

The logo for Optus, consisting of the word "OPTUS" in a bold, teal, sans-serif font.

Submission in response to  
ACCC Position and  
Consultation Paper

**Public inquiry on the  
access determinations for  
the voice interconnection  
services**

Public Version

May 2025

## EXECUTIVE SUMMARY

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1. Optus welcomes the opportunity to provide feedback to the Australian Competition and Consumer Commission (ACCC) position and consultation paper into the '*Public inquiry on the access determinations for the voice interconnection services*' (Position Paper).
2. Optus reiterates its support for the joint consideration of these voice interconnection services – the fixed originating access service (FOAS), fixed terminating access service (FTAS) and mobile terminating access service (MTAS). While competition on the basis of voice minutes may no longer be as relevant as years past, access to voice calls continue to remain a component of consumer contracts at the retail level.
3. Optus supports the ACCC's preliminary view that the existing non-price terms and conditions should be maintained, and that additional term(s) addressing scam issues should not be included.
4. It is important to acknowledge the historical inconsistency in the regulatory treatment of MTAS and FTAS. Since 2004, regulated FTAS rates have decreased by only 14%, compared to a 94% reduction for MTAS. This disparity stems from MTAS being based on efficient cost principles, whereas FTAS is not.
5. However, Optus does not support the development of a new cost model for this FAD inquiry, given the significant regulatory burden and limited value of the outcomes. For nearly 15 years, the ACCC has consistently found that a cost model for MTAS is unwarranted. There is no clear justification for reversing this position now, especially as MTAS is unlikely to have a greater market impact today than it did in the past.
6. Optus submits that the ACCC's priority should be to align FTAS rates with the LRIC+ methodology. However, this does not necessitate the development of a new, untested joint LRIC+ cost model. Instead, the ACCC should benchmark FTAS rates using EU jurisdictions that apply a LRIC+ approach. Such benchmarking indicates that FTAS rates are typically 65% to 90% lower than MTAS rates—suggesting that current FTAS rates are significantly above efficient cost levels.
7. Optus' initial review of the proposed model specifications has identified several critical flaws that undermine its probative value. Notably, the model for fixed voice services relies heavily on mobile assumptions while disregarding the distinct characteristics of the fixed voice market. The rationale—that it is not feasible for a hypothetical operator to reflect these differences—is unconvincing. Given that FTAS rates are the primary concern and are clearly above efficient cost levels, this modelling approach is disappointing and calls into question whether the model will estimate efficient costs for FTAS. Considering the compliance burden and limited value of the proposed model, Optus sees little merit in proceeding with its development.

## PRICING APPROACH MUST PRIORITISE THE LTIE

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8. Optus submits that the LTIE criteria would best be achieved through the rollover of existing rates with the opportunity to reduce fixed termination rates at a rate consistent with the historical decline of MTAS.
9. Outcomes from past regulatory reviews have highlighted a growing disconnect between regulated price terms for interconnection services arising from the separate consideration of voice termination services and the adoption of different definitions of cost-based “efficient” pricing. This is despite both fixed and mobile voice termination services operating in the same downstream market.
10. This view, however, does not mean that Optus supports the development of a complex, expensive model which does not necessarily reflect the way services are delivered in Australia. We do not consider that the development of a cost model for the purposes of this FAD inquiry is warranted given the significant regulatory impost on industry and outcome of any model results. Optus observed there appears to be a fixation on development of a new mobile cost model where there has not been any market failure and MTAS rates have long stabilised and converged to efficient cost in recent years.
11. It is rare that all three MNOs are in unanimous support of the position that the current MTAS should be rolled over without adjustment. In this respect, there has been no compelling reason as to why there should be a departure from a rollover. It is Optus’ view that the key question the ACCC should be considering is what approach will best promote the LTIE in the current circumstances.
12. In summary,
  - (a) Optus supports joint consideration of voice termination services within the same review process. This addresses historic concerns regarding growing disconnect in the setting of regulated price terms for services effectively operating within the same downstream market through independent processes.
  - (b) It is not clear whether any change to the fixed and mobile termination rates will have any noticeable impact in any related retail market given the use of unlimited voice calls in mobile and fixed markets. While these are separate regulatory services, both services are reciprocal and directly impact the same downstream market. Setting related charges using different cost methodologies does not represent differences in the efficient cost of supply; rather the differences reflect varying regulatory approaches.
  - (c) Among other LTIE criteria, to ensure ongoing promotion of competition in downstream markets, it is important that voice termination services are not subject to non-zero rates, but more importantly that MTAS rates do not fall below FOAS/FTAS rates. Optus similarly opposes introduction of bill and keep arrangements.
  - (d) In addition to being resource intensive, cost models rely on numerous assumptions, introducing complications and diverting focus from more pressing industry challenges. It is not clear that a cost model approach will necessarily lead to a better pricing outcome than benchmarking or other adjustments for end-users.

