

GRN user pricing policy

Version: 1.1 Issued: August 2013

(Document no. DP1127)

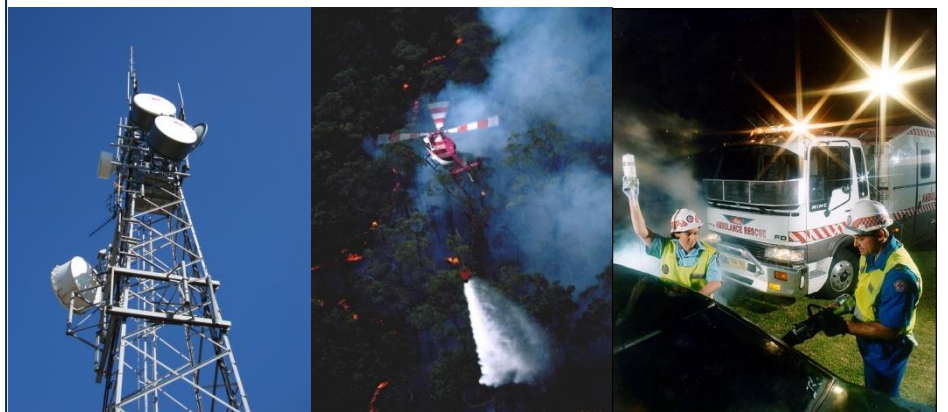


Table of contents

1	Policy statement	1
	1.1 Objectives	1
	1.2 Scope	1
2	GRN funding model	1
	2.1 Background	1
	2.2 IPART pricing model	2
	2.2.1 Revenue requirements	2
	2.2.2 Revenue contribution	3
3	Non-core users	3
	3.1 Network usage charges	3
	3.2 Capital contribution	4
4	Core users	4
	4.1 Network usage charges	4
5	Telephone interconnection	5
6	Abbreviations used in this document	5
7	Document control	6
	7.1 Document approval	6
	7.2 Document version control	6
	7.3 Related policies and documents	6
	7.4 Review date	6

1 Policy statement

1.1 Objectives

The key objective of this policy is:

- To provide a pricing structure for those using the Government Radio Network (GRN) that is consistent with the pricing principles outlined in the Independent Pricing and Regulatory Tribunal's recommendations that have been adopted by the NSW Government.

1.2 Scope

This policy applies to all users of the network including:

- core users (emergency service agencies),
- non-core users (non-emergency services government agencies, state owned corporations and other users), and
- the Telco Authority.

2 GRN funding model

2.1 Background

The Government Radio Network (GRN) is operated by the NSW Telco Authority (TA), and is designed to provide mission critical standards of radio communication to NSW law enforcement, public safety and emergency service agencies. In accordance with Government policy, the TA is required to operate the GRN on a full cost recovery funding model.

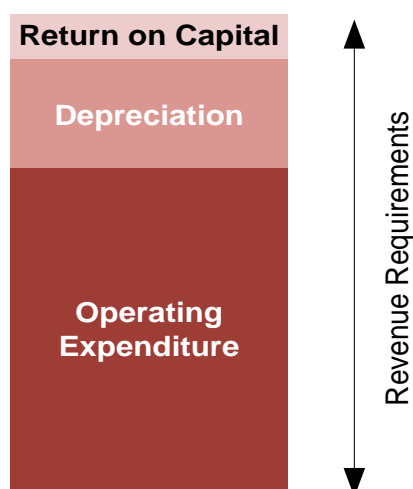
In 2011 the Independent Pricing and Regulatory Tribunal (IPART) was commissioned to examine the pricing for the GRN through an open consultative process. The Tribunal set out a series of pricing principles that were simple, equitable and provided for full cost recovery. The Tribunal's recommendations on pricing were later endorsed by the NSW Government with the new pricing framework implemented from January 2012.

2.2 IPART pricing model

IPART provided its recommendations to the Minister for Finance and Services in late 2011. IPART recommended a pricing approach that acknowledges the requirements of current 'core' network users (Fire and Rescue NSW, the NSW Rural Fire Service, the NSW State Emergency Service, and the Ambulance Service of NSW) which drive the design, coverage and capacity of the network, and seeks to align these requirements with the cost base of the network. It was recommended that core users pay a flat rate that is based on their impact on network costs and unrelated to their handset numbers on the network

A commercially-comparable cost per terminal per month had been recommended for all other 'non-core' users. For the 2011/2012 financial year, IPART assessed that a rate of \$50 per terminal per month would be a commercially comparable rate for non-core users. This rate was based on a comparison of the services provided by the GRN and a commercially operated network taking into consideration any service differences and the unique qualities of each. The Government has also determined that Consumer Price Index adjustments to the per terminal charge will be applied from 1 July each year.

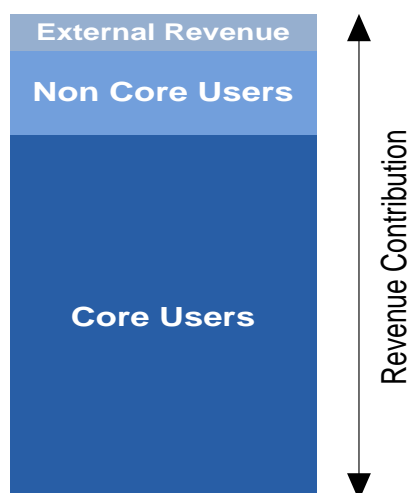
2.2.1 Revenue requirements



The revenue streams available to the TA under the cost recovery funding model include:

- **Operational expenditure** – The costs for efficiently operating and maintaining the existing network including staffing, linking, the network management contract, site occupancy costs, etc,
- **Return of capital (depreciation)** – Annual amortisation of network assets, or repayment of the principal component of debt funded capital, and
- **Return on capital** – A return to cover the repayment of the interest component of debt funded capital or provide additional funds to be invested in the network.

