

ACCC Public Inquiry MTAS 2024 Review - Response

SOPRANO DESIGN RESPONSE 2024

INTRODUCTION

Soprano Design is a global communication solutions provider for Large Enterprises and Government organisations. We bring about 30 years of experience with enterprise-level mobile messaging to each of our clients across the world. That's why over 150 of the Global Forbes 2000 companies and large government organisations across five continents trust us with their communications to their consumers, employees, patients, and citizens every year.

When we started almost 30 years ago, we knew that technology and communication working together could unlock new interactions we never had imagined. And we were right. Today, we stand out in the CPaaS industry as a leading enabler for enterprise communications, with a customer-centered approach that allows us to reach significant results with our clients and partners. With a combination of both organic investments and through M&As (mergers and acquisitions), we have grown to be one of the largest CPaaS providers in the APAC region and a leader in the global CPaaS market, proudly featured by market analysts such as Gartner, 451 Research, Frost & Sullivan, IDC.

We pride ourselves on helping large organizations and governments create richer, more meaningful interactions, deeper trust, and better connections with their audiences. We pride ourselves on building and envisioning technology for the future of communication.

At Soprano, we all work with energy, passion, and ambition to understand our client's unique communication needs and create technology solutions that help them unleash their full communication potential.

Soprano is headquartered in Sydney, Australia, with a regional presence in Europe, North America, South America, New Zealand, and Southeast Asia with regional offices in Sydney, Barcelona, Singapore, Kuala Lumpur, and Manila.

MOBILE TERMINATING ACCESS SERVICE (SMS A2P)

Soprano has been serving large enterprises and government organisations across the world in solving communication challenges and has been at the forefront of leading technology that enables organisations to send engaging and interactive B2C communications. As a trusted global CPaaS partner, SMS A2P has been a core part of our business; we have been serving organisations across multiple industries such as banking & finance, healthcare, transportation & logistics, gaming, energy and utilities, and multiple government organizations at federal, state, and local levels. Our platform traditionally started from SMS A2P and has expanded into omni-channel messaging and communications applications with a heavy focus on ‘security’, ‘reliability’, and ‘high-quality’ application-to-person (A2P) messaging.

Over the years, across the globe, the A2P market has been primarily driven by SMS messaging. Especially in Australia, SMS has been the primary technology to deliver A2P messaging that had the best open rates and higher engagement rates. Even though the A2P market has seen emerging OTT messaging channels such as Whatsapp, Viber, WeChat, FBM or RCS, these channels have not yet significantly affected the market; Though these OTT channels greatly impacted A2P market since the beginning, RCS has not yet developed as a product (and is not available in Australia), and channels such as Whatsapp or Viber are used in very restricted business cases so far (mainly for customer service or marketing use cases).

In addition to SMS, businesses have also considered Voice and Email to be alternate channels leveraged in A2P messaging; but SMS is still considered to be the preferred channel for increased reach with higher open rates.

The growth of OTT channels depends mainly on their market share evolution and how strict they are to allow brands to make easy use of their services to deliver multiple types of messaging use cases such as marketing, service, emergency alerts, and/or one-time password (OTP) messages. So far, they are strict on the use cases allowed and typically include stringent processes for brands to get pre-approvals on the message content types.

The Australian SMS A2P market has been kept competitive for the last 4 years. Due to service declaration, pricing demand from aggregators, and the risk of regulatory intervention, the market prices for SMS A2P have stabilized to acceptable pricing that enables businesses to continue to use SMS as an A2P messaging channel. Although, we do not believe that these factors will be enough to prevent price increases in the near future.

