

**COMMUNICATIONS
ALLIANCE LTD**



**ACMA CONSULTATION PAPER
PROPOSAL TO ADJUST NUMBERING CHARGES
COMMUNICATIONS ALLIANCE SUBMISSION
MAY 2015**

TABLE OF CONTENTS

INTRODUCTION	2
SECTION 1 – INAPPROPRIATE COMPARISON OF CURRENT AND FUTURE PRACTICES	3
SECTION 2 – INCOMPLETE COST METHODOLOGY	4
SECTION 3 – FUTURE UNCERTAINTY	4
SECTION 4 – FLAT CHARGE METHODOLOGY	4
SECTION 5 – CSP REGISTRATION CHARGE	5
SECTION 6 – ADMINISTRATIVE CHANGES TO PROVIDER DETAILS	5
SECTION 7 – SMARTNUMBERS	5
SECTION 8 – CONCLUSIONS	5

INTRODUCTION

Communications Alliance welcomes the opportunity to provide this submission in response to the ACMA consultation paper *Proposal To Adjust Numbering Charges*.

About Communications Alliance

Communications Alliance is the primary telecommunications industry body in Australia. Its membership is drawn from a wide cross-section of the communications industry, including carriers, carriage and internet service providers, content providers, equipment vendors, IT companies, consultants and business groups.

Its vision is to provide a unified voice for the telecommunications industry and to lead it into the next generation of converging networks, technologies and services. The prime mission of Communications Alliance is to promote the growth of the Australian communications industry and the protection of consumer interests by fostering the highest standards of business ethics and behaviour through industry self-governance. For more details about Communications Alliance, see <http://www.commsalliance.com.au>.

SECTION 1 – INAPPROPRIATE COMPARISON OF CURRENT AND FUTURE PRACTICES

In formulating the new fees for the allocations of numbers, the ACMA consultation paper states the services to be offered by ZOAK Solutions for Freephone and Local Rate Numbers (FLRN) will be the same as those offered by INMS under its delegation. To quote from the paper:

"Under these new arrangements, ZOAK will provide the services that the ACMA and its current delegate (Industry Number Management Services Ltd (INMS)) currently provide, but at a reduced cost to industry. The ACMA will be able to decommission two legacy systems which require significant manual processing when the ZOAK system commences.

The proposed charge (a flat charge of \$19.50 per transaction, except for smartnumbers) is significantly lower than the charges that currently apply to number transactions managed by the ACMA. "

In consideration of any cost benefit to the industry the ACMA should have considered the broader cost impacts that would arise in a change of outsource provider before awarding the tender.

In making comparison between the previous arrangements and those that will exist under the new arrangements it should be noted that INMS currently provides the following services when it allocates numbers for \$34:

- Number allocation;
- Number activation; and
- Switch updates and confirmation.

ZOAK Solutions will be providing for \$19 the number allocation service only. It is incorrect to state that ZOAK Solutions will be providing the same service as INMS "at a significantly lower charge". The majority of the ACMA estimated transaction volume (i.e. approximately 43,000) will be for FLRN. The number activation and switch updates are essential services that go hand-in-hand with allocation.

The telecommunications industry has a continuing need for the number activation, switch updates and confirmation services. Communications Alliance understands that INMS will continue to offer these services and that they will not be available from ZOAK Solutions. Carriage Service Providers (CSPs) will still incur costs for number activation, switch updates and confirmation services in addition to the numbering charges proposed by the ACMA. Any overall increase in cost is likely to flow through to end users in terms of increased charges.

Hence, it is not appropriate to do a direct price comparison. The expected cost for ongoing INMS functions plus the \$19 ZOAK Solutions fee is expected to exceed \$34, which means that there will be no saving to industry across the majority of transactions i.e. for FLRN.

In addition the comparison of costs must take into account that:

- INMS has had to invest in the order of half a million dollars so that key industry participants could avoid the costs and risks associated with breaking up number allocation and porting processes. This was a direct result of the ACMA decision to move number allocation functions to ZOAK and;
- There will be increased administration overhead costs within industry, as invoices will now need to be processed from both INMS and ACMA/ZOAK.

Consequently there is in fact clear evidence of increased cost to industry across the vast majority of number transactions.

SECTION 2 – INCOMPLETE COST METHODOLOGY

Communications Alliance notes the methodology in the consultation paper for the total amount the ACMA is planning to recover through direct cost recovery and welcomes the ACMA effort to transparently describe its methodology associated with the outsourced supplier arrangements.

Communications Alliance also notes the consultation paper states:

"The ACMA will be able to decommission two legacy systems which require significant manual processing when the ZOAK system commences."

