



ACCC MOBILE SERVICES REVIEW

UNWIRED AUSTRALIA PTY LIMITED RESPONSE TO THE COMMISSION'S DRAFT REPORT – MOBILE TERMINATING ACCESS SERVICE

Introduction

Unwired is a new generation telecommunications provider dedicated to delivering broadband internet and voice services over its wireless broadband network. Unwired will provide end to end service, including last mile, which allows us to provide a fully integrated communication service to customers.

The service

Our customer proposition is dependent on providing a unified communication service. Unwired will offer a telephone service which is integrated fully into its internet product. The customer benefits will include:

- Integrated pricing between broadband internet & telephony service;
- Single messagebank: all Email & Voicemail messages will be accessible at one source via either the phone or email inbox;
- Customers can change, update and modify their service through the Unwired Internet Portal;
- Innovative pricing will provide substantial value to customers, for example flat rate pricing across a variety of call types.

The business case

Unwired's business is built on the economics of a fully integrated high speed service delivering both internet & voice services. An enabler of the voice business strategy is that a voice service over broadband is an acceptable alternative to the current PSTN and as such, that a call can be delivered to anyone across a standard telephone, mobile or softphone on a personal computer.

Regulatory impact on the competitive environment

The current regulatory regime creates an environment which, due to the interconnect regime, the cost of delivering an Unwired voice or internet protocol voice call to a mobile network is prohibitive. This creates an unfair competitive position for MNOs who provide network services across PSTN and internet as well. Outlined below are the key issues that create this unfair advantage.

1. Cost Advantage. MNOs can exploit their interconnect advantage to create a cost advantage over competitors in the following ways. MNOs can use the delivery of an integrated communications service including PSTN, internet & mobile networks.



While Unwired and other non-MNOs can create bilateral interconnect with PSTN and internet, MNOs have the ability and incentive to exploit their market power via their mobile interconnect position. They have the ability to artificially inflate the cost base of their competitors (and improve their competitive position) to influence the price that non-MNO service providers can offer to customers.

2. Restricted Pricing Options for non MNOs. End user pricing options available to Unwired are restricted and the cost to end users is forced higher. Ideally, Unwired would offer a fixed rate for all calls, local, STD and fixed to mobile, as a monthly rate. However, high mobile phone interconnect rates create a risk profile which makes a bundle price across these three types of calls a commercially risky proposition. Most non-MNOs will not be able to offer this type of pricing package to customers. This will clearly have a detrimental impact on customers and competition in the market.
3. Timing. It is important that any reduction in fixed-to-mobile interconnect costs is effected quickly. Unwired would expect VoIP-based telephone solutions to become a mainstream product within the year. It has a clear value proposition that provides customers with a simple and cheaper alternative with a quality close to PSTN today. Technically this is possible now, and its success in overseas markets shows that customers in the US and Europe have accepted VoIP as a mainstream alternative. However, an artificially high fixed to mobile interconnect rate will restrict the value proposition to be offered to Australian consumers, and slow the development of competition in the PSTN market as a direct consequence. Both Telstra and Optus have substantial PSTN revenue that will be threatened by new entrants in the telephony market.

Conclusion

Unwired seeks a reduction of the rates to the 16c mark starting immediately, stepping down to 12c by January 2006. This would enable Unwired and other providers of VoIP services to offer customers a better value proposition and compete more equitably with MNOs which also provide internet and voice services. Simultaneously, this would enable the development of a costing model that ensures that the true economic costs of providing the mobile network is reflected in an equitable interconnect rate without causing a 'freeze position' until this model is determined.

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