13. Optus reiterates that in determining the price term for the next regulatory period, the regulated price terms will reflect efficient cost where both the mobile and fixed voice termination rates are set at a rate above zero, and that the price gap between mobile and fixed should ensure that MTAS remains set at a level above FOAS/FTAS. The need to maintain a non-zero rate will be to deter spurious traffic and ensure that only legitimate traffic is carried over the access networks.
14. The remainder of this section addressed Optus' views on the various pricing approaches under consideration.

### **Rollover of current prices will provide regulatory certainty in the next regulatory period**

15. First and foremost, the ACCC must be satisfied that any change to the three voice interconnection rates is consistent with the regulatory objectives, namely that it promotes the long-term interest of end-users (LTIE), including through increased competition and efficient investment in and use of infrastructure.
16. Optus submit that the LTIE criteria would best be achieved through the rollover of existing rates with the opportunity to reduce fixed termination rates.
17. Optus considers that maintaining the current regulated rates will ensure service continuity and price stability for industry stakeholders. The current price terms have provided a balanced framework for interconnection agreements noting that continuity will, at best, prevent unnecessary disruptions for operators and consumers.
18. It is not clear whether any change to the fixed and mobile termination rates will have any noticeable impact in any related retail market given the use of unlimited voice calls in mobile and fixed markets.
19. A nominal rollover of prices would promote the LTIE by providing a timely resolution for prices, and any potential benefits of undertaking a detailed inquiry may not outweigh the resource costs of conducting the inquiry.
20. Notwithstanding the benefit of market and price stability, this also provides the ACCC with the opportunity to review the fixed interconnection services which have remained largely unchanged over the past decade. As noted in previous submissions, historic FTAS rates have in large part been largely influenced – and kept arbitrarily high – due to the rollout of NBN and need to keep Telstra's CAN asset active. It follows that the completion of the NBN and the migration away from Telstra's legacy copper network may support the case for a decline in fixed voice interconnection rates.
21. The ACCC has similarly recognised that "The fixed interconnection services are technology neutral and are provided by all fixed network operators, not just Telstra."<sup>1</sup> This also suggests that given shifts in cost structures and technological advancements, fixed-line infrastructure has benefited from efficiencies that may justify a lower termination rate but more importantly a transition to more efficient network technologies does not mean efficient costs converge to zero rating.

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<sup>1</sup> ACCC, 2025, Public inquiry on the access determinations for the voice interconnection services, Position and consultation paper, April, p.18

## Consideration of cost-based approaches must be applied with care

22. Optus considers the use of cost-based pricing for voice interconnection services is appropriate but concedes it will be difficult to implement on an equivalent basis where reliance on a single cost model is to be adopted.
23. Optus acknowledges the ACCC's view that consistent with its previous positions in relation to MTAS, it again considers that cost-based pricing reflecting the TSLRIC+ pricing principles is most appropriate, having regard to the direct costs of providing the services and the legitimate business interests of an access provider.<sup>2</sup> Given no change to the underlying pricing approach, this would support a position for MTAS rates to rollover with no change.
24. It was also acknowledged that given "The fixed interconnection services are technology neutral and are provided by all fixed network operators, not just Telstra. As such, the ACCC considers that a TSLRIC+ approach, which typically reflects the costs of a hypothetically efficient operator, is also appropriate for pricing the fixed interconnection services."<sup>3</sup> On this basis, and given there has been no change in the FOAS/FTAS rates over the past decade, we consider a review of the approach to fixed termination services would be warranted to ensure that these continue to reflect the efficient costs of supply.
25. However, we do not agree that development of a new cost model is appropriate. Other jurisdictions where the use of cost models is used to determine voice termination rates similarly adopt separation of the cost modelling exercise for fixed and mobile networks.
26. The basis of these termination rates, while cost-based are not derived using the same underlying methodologies and cost model. It is also important to recognise that the model methodology and assumptions in other jurisdictions will also differ to the proposed ACCC Cost Model under consideration as part of this FAD inquiry – hence any direct comparison of rates with other jurisdictions should be applied with care.
27. Previous consideration of cost models by the ACCC have also been subject to critique, particularly in the context of cost allocation and regulatory effectiveness.