2.2.2 Revenue contribution



Revenue to cover the cost of the GRN is to be recovered from three sources:

- **non-core users:** a terminal based tariff where the rates are broadly equivalent to what users would pay to benefit from a largely equivalent commercial service,
- **core users:** after deducting the external and non-core user revenue, the balance of the revenue requirement is then divided between the core users based on their impact percentage on the GRN, and
- **external revenue:** incidental revenue sourced from third parties related to the GRN for items such as management fees and site rentals and fees paid by the Australian Capital Territory Emergency Services Agency under a separate arrangement.

3 Non-core users

3.1 Network usage charges

The way charges are applied by the TA to a particular user is determined by whether it is defined as 'core' or 'non-core'. With the exception of those organisations specifically defined as a 'core' user in section 4 of this policy or the Australian Capital Territory Emergency Services Agency which receives services under a separate arrangement, all other users are considered to be non-core. This includes non-emergency services government agencies, state owned corporations and a range of smaller organisations and bodies.

Non-core users will be charged a fee to access and use the GRN on a commercially comparable basis. The tariff to be applied is based on the number of 'registered handsets' the user has.

The tariff will be subject to review at intervals for comparison back to market to ensure that it remains commercially comparable.

A 'registered handset' refers to a handset terminal that has been connected to the GRN and is programmed and enabled to communicate across the network.

The following network usage charges apply to non-core users of the GRN:

Billing frequency: Monthly in arrears

Tariff: \$52.80 (excluding GST) per registered radio per month or part thereof

Connection fee: \$25.00 (excluding GST)

Disconnection fee: \$25.00 (excluding GST)

Indexation and review: Tariffs and fees are subject to annual CPI increase on the 1st July each year. The tariff will also be subject to periodic review to ensure it remains commercially comparable.

3.2 Capital contribution

On occasion a non-core user of the GRN may have a specific business need that requires a capital outlay by the TA. This might be the installation of radio equipment to provide extended coverage or the provision of radio repeaters for buildings with weak radio signals.

In circumstances where a non-core user causes the GRN to incur capital costs that will be primarily for its benefit, those capital costs are generally to be met by a capital contribution from the user. The capital contribution is levied independently of the usage charges and does not add to the revenue requirements base.

4 Core users

4.1 Network usage charges

It is acknowledged by the TA that core users of the GRN have operational needs that have a significant impact on the Network's design and dimensions and drive most of its costs. As the needs of these core users are critical to how the GRN is managed, the charges they are required to pay are commensurate with their various requirements.

Current core users of the GRN are:

- Ambulance Service of NSW
- Fire and Rescue NSW
- NSW Rural Fire Service
- NSW State Emergency Service

The core users' impact is reflected as a percentage of the balance of the revenue requirements once the contributions from non-core users are calculated. The percentage attributed to each core user is determined by its direct proportional impact on coverage and capacity based on GRN user data.

The impact percentages and contributions by the core users are determined annually in advance.

The following billing arrangements apply to core users:

Billing amount: Balance of the GRN revenue requirement x Impact Percentage

Billing frequency: Quarterly in advance

Impact percentage: 25% each for the four core users (as at July 2013).

5 Telephone interconnection

The GRN allows for radios to be configured to make telephone calls as an additional premium feature for clients. Using the GRN to make telephone calls requires a large amount of capacity and should be avoided where possible. It is recommended that the telephone interconnection (TI) only be used if making a phone call is essential and there are no other alternative means (such as a landline or mobile phone).

To access this premium feature, non-core users will incur the following fees:

Fixed monthly fee per TI enabled terminal: \$1.00 (excluding GST)

Call rate per minute: \$2.50 (excluding GST)

Billing frequency: Monthly in arrears

TI charges for core users of the GRN are included in their flat rate.

TI fees are subject to adjustment.

6 Abbreviations used in this document

The following abbreviations are used throughout this document:

GRN	Government Radio Network
GRNS	Government Radio Network Services
IPART	Independent Pricing and Regulatory Tribunal
NOCC	Network Operations Command Centre
TA	Telco Authority
TI	Telephone Interconnect

7 Document control

7.1 Document approval

Name & Position	Signature	Date
Shaun Smith Director		
Laurie Glanfield Acting Managing Director		

7.2 Document version control

Version	Status	Date	Prepared by	Comments
1.0	In force	June 2013	Simon Wu	
1.1	In force	August 2013		Minor amendments made to document to reflect that charges are excluding GST.

7.3 Related policies and documents

Issuer	Reference	Document name
IPART		<i>Final Report – Pricing NSW Government Radio Services</i>
Telco Authority	DP1128	<i>Rental Radio Policy (including rental radio pricing)</i>

7.4 Review date

This policy is scheduled to be reviewed in June 2014, however, it may be reviewed earlier in response to post-implementation feedback from users.

Telco Authority
McKell Building
2-24 Rawson Place
Sydney NSW 2000
T: 02 9372 7088
www.telco.nsw.gov.au