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**Pivotel Response to the ACCC's
Public inquiry on the access determinations for
the voice interconnection services**

Draft Report

August 2025

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Introduction

Pivotel appreciates the opportunity to provide feedback on the ACCC's Draft Report for voice interconnection services.

Response to the Inquiry Document

Support for Cost-Based Pricing Approach:

Pivotel agrees with the ACCC's decision to adopt a cost-based pricing approach using the TSLRIC+ methodology. The TSLRIC+ cost based pricing approach is the appropriate methodology for determining the rate of termination where the network operator has exclusive control over the termination of traffic to their subscribers. This approach is consistent with the ACCC's mandate to promote the long-term interests of end-users and ensures efficient cost recovery and promotes competition in downstream markets.

Pivotel however remains concerned and perplexed by the ACCCs inconsistent approach to adopting the same principles in relation to (A2P) SMS.

In its final decision not to declare (A2P) SMS in its 2024 final report in the domestic mobile terminating access service (MTAS) inquiry, the ACCC has clearly not adopted the same principle of promoting the long-term interests of end-users, despite the unambiguous fact that the Mobile Network Operators (MNOs) have monopoly control over the termination of messages to their end users.

High interconnect rates, relative to cost, afford MNOs the opportunity to apply a price squeeze on Pivotel and others seeking Voice and SMS termination. Monopoly price squeezes are less likely where the wholesale price of termination is only marginally above the MNO's cost. Implicit or explicit agreement among the MNOs to move to a high, common termination rate, enables all MNOs to maximise their margins for on-net traffic, avoid or limit competition from off-net traffic, and limit revenue impact of any traffic lost to competitors.

The ACCC in its 2015 MTAS FAD determined that 0.03 cents was an acceptable TSLRIC+ based termination rate for SMS messages on an MNOs network operating efficiently. Since the removal of declaration of SMS, Interconnect rates for A2P SMS have surged, as the MNOs are able to set pricing without constraint. There is no justification for the ongoing increases in A2P SMS interconnect termination rates whereby the MNOs have unbridled freedom in setting the rates at which A2P SMS messages terminate on their network.

The ACCC noted in the Executive Summary of its Final Report¹ that “the ACCC is concerned that it could mean that the increases in A2P SMS termination rates have yet to ripple through the downstream markets and impact end-users. There is therefore uncertainty regarding pricing movements in the markets in the absence of declaration and this means that the ACCC is unable to properly assess the impact of declaration at this point in time, i.e. whether it is likely to promote competition and the economically efficient use of, and investment in, infrastructure” and further “the ACCC remains concerned about the potential for the national mobile network operators to exercise market power, whether unilaterally or in concert with one another, and increase prices for A2P SMS services to the detriment of end-users. As such, the ACCC will closely monitor price movements in the A2P SMS markets, and if necessary, consider commencing an inquiry into declaring A2P SMS services in the future.”

Since the ACCC's final report it is abundantly clear that the uncertainty regarding pricing movements has dissipated, as the MNOs have all increased their A2P SMS wholesale rates which is starting to flow through to downstream markets and impacting end users. Additionally, we believe there has been a unilateral increase in the interconnect rates the MNOs charge each other for A2P SMS, to be at the same or similar levels, and that the ACCC is aware of these increases.

Pivotel therefore considers that declaration of MTAS for both voice and SMS is in the long-term interests of end-users and ensures efficient cost recovery and promotes competition in downstream markets. As the ACCC has correctly stated in relation to Voice, declaration promotes competition at the infrastructure and services layers, is essential for any-to-any connectivity, and will promote productive, allocative, and dynamic efficiency by ensuring that crucial network inputs are priced at or near efficient cost (with flow on benefits for end-users) and by encouraging innovative new services which meet the communications needs of Australians.

Pivotel sees no justifiable rationale for distinguishing between termination of calls and (A2P) SMS on mobile networks, particularly in a world where people increasingly use A2P messages to communicate. Both services use the same network infrastructure and in both cases Australia's three largest networks have a monopoly over termination of calls and messages on those networks.

Impact of the Proposed Rate and Transition Path

To foster a more balanced and competitive landscape, and enable industry-wide adjustment, maintaining the proposed 2026 rate of 0.65 cents per minute for the fixed termination access service for the entire access determination period (until June 2029) would be a more prudent course of action.

