

**Charges for Interconnection between
Public Mobile Radiotelephone Services (PMRS),
Personal Communications Services (PCS) and
Value Added Services (VAS) and the
Public Switched Telephone Network (PSTN)
operated by Pacific Century CyberWorks HKT**

**Statement of
the Telecommunications Authority of Hong Kong**

25 October 2000

Background

The Office of the Telecommunications Authority (OFTA) has completed a review on the interconnection charges applicable to Public Mobile Radiotelephone Services (PMRS), Personal Communications Services (PCS) and Value Added Services (VAS) for interconnection between the services and the Public Switched Telephone Network (PSTN) of Pacific Century CyberWorks HKT (operated by the company which until the issue of this Statement is still officially known as Cable & Wireless HKT Telephone Limited) (HKTC) based on data reported in accordance with HKTC's Accounting Manual. The review was based on the methodology set out in the Statement of the Telecommunications Authority (TA) issued on the same date as this Statement (25 October 2000) entitled "Review of Methodologies for the Calculation of Interconnection Charges for Value-added Services and Public Mobile Radiotelephone Services and Local Access Charges". The findings of the review indicated that due to increases in HKTC's productivity, the rapid growth of PMRS/PCS and VAS traffic and the continued increase of the average duration per call of VAS and PMRS/PCS traffic, the traffic dependent costs of HKTC to provide the interconnect services have reduced. However the traffic independent cost per line for providing the interconnect lines has remained unchanged as there was only minor increase in the total number of lines in the network to absorb the increased access network costs. The TA has therefore requested HKTC to revise its current traffic dependent costs for the provision of the interconnect services.

Revised Interconnect Charges

2. HKTC has submitted a proposal to the TA proposing to revise the charges of interconnect services to PMRS/PCS and VAS as follows:

For an interconnect line between PMRS/PCS and PSTN

- \$79 per line per month plus a usage charge of 5.1 cents per minute of line occupancy
(the current charges are \$79 per line per month and 5.9 cents per minute for usage)

For an interconnect line between VAS and PSTN

- \$79 per line per month plus a usage charge of 2.3 cents per minute of line occupancy
(the current charges are \$79 per line per month and 2.7 cents per minute for usage)

3. The TA considers the proposed charges acceptable as they are in line with the TA's analysis of the costs of HKTC in the provision of such services and the TA has given approval to the revised charges with effect from 1 October 2000.

4. The revised charges only apply to HKTC's published interconnect services. The other three wireline fixed telecommunications network services (FTNS) operators are free to offer their own interconnection arrangements and charges to PMRS/PCS and VAS operators in accordance with their licence conditions.

Traffic Volume

5. During the year 1999/2000, the volume of traffic from PMRS/PCS has increased by 49% in terms of occupancy minutes and 39% in terms of call attempts, compared with the year 1998/99. The volume of traffic from VAS has increased by 174% in terms of occupancy minutes and a drop of 6% in terms of call attempts from 1998/99 to 1999/2000. As the overall PMRS/PCS and VAS traffic in 1999/2000 constituted about 43% of the total network traffic, the increases of PMRS/PCS and VAS traffic have more than offset the decrease

in other network traffic resulting in the total network traffic increased by 16% in terms of occupancy minutes and 13% in the total number of call attempts. The number of call minutes per call attempt for VAS has increased to 19 from nine in the last review.

Reasons for Different Charges for PMRS/PCS and VAS

6. In the detailed analysis of HKTC's costs conducted by the TA, the TA has concluded that it is reasonable to continue with the different levels of charge to PMRS/PCS and VAS interconnection which reflect the actual costs of provision of the two different interconnection services. It was confirmed that the traffic of PMRS consisted mainly of voice calls of short duration compared with traffic mainly of relatively lengthy data transmission in VAS messages. The average call duration of VAS traffic was observed to be longer reflecting the wider use of Internet services. Thus, the cost of conveying VAS traffic over the network is lower because of the smaller number of call attempts per occupancy minute generated.

Future Review

7. As the markets on PMRS/PCS and VAS are both developing at a very rapid pace and technology is also advancing quickly, the TA has issued a consultation paper in February 2000 to solicit views from the industry on the review of methodology for calculating the interconnection charges. A TA Statement entitled "Review of Methodologies for the Calculation of Interconnection Charges for Value-added Services and Public Mobile Radiotelephone Services and Local Access Charges" has been published today and can be downloaded from the website of the Office of the Telecommunications Authority (OFTA) at <http://www.ofta.gov.hk>. In the Statement, the TA has decided that a transit charge for PMRS/PCS traffic should be included in the calculation methodology. In view of the fact that it would take time to modify the existing cost allocation model in order to work out the level of the transit charge, and taking into consideration the fact that there are already commercial agreements between PMRS/PCS operators and HKTC on charges for these calls, the TA would not determine a transit charge for PMRS/PCS calls this year and would defer such determination to the next review in 2001. Meanwhile, HKTC would be asked to provide the necessary data related to transit traffic and OFTA and HKTC would review the parameters in the current model.

Office of the Telecommunications Authority
25 October 2000