The methodology in the consultation paper appears to omit the savings accruing to the ACMA from the decommissioning of multiple IT systems and associated ACMA resources.

Industry believes that the ACMA should also provide a transparent estimate of these savings and indicate how those savings will be transferred to industry, and ultimately on to end users, either through further reduced annual numbering charges or by a reduction in the Annual Carrier Licence Charge.

The ZOAK Solutions system is supplying allocation services, where cost recovery is consistent with Government policy, and the Smartnumbers enhanced rights of use services, with associated direct Government revenue raising, where the costs should be met from the revenue raised. The ACMA's methodology for assigning ZOAK Solutions costs to each of these separate functions has not been indicated and it is therefore not possible for industry to consider and comment on whether costs have been appropriately assigned.

SECTION 3 – FUTURE UNCERTAINTY

Given the ACMA contract with ZOAK Solutions has a seven year duration it is uncertain what the ACMA expects will be the life cycle for the new numbering system being developed by ZOAK Solutions, and consequently the future charges for numbering allocation.

SECTION 4 – FLAT CHARGE METHODOLOGY

The ACMA consultation paper asks:

"Do you support the flat-charge methodology?

If you consider there is a different methodology that should be used to recover the cost of providing numbering allocation and administration services from 1 August 2015, please provide details of that methodology and why it should be used."

In principle industry supports a simpler system of a flat fee per application. The ACMA states that by ZOAK Solutions automating the application process it has removed the complexity of applications containing multiple number ranges. However out of the annual 43,000 applications only a few hundred transactions contain multiple numbers. The majority of the 43,000 applications are for FLRN numbers and the ACMA proposal is to apply a flat fee per number, not per application. This appears at odds with the ACMA preferred approach.

Short term activities – Withhold, Withhold Extend, Reserve and Reserve Extend – are primarily intended to assist service providers and customers during contract negotiations for the supply of services and associated numbers. Transactions at this level may not lead to revenue for the service provider and may not lead to use of the number with an active service. These short term activities should be at a lower charge than the Allocation charge.

There appears to be no benefit provided to industry by the transition to the ZOAK Solutions system if all the charges are the same. The Flat Charge Methodology ignores the intended business use of short term allocations – effectively making them redundant.

SECTION 5 – CSP REGISTRATION CHARGE

The ACMA consultation paper asks:

“Do you support the proposed charge structure?

If you consider there is a different charge structure that should be used to recover the cost of providing numbering allocation and administration services from 1 August 2015, please provide details of that charge structure and why it should be used.”

Communications Alliance objects in principle to charging a registration fee for new CSPs applying for numbers. The \$19.50 will make no financial difference to cost recovery of the ZOAK Solutions systems and it appears as an unnecessary regulatory requirement. In typical commercial practice, purchasers do not have to pay to establish a commercial arrangement with the supplier of services or goods. This is simply a cost of doing business that the supplier should absorb.

SECTION 6 – ADMINISTRATIVE CHANGES TO PROVIDER DETAILS

From time to time, a CSP may undergo an internal reorganisation resulting in name changes to internal group companies or merger or acquisition by another company. In such cases, for low cost, the CSP should be able to update service provider details for all numbers allocated without charge.

SECTION 7 – SMARTNUMBERS

It has already been acknowledged that the ACMA's Smartnumber auction process has not stimulated any ongoing demand with almost all numbers being sold at the reserve price. Retaining the high reserve prices for Platinum numbers and the complexity of the application process are expected to continue to dampen demand for these numbers. The broader benefits to the community from the use of more easily remembered numbers are not being realised.

SECTION 8 – CONCLUSIONS

Communications Alliance and industry members appreciate the opportunity to have participated in the entire process over the last two years in the ACMA introduction of a new combined number allocation system.

Throughout the process the ACMA has indicated that a new number allocation system that combines the delegated functions of the INMS, Smartnumbers, NUMB, ANC etc. will deliver better features to industry at a lower cost. However there has been little evidence of consideration of the overall costs to industry of number management activities and the effect that changing to another provider would have on industry. There is also no transparency in the overall costs to industry of ACMA management costs that are currently included in the Annual Carrier Licence Charge as these have not been identified.

Based on the proposed flat rate of \$19.50 and once you include for FLRN the total cost of the number activation and switch updates services and other industry costs, the new ZOAK Solutions system does not deliver any cost benefits to industry.

While we understand that the decommissioning of multiple IT systems and associated ACMA resources will deliver additional savings, these have not been covered in this paper. We look forward to the ACMA's clarification of:

- the overall cost savings being passed onto industry once the ZOAK Solutions system is commissioned; and
- the expected reduction in operational costs that will mean a reduction in the Annual Carrier Licence Charge.



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