



Voice Interconnection Services Access Determination Inquiry

Submission to the Australian Competition and Consumer
Commission

3 September 2025

Recommendations

ACCAN supports the ACCC's overall approach to determining the efficient costs of the three voice interconnection services using a cost modelling approach which treats wholesale and retail costs separately, and considers dimensions such as scope and scale of the efficient operator, network technology adopted, and the services to be provided by the efficient network operator. We also support the use of the economic depreciation method in the model.

This submission recommends that the Australian Competition and Consumer Commission:

1. ensure that assumptions on spectrum input costs are modelled consistently with the ACMA's decision on the spectrum licences expiring between 2028 and 2032. It is important that spectrum input costs are not overstated given the views that mobile network operators have expressed in their submissions to the ACMA's Stage 3 consultation on Expiring Spectrum Licences.
2. ensure that mobile network expansion capex assumptions are not overstated, particularly in an environment where mobile network operators are likely to be choosing between investment in terrestrial mobile network and emerging Low Earth Orbit satellite (LEOSat) technologies to achieve expanded coverage.
3. reflect developments related to LEOSat technologies and the government's Universal Outdoor Mobile Obligation in future iterations of the cost model once more information is known.

ACCAN has not provided feedback on the proposed weighted average cost methodology to apply for the voice interconnection services inquiry. We understand that the same methodology is proposed to be applied in relation to the ACCC's consultation on the NBN Co's Replacement Module Application (**RMA**). ACCAN will be responding to the NBN RMA consultation and will set out its comments on the WACC methodology in that submission.

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ACCAN is the peak national consumer organisation advocating trusted, accessible, inclusive, affordable and available communications and digital services.

About this submission

The Australian Communications Consumer Action Network (**ACCAN**) is pleased to provide this submission to the Australian Competition and Consumer Commission (**ACCC**) on Voice interconnection services access determination inquiry – draft report 2025. This submission sets out ACCAN’s views on the ACCC’s approach to determining the pricing of the subject voice interconnection services, and aspects of the cost model developed by Analysys Mason.

1. Introduction

We understand that the ACCC is undertaking a combined public inquiry into voice interconnection services and that the ACCC is taking the opportunity to extend the declarations of the mobile terminating access service and fixed originating access services, specifically the mobile terminating access service, fixed terminating access service and fixed originating access service mobile terminating access service. Section 152BCA of the *Competition and Consumer Act 2010* lists a range of matters that the ACCC must take into account in making an access determination. These include, amongst other things, whether the determination will promote the long-term interests of end users, the legitimate business interests of a carrier or carriage service provider supplying the declared service, the interests of anyone who has rights to use the declared service and the direct costs of providing access to the service.

We agree that the declarations for the provision of voice services remain important notwithstanding that the market has changed significantly since they were originally declared in 1997, and that competition in downstream markets now focuses more on the provision of data services. Regulated pricing certainty in relation to fixed voice services remains important to vulnerable consumers who reside in regional, rural and remote areas where mobile coverage might be weak.

We support the ACCC’s decision to:

- Use a comprehensive cost model, that considers costs based on factors such as the scope and scale of the efficient operator, assumptions about network technology, and assumptions about the services to be provided by the efficient network operator. A common cost estimation approach to all three voice interconnection services would promote consistency in pricing principles and cost allocation methods. ACCAN agrees that this approach is in the long-term interests of end users¹
- Maintain a separated approach for considering wholesale and retail costs.
- Retaining existing non-price terms and conditions promotes the long-term interests of end-users by providing a clear framework for key issues, supporting competition, assisting in dispute resolution, and ensuring fair access arrangements that benefit consumers².

¹ Section 152BCA(1)(a) The Australian Competition and Consumer Act 2010

² Section 152BCA(1)(c) Competition and Consumer Act 2010

ACCAN has not provided feedback on the proposed weighted average cost (WACC) methodology to apply for the voice interconnection services inquiry. We understand that the same methodology is proposed to be applied in relation to the ACCC's consultation on the NBN Co's Replacement Module Application (RMA). ACCAN will be responding to the NBN RMA consultation and will set out its comments on the WACC methodology in that submission.

2. Comments on the cost model

2.1 Overall modelling approach

We support the proposed cost model approach, based on the hypothetical efficient model operator, as this method best represents for more accurate modelling suited to Australian market conditions and unique geographical features, compared to alternatives proposed by some providers such as international benchmarking. This cost-based approach also helps to promote competition in the market, which can help achieve more affordable costs for consumers and encourage efficient investment in infrastructure.

