

Summary list of discussion questions

Question 1: Do you agree with NICTA staff's proposed conclusion that the relevant market is the national market for wholesale capacity on, and access to, international fibre-optic submarine cables? Please explain the reasons for your answer and support it with evidence where possible.

Answer 1: I agree that the relevant market is the national market for wholesale capacity on, and access to, international fibre optics submarine cables ***strictly on the condition that another Gateway licensee hooks up a new Madang Gateway Switch via PIPE optical fibre in Madang to take up traffic from subcontinent of North and South America including Europe, Asia and Africa.*** Service seekers have a choice between two gateway Operators, Telikom and a competitor (Licensee). The reasons and remarks are as follows;

Reasons

- It is the answer to your query on the high rate of IDD calls inbound to PNG via transiting gateways in Telstra Reach and Telecom New Zealand (TNZ). The reasons being, a good volume of IDD voice traffic of 85% earmarked for PNG from the European and North and South American, Asian and African sub-continent are transiting calls via a no. of gateways prior to transiting through Telstra and TNZ. Furthermore it will also drop the tariffs on originating outgoing IDD calls from PNG gateways.

Remarks

- There are unused capacity on Madang PIPE (and Ela APNG2), NICTA needs to be sensitive to Telikom's needs/plans and in this case to discuss on 1-to-1 with Telikom to gauge their needs for 3-5 years growth and allocation of bandwidth for their need first and immediate needs for current trend of technology IP based and their migration into NGN. I believe Telikom just like any Operators in PNG have plans and are currently into progress in these areas of IP. The rest of the unused capacities Telikom can lease out.
- Backhaul of inbound IDD calls from Madang Gateway Switch may be disburse accordingly to Telikom Gateway in LAE and POM/ELA via domestic Terrestrial Radio and Optical fibre links and or Domsat links.
- The long term solution to cater for growth as well effective and fair competition is for NICTA to promote PNG market potential abroad in the international front and draw investors into the country. A new Gateway facility and landing of another submarine optical fibre preferably between LAE and Singapore to take up the Asian market is a must. This should be implemented within the next 5 years.

Question 2: Do you agree with NICTA staff's proposed conclusion that the market for wholesale capacity on, and access to, international fibre-optic submarine cables is susceptible to en ante competition regulation?

Answer 2: I agree on the condition that NICTA discuss 1-to-1 with Telikom on its plans, works in progress and status of its domestic network infrastructure since 90% of fix line services (voice/data) is offered alone by Telikom with only about 12-15% voice/data penetration to the population of PNG. In light of LNG and other major mine and oil developments within PNG these are new and additional domestic markets requiring competitive services in terms of call rates, service reliability, accessibility and availability.

Remarks

- Any service seekers interested retailing services must be conscious of the commercial and technical aspects that will be involved. In so far as commercial aspects is concern what would be the costs for co-siteing (or infrastructure sharing) of building space, network elements upgrades (power, Switch, radio/optical fibre, MDF/IDF) including software upgrades, Prepaid and Billing aspects. This includes operational costs in terms of maintenance (corrective and preventative) and administrative overheads. Based on these parameters would be determine the call charges and interconnect charges, settlement charges and rentals etc. In terms of technical aspects, the process and procedure in O&M, Network and circuit downtimes (ops-fails) and restorations and callouts including the support maintenance from Equipment suppliers (Vendors) abroad or local.

Question 3: Do you agree with NICTA staff's proposed conclusion that Telikom has a position of significant market power in the market for wholesale capacity on, and access to, international fibre-optic submarine cables? Please explain the reasons for your answer and support it with evidence where possible.

Answer 3: Looking at the current market yes Telikom would be classified as SMP in the market of wholesale capacity on international optical fibre links.

Question 4: Do you agree with NICTA staff's proposed conclusion that Telikom's SMP in the market for wholesale capacity on, and access to, international fibre-optic submarine cables is potentially harmful to the development of effective competition in that market? Please explain the reasons for your answer and support it with evidence where possible.

Answer 4: In the absence of competitors in International access and gateways facilities I agree. In terms of pricing I disagree, I believe Telikom is applying same tariff (call rates) for STD and IDD calls originating from the domestic telephone switch regardless of whether calls are over domestic terrestrial or satellite links. This is considering they pay a hefty amount into satellite transponder rental fees and the call rate is the same for both terrestrial and satellite routing of domestic calls.

Remarks. The way forward is to open up new markets in light of oil and gas boom including mining as per the low penetration of voice/data in the country. Wholesaling and retailing will enable voice/data penetration however the Telikom's domestic core network infrastructure needs to be assessed and upgrade to cater for increase traffic, reliability, redundancy and accessibility. Proper traffic forecasting base on traffic measurement by Telikom on the existing network is a must as well

considering the new markets so the network can be properly dimensioned to cater for wholesaling/retailing. Obsolete technology with respect to network elements needs replacement if Suppliers/Vendors no longer support them. So there needs to be capital re-investment in these areas for both Telikom and “Would-be Service Providers”. NICTA needs to sit 1-to-1 with Telikom first and discuss this also as a matter of Telecom confidentiality.

Question 5: Do you agree with NICTA staff’s proposed definitions of the two candidate services identified for potential declaration? If not, please set out and explain your amendments to alternative definition.

Answer 5: I agree.

Question 6: Is there a need for NICTA to consider the potential declaration of wholesale capacity on national backhaul services? Please explain the reasons for your answer and support it with evidence where possible.

