



WHAT YOU NEED TO KNOW ABOUT:

How the ACCC's review of mobile phone regulation affects you

May 2013

The ACCC helps to keep mobile phone services competitive and the prices of mobile calls low by regulating mobile termination. This factsheet will explain what mobile termination is, how regulating it has been important for you in the past, and what the ACCC is doing about mobile termination today.



What is mobile termination?

To use your mobile phone to make calls it must be connected to a mobile phone network. In Australia there are three mobile networks, one operated by Optus, one by Telstra, and one by Vodafone. Which network you are connected to depends on who your mobile service provider is.

When you receive a call on your phone, the person ringing you can either be connected to the same network as you, or a different network. In the first case, the call travels along the same network from the caller to you. The second case, where the person contacting you is using a different network, is what this factsheet is about.

Whenever a friend using a different network calls you, the following steps happen that allow them to connect with you:

1. Your friend's call will be carried from their phone along the network to which they are connected to a point where their network is connected to yours.
2. The call is transferred from their network to the network you are connected to.
3. The call is then carried over your network to your mobile phone. This final step is called mobile termination.

Mobile termination is a wholesale service that one network operator provides another to carry a call on its network. Network operators charge each other for providing mobile termination services (a mobile

termination charge). For example, if your mobile carrier is Optus, and you phone a friend on Vodafone, Vodafone will charge Optus a per minute rate to carry (or terminate) the call on its network.

Why should mobile termination matter to me?

Every time you make a call to someone who is using different mobile network, whether from a home phone or a mobile phone, mobile termination is required. Further, every time you make a call to a different network, your network operator will have to pay a mobile termination charge. Because mobile termination is essential to calling people on other networks, it can affect you as a user of a mobile phone.

A mobile operator is the only one who can offer mobile termination services for customers connected to its network. In this way, a mobile operator has a monopoly over termination on its network. When an operator uses its monopoly position it can lead to problems:

1. Because it has a monopoly, if a mobile operator refuses to provide another network operator with termination services, there are no other ways to connect with that mobile operator's customers. For you, this means that you would not be able to make calls to, or receive calls from, people connected to other networks.

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2. As the mobile operator is the only one who can provide termination services on its network, it could set mobile termination charges at a high level, above what it actually costs to terminate a call. As a consumer, you will not be charged directly for this. However, your provider will try and recover the mobile termination fees they pay, by passing those fees onto you, leading to higher mobile and fixed phone service costs.

What does the ACCC do about mobile termination?

To prevent mobile operators abusing their monopoly over mobile termination on their network, the ACCC has regulated mobile termination in Australia for a number of years. Because the ACCC regulates mobile terminating services:

- mobile operators cannot refuse to provide mobile termination to other network operators, and
- prices, terms and conditions set by the ACCC will apply to mobile termination services if operators cannot agree on what's fair.

So, by regulating mobile termination the ACCC helps to ensure that:

- you can call any mobile phone user in Australia, no matter what network they use, and
- the prices for telecommunication services remain competitive.

Should mobile termination still be regulated?

The last time that the ACCC looked into whether mobile termination should be regulated was in 2009. At this time, the ACCC decided that mobile termination should be regulated for another five years, until 30 June 2014. If the ACCC decides not to continue regulating mobile termination, the current regulation will end in June 2014. The ACCC is required to re-examine whether mobile termination should still be regulated before that date.

The mobile industry has changed significantly since 2009. Some of the important changes include:

- people are using their mobile phones more and more, not just for voice calls but also for data services
- the use of SMS has increased
- new smartphone applications (like Skype and WhatsApp) have been developed that allow people to make voice calls and send messages using data, and
- new 4G networks have been rolled out by operators.

These changes may mean regulation of mobile termination is no longer needed, or that the types of mobile services that should be regulated are now different. These are some of issues that the ACCC will need to look at when deciding whether to continue to regulate the mobile termination.

On 27 May 2013, the ACCC commenced a public inquiry into whether the regulation of mobile termination (the mobile terminating access service or MTAS) should continue. The ACCC has released a discussion paper looking at the matters that the ACCC will consider when making its decision about mobile termination and is seeking submissions from the public and industry members.

Submissions to the inquiry are open until 5 July 2013. If you would like any more information about the mobile termination inquiry it is available at www.accc.gov.au.

The role of the ACCC

The Australian Competition and Consumer Commission (ACCC) is a national agency responsible for regulating access to telecommunications under the *Competition and Consumer Act 2010*. The aim of the access provisions in the Act is to ensure that consumers are able to connect with different networks and benefit from competition in the market. The ACCC does not regulate retail prices but it can set wholesale prices which will apply if operators cannot agree on what's fair.

Important notice

The information in this publication is for general guidance only. It does not constitute legal or other professional advice, and should not be relied on as a statement of the law in any jurisdiction. Because it is intended only as a general guide, it may contain generalisations. You should obtain professional advice if you have any specific concern.

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