We agree with the inclusion of geotypes in this model based on the Australian Bureau of Statistics (ABS) Remoteness Structure, to reflect varying market shares and differences in mobile infrastructure across the country.

We note that the model excludes consideration of MNO responses to direct-to-device (**D2D**), 6G and the government's plans for Universal Outdoor Mobile Obligation (**UOMO**) services, due to the insufficient information available due to the early stages of the development of this infrastructure. We agree with this rationale for the time being and would support their integration into this model once reliable information becomes available. We also support the inclusion of an "unused" or "spare" assets in specific parts of the model to allow future modelling of Open Radio Access Network (RAN) technologies, once they have reached maturity and become more widely implemented.

ACCAN supports the proposal to calculate depreciation using the economic depreciation method, as this broad approach incorporates operating costs, replacement costs and market changes in demand over the economic life of the assets. The total economic life of an asset is a critical consideration when setting the methodology for establishing retail prices, to establish accurate actual costs to provide services and to ensure the accuracy of regulated prices. Additionally, the inclusion of economic depreciation to both operating and capital expenditure is supported, as this can better reflect forecasted demand.

ACCAN supports excluding anti-scam regulation as a non-price access term and agrees it is more effective and efficient for anti-scam regulation to be developed and regulated separately. As is the case with the upcoming Scams Prevention Framework and anti-scam related changes to the Telecommunications Scams Code, which can more effectively regulate anti-scam measures and enhance consumer protections.

2.2 Spectrum input costs

ACCAN understands that the draft cost model will take account of assumed spectrum bands that are due to expire between 2028 and 2032, in line with the views expressed by the ACMA in its 'Expiring Spectrum Licences (ESL) stage 3 – Consultation paper.

Specifically, for the draft cost model, we understand that the ACCC considers that it would be 'appropriate to use the mid-point of the ACMA's preliminary price range for each band, and conduct sensitivity testing for the upper bound.' (page 32 of the draft report).

ACCAN notes that Telstra, Optus and TPG have all challenged the ACMA's spectrum total valuation range of \$5.0 billion to \$6.2 billion for both the NBN Co and the ESLs under consideration. We note that:

- Telstra has claimed that the ACMA's valuation is overstated by 30% and even after correcting for these methodological errors, there should be a further adjustment of 50% based on expected future declines in global spectrum prices.³
- Optus has noted that mobile network operators are unified in their support for low spectrum pricing. Optus itself proposed that a 50% public interest discount should be applied to the value of the ESL. Optus commissioned a report by Coleago Consulting that indicated that based on the example of spectrum renewal in the USA the ESL renewal price should be zero.⁴
- TPG Telecom proposed that a 50% discount should be applied to the outputs of the ACMA's benchmarking exercise.
- The Australian Mobile Telecommunications Association (AMTA) has also called for a 50% discount on spectrum renewal fees.⁵

The ACMA's consultation on ESLs will not be completed until later this year and spectrum values will not be finalised until this occurs. It remains uncertain where the ACMA will land on spectrum values, however, ACCAN considers that it is appropriate for the ACCC to ensure that the spectrum costs reflected in the cost modelling are consistent with the ACMA's final decision.

2.3 Network expansion assumptions

ACCAN understands that the cost model reflects certain assumptions about the current state of network deployment in Australia, specifically in relation to 4G and 5G coverage levels in 2025 and into the future. We agree that the technology scenarios modelled are reasonable.

We consider that there is need to ensure estimates of the future level of mobile network expansion investment by the efficient operator are not overstated. While satellite technology is excluded from

³ Telstra, Expiring Spectrum Licences, Stage 3 reply to submissions, Public submission, 23 July 2025, page 5

⁴ Coleago Consulting, The ACMA Stage 3 consultation paper reply comments on ACCAN submission, prepared for Optus, 19 July 2025, page 15

⁵ Australian Mobile Telecommunications Association (AMTA). (2025, April 27). [AMTA urges ACMA to temper spectrum licence renewal pricing to support 6G investment](#)

the model, ACCAN notes that satellite-based services are emerging, and many operators are currently aligning themselves to provide these services. It is reasonable to expect that operators would be comparing returns from incremental investment in terrestrial mobile network expansion against satellite services in making investment decisions on mobile coverage expansion at the present time. This is particularly so given the long lead times in building mobile towers, the challenges with expanding the terrestrial mobile network footprint in some regional, rural and remote areas and challenges with achieving ubiquitous coverage.