## Relationship between Fixed and Mobile Termination in other jurisdictions

28. Where they continue to be subject to regulatory oversight, the regulated price controls for voice termination services demonstrate a clear distinction between fixed and mobile termination rates in almost all jurisdictions.
29. For example, the EC has introduced Delegated Regulations setting EU-wide voice-call termination rates with maximum fixed termination rates (EUR 0.07 cpm) to apply from July 2021 and maximum mobile termination rates (EUR 0.2 cpm) to apply from 2024 across all Member States.<sup>4</sup> Notably, the Regulations acknowledge that:

The single maximum Union-wide mobile and fixed voice termination rates were established in reference to the efficient cost in the highest-cost country according

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<sup>2</sup> ACCC, 2025, Public inquiry on the access determinations for the voice interconnection services, Position and consultation paper, April, p.18

<sup>3</sup> ACCC, 2025, Public inquiry on the access determinations for the voice interconnection services, Position and consultation paper, April, p.18

<sup>4</sup> Commission Delegated Regulation (EU) 2021/654 of 18 December 2020 supplementing Directive (EU) 2018/1972 of the European Parliament and of the Council by setting a single maximum Union-wide mobile voice termination rate and a single maximum Union-wide fixed voice termination rate

to the cost models commissioned, thus ensuring the principle of cost recovery across the Union, and subsequently adding a minor safety margin to account for possible inaccuracies in the cost models.<sup>5</sup>

30. Ofcom similarly conducted a joint review of wholesale voice markets for the period 2021-2026. In that final decision, Ofcom agreed to continue to set caps on the charges for call termination services in the UK. Notably, the price caps were set in accordance with existing separate cost models:
- (a) For mobile call termination, “a charge control set at LRIC remains the appropriate cost standard, and to use a bottom-up cost model (the 2021 MCT model) to calculate the LRIC of mobile termination rates.”<sup>6</sup>
  - (b) For fixed call termination, “a cost-orientated charge control remains the most effective way to minimise the risk of distortions that could be caused by excessive FTRs, and that the LRIC standard remains the appropriate cost standard.”<sup>7</sup>
31. The final price controls for voice termination services in the UK effectively with MTR set at 0.379 pence per minute compared to FTR set at 0.0310 pence per minute.<sup>8</sup> Notably, while there was joint consideration of both mobile and fixed voice call termination services, a unified cost model was not adopted however the price controls still derive from a similar cost methodology approach.

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<sup>5</sup> Ibid., paragraph 18.

<sup>6</sup> Ofcom, 2021, Wholesale Voice Markets Review 2021-26, Statement, March, p.52

<sup>7</sup> Ofcom, 2021, Wholesale Voice Markets Review 2021-26, Statement, March, p.45

<sup>8</sup> See: Ofcom, *Regulated prices*, <https://www.ofcom.org.uk/phones-and-broadband/telecoms-infrastructure/regulated-prices>, [accessed 6/5/25]

## COMMENTS ON MODEL SPECIFICATIONS

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32. Optus has previously argued against adopting a cost modelling approach for telecommunications pricing, particularly in relation to fixed network services and mobile terminating access services.
33. Many of the concerns raised in past submissions continue to apply, including:
  - (a) Cost Model Limitations – cost models should be one of many inputs in pricing decisions rather than the sole determinant. Instead, Optus has supported benchmarking approaches over cost models, arguing that competitive pricing signals provide a more accurate reflection of market conditions.
  - (b) Complexity and Transparency Issues – concerns about the lack of transparency in cost model assumptions, particularly regarding demand projections and asset cost allocations. The use of different deployment models by each network operator will also introduce complications with determining the assumptions of a hypothetical network operator.
34. Notwithstanding Optus' concerns with adopting a cost modelling approach, the remainder of this section sets out some preliminary views on the draft model specification assumptions provided.