Answer 6: Before NICTA declares wholesale capacity on national backhaul, proper assessment on Telikom’s core network infrastructure must be made first. As well NICTA needs to understand Telikom’s plans, current works in progress and in particular their projection for new bandwidth (capacities) on the PIPE and APNG2 for next 3-5 years. This includes as well spares allocated on the domestic network elements in particular potential POI (Point Of Interconnects).

Question 7: Do you agree with NICTA staff’s proposed conclusion that the declaration of the following two services would satisfy all of the declaration criteria in section 128 of the Act:

- wholesale capacity on, and access to, international fibre-optic submarine cables; and
- wholesale access to international gateway facilities at submarine cable landing stations?

Answer 7: I agree with item 1; wholesale capacity on, and access to, international submarine optical fibre cables. As in answer 1, the potential is to tap into the Madang PIPE cable so as to reduce IDD calls inbound to PNG. NICTA must discuss 1-to-1 with Operator Telikom.

I disagree with item 2; wholesale access to international gateway facility. An earlier declaration without proper discussion with Operator Telikom would be premature considering the detail scopes of works that would involve in hardware expansion to Gateway Switches to cater for POI links, need for building space, power, transmission links/towers. The need for software upgrades on Switches and other network elements must be considered and this where overseas Suppliers/Vendors who have exclusive and proprietorship rights of Equipment software packages and patches comes into play. Also the National Numbering Plan needs to be fully implemented before such. So it can become messy if no proper consultation and time frame is allowed.

Question 8: In the event that either or both of the candidate services are declared by the Minister, what price and/or non-price related terms and conditions do you believe that NICTA should set out in the associated service specific pricing principles? Please support your answer with reasons and evidence where possible.

Answer 8: There are a no. of Service Specific Costing principles which can be considered and adopted. Consider Total Service Long Run Incremental Cost (TSLRIC) as I believe is popular

considering pros and cons and well adopted by Telstra and other Operators and Carriers in Europe and Asia including India. Another very similar is Total Element Long Run Incremental Cost (TELRIC).

Question 9: In the event that either or both of the candidate services are declared by the Minister, what are the factors relating to the ‘technical and operational quality and timing’ of the supply of the candidate services that access seekers would expect to be covered and protected by section 136 of the Act?

Answer 9: Refer to answers and remarks in Answers 1, 2, 6 and 7

Question 10: In the event that either or both of the candidate services are declared by the Minister, is there a need for NICTA to add detail to the requirements of section 136 of the Act (e.g. by way of a guideline)? If so, what should that additional detail address and why?

Answer 10: There would be unavoidable indirect costs incurred by Operator Telikom and must be fairly captured for any tasks as categorized under “Non-discrimination obligation” as defined in Section 136. The issues on administrative and overhead costs relating to POIs must be incorporated in commercial Interconnect Agreement so both parties must agree on cost sharing. These costs are labour costs relating to O&M of links and other Party’s equipment, extraction of billing information (CDRs) and other tasks as requested by other Party. Parts 3(c) and 6 Section 136 requires an addendum to incorporate this matter.

Question 11: Do you agree with NICTA staff’s proposed conclusion that there is a national market for wholesale access to capacity on international communications satellites? Please explain the reasons for your answer and support it with evidence where possible.

Answer 11: I agree, provided that Would-be Service seekers negotiate with international carriers such as Optus, Singtel or Cable & Wireless. As well Gateway facilities would be accessible for routing and backhauling of traffic whether it be Telikom’s or another Operator’s gateway. The advantages here is that remote areas (currently inaccessible) would then be served and a reduction of installation costs not to mention less no. of required network elements also. The disadvantage is high costs for satellite transponder rental however I believe the price is competitive amongst Carriers. The other major costs would be equipment and installation costs at various POIs.

Question 12: Do you agree with NICTA staff’s proposed conclusion that the market for wholesale access to, and capacity on, international communications satellites is not susceptible to en ante competition regulation?

Answer 12: I do agree it is not susceptible due to high costs, however proper analysis in cost-based pricing and proper tariff modelling be made to ensure if it is economically viable given that various fix and variable costs from equipment procurement, installation, operation and maintenance would be involved. An investor would need to be comfortable first in this area before making commitment.

Question 13: What are the factors that contribute to the relatively high price of international calls into PNG? What can NICTA do to encourage reduction in those call prices?

Answer 13: It will require another gateway operator to geographically shift accessibility as an alternative international route; in this case hook onto PIPE Madang and backhaul into Telikom's network and gateway switches. This strategy taps directly into the markets in North America with access into the European Markets including Asia, Africa South America and Asia sub-continent. Refer to answer and remarks in Answer 1. As a cheaper alternative NICTA must talk to Telikom to put up this alternative route connecting LAE Gateway however there could be costs implications which may not be attractive to Telikom's benefit.

Question 14: Do you agree with the view of NICTA staff that the domestic termination in PNG of an international inbound call is covered by the existing declarations of the Domestic Mobile Terminating Access Service and the Domestic Fixed Termination Access Service? Please explain the reasons for your answer.

Answer 14: No. Telikom including our Mobile Operators (Digicel and BeMobile) do not have control over call rates (tariffs) on IDD inbound call terminating in PNG. These are set on the originating Gateway switch abroad in that country where call originates. Even for PNGs case Telstra and TNZ don't introduce any added tariffs since these are transiting calls bound for other destination in this case PNG. Therefore PNG inbound IDD calls are not covered under both Domestic Mobile Terminating Access Service and the Domestic Fixed Termination Access Service. Tariffs or call rates are set at Originating exchanges (switches) where call originates.

By: Wully Ronald