In considering reasonable levels of future expansion capex for mobile networks, the ACCC should note that the CEO of the Australian Telecommunications Alliance, Luke Coleman, has expressed the view that the industry has reached the limits of mobile infrastructure investment:

*"We have reached the geographic and economic edge of where telcos are willing to invest in terrestrial mobile infrastructure. Now, the business case does not stack up. You've got to the point now where a new mobile tower, which the logistics of building a mobile tower, let's say ballpark, it costs about \$1.3 million. That's the average through the mobile black spot program and what that tower costs to build. But if you are building that for a town that's got 20 people, or it's on a main road where you might have 20 trucks pass through for one or two minutes each day, the business case dries up satellite and the capability of satellite and direct to device connectivity completely, or at least largely solves that problem."*⁶

Mr Coleman [further noted](#) that in 'each subsequent round of the Mobile Black Spot Program (MBSP), the amount of investment that industry is willing to contribute has tapered off to effectively zero'.

ACCAN also notes recent comments by the three mobile network operators about tensions between the price paid to acquire spectrum and investment in mobile networks.

For example, Telstra has noted that:

*"As per our principal submission, we maintain it is essential the ACMA and Government evaluate the potential effects that elevated spectrum prices, spectrum licensing and the payment structure (up-front or instalment payments) may have on the mobile industry's capacity to invest in developments such as 6G and evolution of STM at the end of this decade, and by extension, Australia's future productivity and global competitiveness. Excessive pricing or unfavourable payment terms will impede the industry's ability to make necessary investments which are fundamental to supporting Australia's economic prosperity. Every dollar we spend on spectrum renewal competes directly with network buildout and other capital investments. The competitive dynamics of Australia's mobile market mean lower renewal costs can be expected to flow through to consumer benefit, either through increased network investment or consumer price (or both)."*⁷

⁶ Refer [SIAA Policy and Strategy Forum Panel - Australian Telecommunications Alliance](#)

⁷ Telstra, *Ibid*, page 2.

Optus has similarly noted:

“High spectrum licence fees will reduce the cash available for investments, resulting in delayed upgrades for the network to the latest technologies and consequently reduced improvements in the service.”⁸

ACCAN considers that the ACCC should undertake sensitivity testing to determine the materiality of the effect of varying network investment decisions based on an efficient operator, and on the stated positions of industry stakeholders to the effect that they will undertake no or limited further investments, or constrain their investments inefficiently based on the sunk cost of spectrum.

In ACCAN’s view the commentary from Mr Coleman as representative of the ATA should be given appropriate weight, with no network investment being taken as the baseline assumption of the model.

ACCAN notes that based on industry commentary, the dynamic efficiency implications associated with a conservative assessment of likely network investment will be outweighed by immediate benefits to consumers, including the allocative and technical efficiency benefits derived by assuming no or limited network investment will occur as stated by industry representatives.

In simpler terms – if the position put forward by industry that there will be limited or no investment undertaken in terrestrial infrastructure is taken on face value as a genuine claim – there is no countervailing loss in dynamic efficiency (insofar that efficient investment is discouraged) associated with setting the FAD to reflect the efficient costs of delivering services excluding any potential network investment. Accordingly, in keeping with the legislative framework the terms of the FAD should seek to maximise allocative and technical efficiency, rather than place any material weight on dynamic efficiency in order to promote the long-term interests of end-users.

2.4 Traffic volumes

ACCAN recommends that the model be developed in such a way to ensure it reflects shifts in how calls are being made, specifically between mobile voice calls and calls through over-the-top applications such as WhatsApp, Facetime and Signal. This will ensure that forecast mobile call volumes are not overstated in the model.

3. Conclusion

ACCAN supports the ACCC overall approach to modelling the efficient costs for the three voice interconnection services. As outlined in this submission, our main concerns relate to ensuring spectrum input costs are ascribed an appropriate value and that network expansion capex is not overstated. ACCAN also concurs that there is insufficient information at this time for the model to incorporate costs and services related to emerging technology such as satellite to mobile and 6G, as

⁸ Optus, Submission in response to ACMA Consultation paper, Expiring Spectrum Licences, Stage 3, Reply to Comment, Public version, July 2025, page 5

well as the impact of UOMO. Given the 50-year modelling period covered by the model, there should be opportunity for these to be considered in future iterations of the model.

The Australian Communications Consumer Action Network (ACCAN) is Australia's peak communication consumer organisation. The operation of ACCAN is made possible by funding provided by the Commonwealth of Australia under section 593 of the Telecommunications Act 1997. This funding is recovered from charges on telecommunications carriers. ACCAN is committed to reconciliation that acknowledges Australia's past and values the unique culture and heritage of Aboriginal and Torres Strait Islander peoples.

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