

**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**

**30 September 2002**

**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".

2. The findings of the review indicated that both the number of lines and traffic of the PSTN network of PCCW-HKTC were decreasing. There was notable reduction in VAS traffic as much Internet dial-up traffic has been switching to broadband. Though there was a slight reduction in the overall operating costs of PCCW-HKTC, the average cost per line and per minute were not correspondingly reduced because of the decrease in traffic and number of lines.

3. The switching of the large volume users of Internet dial-up services has also reduced the average duration per call of VAS. On the other hand, the average duration per call of PMRS/PCS has increased, hence the cost of the call attempt component per minute for PMRS/PCS was reduced.

4. In view of the findings, the TA has asked PCCW-HKTC to maintain the interconnection charge between VAS and PSTN at 2.0 cents per minute and that

between PMRS/PCS and PSTN for transit services at 1.3 cents per minute. However PCCW-HKTC would revise the interconnection charge between PMRS/PCS and PSTN for non-transit services taking into account the longer duration of calls. PCCW-HKTC would maintain unchanged the monthly rental of an interconnect line despite the higher average operating cost per line.

### **Revised Interconnect Charges**

5. PCCW-HKTC has submitted a proposal to the TA proposing to revise the charge of non-transit interconnect services to PMRS/PCS and maintain the current charge level for transit interconnect services to PMRS/PCS and interconnect services to VAS as follows:

For an interconnect line between PMRS/PCS and PSTN

- \$79 per line per month plus a usage charge of 4.5 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 4.8 cents per minute for usage of non-transit and 1.3 cents for usage of transit services )*

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 2.0 cents per minute for usage)*

6. 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 with effect from 1 October 2002.

7. The charges set down in paragraph 5 only apply to PCCW-HKTC's published interconnect services. The other 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**

8. Compared with the year 2000/01, the volume of traffic from PMRS/PCS including transit traffic has increased by 7% in terms of occupancy minutes and decreased by 4% in terms of call attempts in the year 2001/02. The volume of traffic from VAS has decreased by 41% in terms of occupancy minutes and 28% in terms of call attempts in 2001/02. As the VAS traffic in 2000/01 constituted about 21% of the total network traffic, the decrease in VAS traffic in 2001/02 have offset the mild increase in other network traffic. As a result, total network traffic has decreased by 4% in terms of occupancy minutes and 2% in terms of call attempts. The number of call minutes per call attempt for VAS has decreased from 20 to 16 in this review.

## **Reasons for Different Charges for PMRS/PCS and VAS**

9. 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 longer because the traffic was mainly generated by 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**

**30 September 2002**