

**Charge 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 PCCW-HKT Telephone Limited**

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

29 September 2001

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 PCCW-HKT Telephone Limited (PCCW-HKTC) based on data reported in accordance with PCCW-HKTC's Accounting Manual. The review was based on the methodology set out in the Statement of the Telecommunications Authority (TA) issued on 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". As explained in paragraphs 15 and 16 of the Statement, a separate transit charge for PMRS/PCS traffic is calculated for the provision of transit services under the tariffs for interconnection services of PCCW-HKTC in the current review.

2. The findings of the review indicated that due to the continued growth of PMRS/PCS and VAS traffic and the general increase of the average duration per call of VAS and PMRS/PCS traffic, the traffic dependent costs of PCCW-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 total number of lines in the network to absorb the increased overhead costs. The TA has therefore asked PCCW-HKTC to revise its current traffic dependent interconnection charges. Furthermore, since the transit services consume less network resources than originating or terminating services, PCCW-HKTC has been asked to introduce a new charge for PMRS/PCS transit traffic which is lower than that for PMRS/PCS non-transit traffic.

Revised Interconnect Charges and New PMRS/PCS Transit Charge

3. PCCW-HKTC has submitted a proposal to the TA proposing to revise the charges of interconnect services to PMRS/PCS and VAS and introduce a PMRS/PCS transit charge as follows:

For an interconnect line between PMRS/PCS and PSTN

- \$79 per line per month plus a usage charge of 4.8 cents per minute of line occupancy for non-transit services and 1.3 cents for transit services
(the current charges are \$79 per line per month and 5.1 cents per minute for usage)

For an interconnect line between VAS and PSTN

- \$79 per line per month plus a usage charge of 2.0 cents per minute of line occupancy
(the current charges are \$79 per line per month and 2.3 cents per minute for usage)

4. The TA considers the proposed charges acceptable as they are in line with the TA's analysis of the costs of PCCW-HKTC in the provision of such services and the TA has given approval to the revised charges and new transit charge with effect from 1 October 2001.

5. The revised charges and new transit charge only apply to PCCW-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

6. During the year 2000/2001, the volume of traffic from PMRS/PCS including transit traffic has increased by 24% in terms of occupancy minutes and 11% in terms of call attempts, compared with the year 1999/2000. The volume of traffic from VAS has increased by 12% in terms of occupancy minutes and 5% in terms of

call attempts from 1999/2000 to 2000/2001. As the overall PMRS/PCS and VAS traffic in 2000/2001 constituted about 44% of the total network traffic, the increases of PMRS/PCS and VAS traffic have partly offset the decrease in other network traffic resulting in the total network traffic increased by 15% in terms of occupancy minutes and 2% in the total number of call attempts. The number of call minutes per call attempt for VAS has slightly increased to 20 from 19 in this review.

Reasons for Different Charges for PMRS/PCS and VAS

7. In the detailed analysis of PCCW-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.

Office of the Telecommunications Authority
29 September 2001