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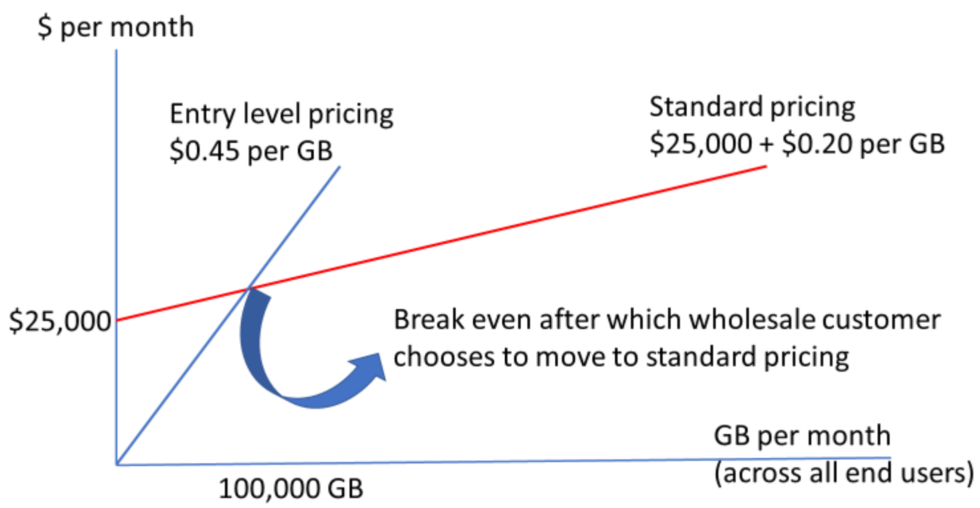
PRICING IN ABUNDANCE

Pacific islands rightly expect big things of the big cables landing on their shores. But the abundance of capacity that comes with an international submarine cable is only a necessary but not a sufficient condition for accelerated social and economic development.

Bandwidth pricing divides up the fixed bandwidth of an international transmission pipe in defined fractions. Each buyer is guaranteed a throughput speed (bits per second).

Instead of charging for bits per second (throughput or bandwidth), traffic pricing charges for bytes (traffic). It is simple - just a fixed price per month plus x cents per Gigabyte (GB).

Bandwidth pricing	**Traffic pricing**
Buy enough capacity for peak demand	Pay only for what you use
Complex wholesale purchasing and billing	Wholesale purchase and billing simple
Profitability depends upon utilisation	Every byte is profitable; paid by an end user
Accept congestion to get a low price point	No congestion, bursting encouraged
End user experience degraded with contention	Speed bottleneck moves to the access network
Speed depends on capacity and users	Speeds unconstrained; increases traffic
Capacity increments can be large	No minimum purchase requirement
Large service providers have a cost advantage and may lead to “one desk”	Low entry barriers and level playing field (with entry pricing option – see figure)
Pricing head-to-head with satellite	Satellite finds it harder to compete



The adoption of wholesale traffic pricing will both stimulate demand and enable new retail competition. If the wholesale price structure remains the same, nothing much will change. In particular, it is important to see the level of retail competition enhanced so that the cheaper cost of international connectivity is passed on to end users.