The Price Wars and Short Distance Calls

Short distance phone calls (in the 0-75km range) have been spared full exposure to the Optus-Telecom price war.

Telecom's community call charging policy has gone unchallenged by Optus but the status quo is bound to change once Telecom's local call option trial commences.

At the moment, Telecom draws the all-important distinction between local calls and STD calls on the basis of telephone zone boundaries. Calls within the same zone or between adjacent zones are local calls; calls between non-adjacent zones are STD calls. Short distance calls between non-adjacent zones are then classified according to distance, eg. Band A calls (for 25-50kms), Band F calls (50-85kms) and so on.

Suburban sprawl and the pattern of rural settlement have meant that some communities in Australia have found themselves straddling non-adjacent telephone zones. To alleviate the hardship involved in charging Band A and Band F (STD) rates for calls within these communities, Telecom introduced 'community' and 'pastoral' calls for a large number of non-adjacent zones. These calls represent a special pricing regime for what would otherwise be billed as simple STD calls.

Optus, by contrast, has chosen the distance between the origin and the destination of a call to be the significant relativity in its pricing strategy for short distance calls. Optus distinguishes strictly between local calls (calls within the same zone or between two adjacent zones), and non-local calls. Non-local calls are classified into distance bands, eg. Band 1 calls (0-50kms) and Band 2 calls (50-100kms). Optus's pricing strategy does not recognise any intermediate category of community or pastoral calls.

The structural differences between the Optus and Telecom pricing regimes provide some interesting results for consumers. Calls classified as community calls by Telecom are cheaper during peak-times (8am to 6pm weekdays) and after 10pm with Telecom, but cheaper with Optus between 6pm and 10pm on weekday evenings. Of course, Flexiplan considerations may alter this result. It is fair to say that exercising a choice between carriers on this basis probably strains the calculating capacity of the consumer-as-rational-actor.

In the table below, prices for non-local calls which fall into Telecom's Band A (25-50kms) or Optus's Band 1 (0-50kms) are compared to calls classified as community calls by Telecom.

But all this might change once more is known about Telecom's 'local call option'. In an attempt to move away from the unwieldy definition of local calls (adjacent versus non-adjacent zones), meet persistent consumer demands, and to get an upper hand on Optus in the price war, Telecom is proposing to charge a flat fee of 35 cents for calls within the 0-75kms range. If approved by AUSTEL, the trial will probably commence in limited areas in September 1993. Should this become Telecom's new approach to short distance calls, it will be interesting to speculate about the future of Telecom's community call category and the nature of Optus's response.

The constant change in basic time and geographical zoning has had a disorienting effect on the consumer's calculation of advantage. The consumer's overview of the product and its value may well be significantly diminished, if not lost. ❑

Christos Mantziaris

Carrier Charges for Five-Minute Short-distance Calls on Weekdays:

Time of Day	Optus Band 1 (0-50km)	Telecom Band A (25-50km)	Telecom Community Call
8am-6pm Weekdays	$0.61	$0.78	$0.50
6pm-10pm Weekdays	$0.46	$0.56	$0.50
10pm-7am Weekdays	$0.46	$0.40	$0.40