

PAYPHONE ACCESS CHARGE (PAC)

REGULATORY APPROACH

- 1 IDA allows payphone operators to levy a payphone access charge (PAC), on service providers who wish to access the payphone network, in situations where there is no retail collection by the payphone operators from end-users, e.g., in the case of providing toll-free services via the 1800 access code. Without the PAC, payphone operators will not be able to recover the costs incurred in operating a payphone network, which would otherwise have been recovered from end-users. By allowing the PAC, it will provide the correct economic incentive for payphone operators to allow toll-free service providers to provide services over their payphones, thus allowing greater choice of services to end-users.
- 2 While IDA has allowed the imposition of PAC on service providers for toll-free services, these services must remain toll-free to end-users, i.e., end-users are not required to pay any toll charges for accessing a toll-free service via the payphone.
- 3 In determining any PAC, IDA will adopt the following principles:
 - (a) the PAC will be determined based on the cost of accessing the payphone network following the principle of cost causality. This means that the costs of the payphone network infrastructure¹ should be proportionately shared amongst the different types of calls/services made over the payphones and be recovered accordingly; and
 - (b) the costing principles of forward looking economic costs (FLEC) and long run average incremental costs (LRAIC) will be adopted to reflect pricing at the economically efficient level, which would allow new operators to compete on equal footing.
- 4 IDA has adopted the above regulatory approach in the assessment and audit of SingTel's PAC.

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¹ Examples of network costs include repair and maintenance, space rental, line rental.