

24 March 2003

The Telecommunications Commissioner
The Commerce Commission
P O Box 2351
Wellington

Attention : Douglas Webb

Dear Sir,

RE: TSLRIC and Interconnect Pricing Methodology

WorldxChange did not provide an earlier submission on this subject due to timing and resource issues. At this time, we intend to provide only a very basic submission covering our generic position and look forward to the proposed TSLRIC workshop whereby industry views will be shared, etc.

We believe that the industry should not be forced to fund any part of Telecom's KSO liability via a TSO and also believe that Telecom's KSO obligation should be abolished altogether, thereby creating a free-market environment.

We support the Commission's view that local, toll-bypass, toll-free and cellular-to-land calls all be based upon forward-looking costs.

We believe that a hybrid Bill & Keep methodology with the agreed Telstra-Telecom 30% out of balance figure (whereby forward looking costs would apply to the out of balance minutes only) is appropriate. We support callsinks being excluded from any hybrid bill & keep calculations related to thresholds etc.

The issue of toll-bypass calls being treated differently to local calls needs to be resolved. With the recent interconnect determination expanding the traditional local calling area to now cover multiple calling areas, the issue of toll-bypass versus local has been further complicated. Historically, a call from Auckland to Pukekohe was regarded as a toll-bypass (National Transport) call and yet it is now regarded as a local call (assuming an Auckland POI). Yet a call from Auckland to the Bombay Hills was historically, and still is, a toll-bypass call. The existence of the present Local Interconnect Calling Areas is due to the historical Telecom free calling areas and is not necessarily based upon a rational and efficient use of the existing PSTN and associated network infrastructure. We believe that these historical geographical areas are out of date and could be changed to provide for more efficient technical and commercial interconnects.

We agree with all of the conclusions in Network Strategies modelling paper. In particular, we agree that the TSLRIC methodology needs to be finalised prior to any actual modeling of the costs being undertaken. Therefore the actual individual KSO/TSO liabilities that each of the liable persons are facing cannot be ascertained until both the methodology and the modeling is completed.

Given that it is now the end of March 2003, we are anticipating that each of our retrospective contingent liabilities will now carry over to a third Telecom financial year before an actual figure is calculated, thereby creating further uncertainty as to our contingent liability. In fact, Telecom and WorldxChange have been unable to negotiate a new Interconnect Agreement because neither side is in a position to quantify our respective ongoing costs.

TSLRIC and the associated data modelling presents a significant challenge to the Commission and to the industry as a whole because of the medium-long term ramifications associated with any decisions. As a named liable person under the Act, we are obviously concerned that the Commission's interpretations related to TSLRIC can have wide-ranging effects on the past and future operating costs of our business. We therefore look forward to the public workshop and the subsequent determination to create a fair and more even costing structure within our industry.

Yours faithfully,

Paul Clarkin
Director, Operations & Carrier
WorldxChange Communications Limited