### Design of the cost model

35. Analysys Mason notes the three broad types of input that feed into the cost model will include: demand volumes, network design parameters, and cost assumptions. These will in turn “produce a list of assets required to provide the services, as well as the overall costs (including capex and opex) of providing these services. These costs will then be allocated to each service provided by the modelled operator using the asset in order to produce per unit cost estimates for the voice interconnection services.”<sup>9</sup>
36. The proposed design of the cost model will be based on a bottom-up approach to reflect the costs of a hypothetical efficient operator. A top-down validation process will also be adopted to sanity check against the appropriateness of the model outputs.
37. A key underlying assumption is that the same model could effectively be used to determine outputs for both mobile and fixed voice interconnection services.
38. While the ACCC has considered this is a reasonable approach, Optus is concerned that the approach itself remains primarily focused on development of a mobile cost model with application to fixed voice services. This risks arbitrarily inflating fixed interconnection for a ‘hypothetically efficient operator’ for fixed voice services on the basis of the ACCC’s preliminary view that “the modelling of a fixed core network equivalent to a mobile core network is reasonable, given a modern IMS Core can be used to provide voice and other multi-media services on both mobile and fixed networks.”<sup>10</sup>

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<sup>9</sup> ACCC, 2025, Public inquiry on the access determinations for the voice interconnection services, Position and consultation paper, April, pp.23-24

<sup>10</sup> ACCC, 2025, Public inquiry on the access determinations for the voice interconnection services, Position and consultation paper, April, p.25

39. Even in the most simplistic terms, there are several key differences between a hypothetical efficient operator in mobile and fixed voice markets:
- (a) Network Infrastructure – Fixed voice networks rely on fixed-line infrastructure, whereas mobile networks use wireless spectrum and base stations to provide connectivity. This gives rise to differing cost structures with most fixed voice markets often operate with dominant incumbents with established infrastructure
  - (b) Scalability & Coverage – Mobile networks can scale more flexibly and provide coverage across large geographic areas, whereas fixed networks may be limited by physical infrastructure and network reach.
40. It is therefore unclear on what common basis the differences in the hypothetical efficient operator will be considered. It appears somewhat inconsistent to apply on one hand, the different degree of infrastructure competition present in the Australian market for mobile services, while on the other, adopting a simple assumption of market share due to difficulties in being able to account for all the variances of multiple operators for fixed voice services.
41. The remainder of this section sets out Optus' concerns with the four key dimensions of the cost modelling dimensions identified by Analysys Mason.

#### Modelled Operator assumptions

42. In summary,
- (a) The Type of Operator will be based on a hypothetical efficient operator for both a mobile and fixed network deployment.
    - (i) For mobile services, this assumes a network deployed in 2025 on the basis that 3G shutdown has been completed and the regional network sharing arrangement between Optus and TPG has commenced.
    - (ii) For fixed voice services, this assumes that a fixed core network deployed is capable of carrying voice traffic that is equivalent to a mobile core network.
  - (b) The Network footprint and rollout will be based on the achievement of full coverage and immediate scale in 2025.
    - (i) For mobile services, this assumes a 4G network with national coverage in 2025, and a 5G network that achieves significant coverage in 2025 which then increases to 4G coverage parity over a longer timeframe
    - (ii) For fixed voice services, this assume that the modelled fixed core network covers the same proportion of the population as the modelled mobile network.
  - (c) The Market share and scale will based on different approaches for mobile and fixed operators.
    - (i) For mobile services, this assumes existing market share/presence of MNOs by geotype, and the population-weighted assumption to be static over time for the modelled period.
    - (ii) For fixed voice services, the model proposes to adopt a simple assumption of market share based on four operators.