Introducing a relatively rapid reduction to 0.21 cents per minute for fixed voice termination is likely to put significant financial pressure on access providers. Such a rapid transition would be quite disruptive to the market and have unintended consequences, forcing providers to manage compressed margins and potentially limiting their ability to invest in service quality, innovation, or network resilience. The fixed voice termination market includes a wide range of carrier networks from small to very large organisations with the impact of the very low termination rate especially pronounced for smaller operators, whose ability to compete would be impacted and may ultimately reduce consumer choice.

¹ ACCC Public inquiry into the declaration of the domestic mobile terminating access service, Final report, June 2024, page 5

It is important to acknowledge that the cost modelling approach adopted by Analysys Mason, is predicated on the assumption of a hypothetical, highly efficient operator operating at national scale and deploying state-of-the-art technology. In reality, challenger and fixed-only providers, contend with a very different set of circumstances as they tend to have smaller and more regionally concentrated customer bases, ongoing legacy infrastructure costs, and reduced opportunities for technological efficiencies.

These structural factors limit their ability to match the efficiencies embedded in the model, creating a competitive disadvantage that may skew market outcomes. For a market as diverse as Australia's fixed voice sector, regulatory frameworks should recognise and accommodate the heterogeneous nature of its participants to prevent reinforcing imbalances and ensuring sustainable competition.

With respect to the MTAS rate modelling Pivotel has no major concerns and believes the proposed rate of 0.90 cents per minute is a reasonable rate that reflects the TSLRIC+ cost for mobile terminating access services and a 24.4% decrease from current rates.

Practical Considerations for Implementation

To ensure a smooth and equitable transition, a six-month extension of the commencement date to 1 July 2026 is recommended for both MTAS and FTAS. This would provide all operators with adequate time to execute, validate, and troubleshoot rating and billing changes, consequently minimising IT-related errors and customer disputes. Such a pragmatic adjustment recognises the complexity of implementing wholesale pricing changes and prioritises stability and customer experience during the transition.

Non-Price Terms and Conditions

Pivotel supports maintaining the current non-price terms and conditions with minor adjustments for consistency. These terms provide a reliable framework for access negotiations.

Scam-Related Terms

Pivotel agrees with the ACCC's position not to include scam-related terms in the access determinations. There is no valid rationale for modifying non-price terms and conditions in an attempt to support industry efforts to combat scams. Any such change is likely to be used by terminating carriers to enhance their call blocking efforts based on the mere suspicion of SCAM activity.

These issues are better addressed through the Scams Code and evolving Scams Prevention Framework and related regulations.

The national carriers continue to raise concerns around SCAM calls (and SMS messages) and the alleged illegitimate use of numbers held by the carriers as a reason to block traffic and limit the use of numbers.

Post the revised Numbering Plan being issued this year, there has been a substantial increase in unsubstantiated blocking of calls with little to no oversight into what constitutes 'suspicious traffic patterns' by the MNOs. Furthermore, the MNOs are now moving in unison to prevent and disrupt the long held Multi Service Practice (MSP), where the legitimate 'Rights of Use' (RoU) holder of a number is unable to utilise the services of CSPs utilising

their allocated number for terminating calls on MNO networks, despite this practice being explicitly acknowledged and permitted by the ACMA in the Numbering Plan review.

This practice is inconsistent with the Telecommunications Act, the Numbering Plan, and the SCAM Act. Blocking calls based on such criteria is a blunt tool, impacting a wide array of legitimate communications. These actions are undermining CSPs and their ability to compete and threatens their ability to operate effectively.

Whilst Pivotel acknowledge the importance of addressing SCAM calls and fraudulent activities within the telecommunications sector, it is crucial to recognise that the overwhelming majority of voice calls originated from OTT applications are legitimate. As stated above, MNOs have commenced blocking of calls terminating indirectly into their network via a transit provider where the incoming call presents as the CLI a number held by that carrier. Claims that such call types include unacceptably high levels of SCAM traffic are dubious and have not been substantiated. These attempts to prevent MSP services must be viewed through the lens of competition law and carry strong anti-competitive overtones. It is essential to maintain a level playing field for all providers to ensure that consumers have access to a wide range of services and that competition and innovation is not stifled.

Pivotel's experience is that the volume of SCAM calls reported by the MNOs with whom we have direct interconnection, compared to the total volume of calls we transit is minimal relative to the legitimate traffic we handle, further undermining any argument that CSPs are a significant source of fraudulent activity.

Duration of Access Determinations

Aligning the expiry date of the access determinations with the declarations (30 June 2029) is appropriate. This minimises regulatory burden while allowing flexibility for review if market conditions changes.

We appreciate the ACCC's comprehensive approach and look forward to further engagement on these matters.

Kind Regards,

[Redacted Signature]