As a global provider, we have already seen material increases in A2P SMS costs in Singapore, the UK, and LATAM – both directly through increases in MNO pricing and indirectly via increases in aggregator pricing. Without regulatory intervention, we expect Australian pricing to follow the same trend. This includes ‘Network Operator exclusivity’ where MNOs have given exclusivity to one vendor. Asking for minimum yearly revenues or gross profit, many times are driven by these vendors to win exclusivity and increase these commitments year after year. This has forced these vendors and/or aggregators to increase prices when volumes did not increase as expected. This has contributed to the increase of artificial traffic (also known as Artificially Inflated Traffic namely AIT). While the industry is working towards reducing SPAM and reducing the amount of ‘fake’ SMS traffic generated across the network, less ethical vendors or aggregators will naturally be reluctant to eliminate traffic that is commercially needed to meet commitments made to MNOs.

This has been a trend internationally, particularly in underdeveloped countries, and this is a real threat to the SMS A2P market. High prices in the SMS market without regulation will eventually drive unofficial or illegal traffic such as AIT by using SIM routes, grey routes, flash calls, etc. This will have a negative long-term impact on the SMS A2P market in terms of less reliable delivery for businesses and increased risk of scams and fraud for consumers, not that these types of traffic are not subject to the same blocking and filtering as A2P channels.

Minor price changes to A2P SMS might not have a significant effect, but higher prices will certainly have a long-term impact and will lead to a dramatic increase in AIT with the growth of low-quality SIM routes, grey routes, and other means of communication.

While we acknowledge the reality there might be a need for a slight increase in SMS A2P prices in the Australian market for the carriers to cover their costs, we see the need for market regulation from an anti-competition perspective to ensure the market is not dominated or dictated by fewer carriers or players in the market. We also see the need to regulate MNOs so that they do not try to compete directly with aggregators for the end clients, and prices should be regulated between MNOs and MVNOs to maintain a healthy market.

With the rise of SMS scams, smishing, and fraud, there is also a need for increased regulation to combat fraud and reduce scams by following industry best practices such as Full SMS Sender ID registrations (for example, the recent introduction of Sender ID registration in Singapore by IMDA) and pre-approvals of messaging content to ensure that businesses are taking the right measures to responsibly manage their A2P messages. These measures are likely to increase the cost of

responsibly managing the provision of A2P services. For a healthy and competitive A2P SMS market to continue to exist, and to allow businesses to continue to invest in better security and fraud prevention, it is important that A2P SMS pricing be regulated to prevent MNOs from arbitrarily increasing costs flowing on to solely increase costs for end businesses and consumers at large.

CONCLUSION

As a global CPaaS vendor across the 5 major markets spanning ANZ, Asia, EMEA, North America, and LATAM, at Soprano we believe that ACCC should extend the service declaration and regulate the market due to the following reasons:

1. Ensure the SMS A2P market remains competitive and fair; prevent pricing and terms of service from being dictated by a few carriers and/or dominant players in the market (eliminate monopoly and/or duopoly).
 - a. While competitive pricing promotes the long-term viability of the SMS A2P market, there is a need for pricing regulation so that the market is not cannibalized by OTT A2P messaging.
 - b. High prices in the market combined with MNO exclusivity and volume/revenue commitments contribute to increasing 'fake' SMS traffic and/or increased AIT activity which is not healthy for the SMS A2P market and result in increased costs to end businesses and customers at large.
2. Introducing regulations and/or verification processes such as sender ID registrations will help reduce or even prevent SMS scams and fraud (like IMDA Sender ID registrations in Singapore).

As one of the largest CPaaS providers in the APAC region and a global leader in the SMS A2P market, our Soprano Connect (CPaaS) platform enables businesses to set up and manage their A2P sender IDs (across all channels including SMS, MMS, Voice, and all supported OTT channels) to ensure secure messaging and we have automatic detection algorithms within the platform to detect and prevent fraud or identify likely spams within the messaging content. While we can offer these as part of our solution, we recommend it becomes a norm within the industry and SMS A2P market to ensure all businesses go through the process without an exception to combat fraud and reduce SMS scams and ensure businesses are investing responsibly in their A2P messaging and managing it securely.