43. Optus is concerned that the same amount of rigour is not being adopted for fixed voice services, compared to mobile services. Notably, the cost modelling exercise for fixed voice services, only attempts to leverage off the mobile assumptions while discarding the reality of the fixed voice services market due to the significant variance in terms of scale and market position on the basis “it would not be possible for the hypothetical operator to reflect all of these differences.”<sup>11</sup>

#### Modelled technology assumptions

44. In summary,
- (a) The Radio network assumes 4G/5G deployments, where 4G technology retains a significant role in the provision of MTAS in the near-to-medium term, with 5G potentially playing a role in carrying MTAS traffic.
  - (b) The Spectrum allocations and Spectrum payments need further clarification to reflect spectrum that can be reasonably available to a hypothetical efficient operator in deploying its network in Australia. There appears to be an inconsistent approach to consideration of proposed spectrum allocations, which may impact on spectrum cost inputs considered. For example, not all 3 MNOs currently hold spectrum in all spectrum-licensed bands used for mobile services, inconsistent licence boundaries in C-band may impact on spectral efficiency and channel assumptions for deployment, it is not clear to what extent the apparatus-licensed spectrum used by all 3 MNOs are considered, among other issues. Further clarity on the ACMA’s ESL process and pricing is not finalised and will also impact future spectrum costs.
  - (c) The Backhaul and backbone transmission will assume a mix of different backhaul transmission types. This mix will ultimately vary in different areas due to availability of transmission types and network deployment requirements. Even considering for one transmission type, such as microwave links, there may be different cost factors associated with that deployment choice (including, availability of spectrum, channel/range limitations, etc).
  - (d) The Core network infrastructure proposes to adopt a 5G standalone core for mobile services, and furthermore that the modelled IMS core could be used as the modelled fixed core network for the purpose of providing fixed voice services.
  - (e) The Network node proposes to use a modified scorched node approach which takes the existing topology and eliminates inefficiencies that may be currently in place. In practice, this assumes that the proposed approach “dimensions a hypothetical network comparable to actual operator node counts ... while ensuring that the network design is modern and reasonably efficient.”<sup>12</sup>
45. Optus is concerned that these assumptions demonstrate that the focus is only on mobile, without the same rigour applied for consideration towards the different cost inputs for fixed voice services. We agree with the ACCC’s preliminary view that “not modelling other fixed core network assets that are used for both voice and data traffic is

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<sup>11</sup> ACCC, 2025, Public inquiry on the access determinations for the voice interconnection services, Position and consultation paper, April, p.27

<sup>12</sup> Analysys Mason, 2025, Developing a bottom-up cost model for voice interconnection services, Model specification for the ACCC, March, p.21

a reasonable practical approach”<sup>13</sup> insofar that the same approach is extended to the mobile cost modelling exercise. Put simply, we do not see value in undertaking a cost modelling exercise for setting price terms for the MTAS service.

### Modelled services assumptions

46. In summary,
- (a) The service set assumes provision of all the commonly available voice and non-voice services, although it not clear that the traffic input assumptions requested will be available.
  - (b) The Points of interconnect assumption is effectively only modelled against a mobile access network with further implicit assumption that there may be an undefined number of individual carrier PoI feeding into this specified mobile PoI. It is also unclear to what extent historic policy decisions affecting fixed-line infrastructure deployments, such as NBN Pols, are considered in a mobile network core for a hypothetical efficient operator.
  - (c) Given that interconnection services, and hence voice interconnection price terms, can only apply where formal commercial and technical interconnection arrangements are in place, there is no need to reflect wholesale versus retail demarcations in the cost model.
47. Optus is concerned that a cost modelling approach, in and of itself, fails to consider the LTIE for encouraging the economically efficient use of, and investment in, infrastructure. Historic policy decisions have impacted on network deployments, and access providers should be able to recover the costs relating to those network investments insofar as they relate to the provision of voice termination services.
48. Ultimately, the need to maintain a non-zero rate will be to deter spurious traffic and ensure that only legitimate traffic is carried over the access networks.

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<sup>13</sup> ACCC, 2025, Public inquiry on the access determinations for the voice interconnection services, Position and consultation paper, April, p.31