas (eg. "originating and terminating access", which particularly affects long distance and international prices), which will be relevant to arbitrations affecting local call prices. On the basis of the sharp reductions in wholesale prices required by the ACCC in these other areas, service providers are

feeling confident they will be able to pay much less to Telstra for local call services, and thus make money from offering local calls, even at prices well below the 25 cents maximum which Telstra can charge.

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Announcing the declaration of services, ACCC Chairman Professor Allan Fels said that without this decision, it is unlikely that a wide range of retail services would have been able to be provided by Telstra's competitors on a reasonable commercial basis. This was not just an issue of price - competitors would also be overly dependent on Telstra's choice of technologies, platforms, service processes and timing.

So far, only the billing has changed: Telstra is selling capacity on its network to its competitors. By mid-2000 some service providers will have their own network infrastructure in place, ie cable connecting the Telstra exchange to their own.

Telstra says the wholesale price of a local call is "commercially confidential" and is determined case-by-case. According to John Matic, Group Director of AAPT, the current wholesale price is somewhere between 15 and 25 cents. He said the sustainability of cut price local calls hinges on the packaging of local calls with international calls. There is speculation amongst some service providers that pressure will be put on Telstra by the ACCC to drop the wholesale rates again next year.

Telstra has not joined the price war so far. Telstra spokesman Michael Herskop refused to disclose whether a consumer shift had been monitored by Telstra following the onslaught by its competitors. He said that Telstra's prices were driven by its own customers responses and not its competitors.

Jock Given and Chris Conlon

New code to support customer transfers

A telecommunications industry code of practice on Commercial Churn has been registered on December 8 by the Australian Communications Authority (ACA) under section 137 of the Telecommunications Act 1997, setting out the operational arrangements between carriers and service providers for transferring a customer's account for fixed telecommunications services from one supplier to another.