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## TELSTRA GROUP LIMITED

Submission to the Public Inquiry into the declaration of the domestic transmission capacity services, fixed line services and domestic mobile terminating access service Discussion Paper

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**[CIC begins]** = information not to be released without a confidentiality undertaking

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## EXECUTIVE SUMMARY

This submission is in response to the Australian Competition and Consumer Commission (ACCC) Discussion Paper on the Inquiry into the declaration of the domestic transmission capacity services, fixed line services and domestic mobile terminating access service.

The Discussion Paper considers whether the declarations in relation to these services should be extended, varied, revoked, allowed to expire or whether a new declaration should be made. At a high level, Telstra considers that declaration of services should be maintained where this is in the LTIE. However, where the market for a service has developed such that declaration is no longer needed, it should be allowed to expire. If there are concerns about the impact removal of declaration may have on particular customer groups, then it may be appropriate to extend for a short term. Further, market developments may require changes to declared services to ensure they remain relevant.

### **The DTCS competition assessment method must be amended to reflect the state of the market**

The Domestic Transmission Capacity Service (DTCS) is an example of a service where market developments suggest a change to the declaration is required. The market for transmission services has continued to evolve since the last declaration inquiry and market dynamics have changed, due largely to NBN which not only provides a competitive constraint but also effectively acts as a regulated fallback. As a result, Telstra considers that the competition assessment method used by the ACCC to determine which transmission routes should be declared should be revised to recognise the presence of NBN. Alongside this, the service description for the DTCS should be maintained for a further five-year period as it appropriately reflects an effective 'anchor' product in the market and has proven to promote competition, innovation and investment.

### **The declaration of the fixed line services should be extended but only for a limited period**

Telstra considers that the LTIE are best served by extending the declaration of certain fixed line services (WLR, LCS, W-ADSL, FOAS and FTAS) and retaining the existing service descriptions for each service. While fixed line service volumes have declined significantly, Telstra's legacy network continues to provide last mile access to customers predominantly in regional Australia, as well as some vulnerable customer groups. Accordingly, extending declaration of the fixed line services will provide certainty and stability while the future supply of service in regional Australia is determined and the substitutability of other technologies becomes clearer. However, in this context, the declaration of fixed line services should be limited to three years. At the same time, declaration of ULL and LSS should be allowed to expire due to the very low volumes of these services remaining for which there is limited benefit in retaining declaration.

### **MTAS declaration should be extended, and service description maintained**

Telstra considers that the LTIE are best served by extending the declaration of the MTAS and retaining the existing service descriptions for each service. While the mobile market is highly competitive, the MTAS is still a bottleneck service as each Mobile Network Operator (MNO) has control over connecting voice calls to its own directly connected end customers. Telstra does not support combining mobile and fixed terminating access into a single service description as the costs of doing so would significantly outweigh and anticipated benefits, to the detriment of end users. We also do not consider there is any evidence to support the redeclaration of SMS termination, including for A2P where rates are set on a commercial basis and for which there are many strong substitutes.



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## INTRODUCTION

Telstra welcomes the opportunity to respond to the ACCC Inquiry into the declaration of the domestic transmission capacity services, fixed line services and domestic mobile terminating access service Discussion Paper (**Discussion Paper**).

This submission responds to the questions set out in the ACCC Consultation Paper for each of the declared services as follows:

- Part 2 – Domestic Transmission Capacity Service (DTCS)
- Part 3 – Fixed Line Services, including ULL, LSS, WLR, W-ADSL, LCS, FOAS and FTAS
- Part 4 – Mobile Terminating Access Service (MTAS)

Telstra acknowledges the ACCC intention in combining the inquiries with the aim of lowering burden, to allow for a streamlined and co-ordinated consultation process and to enable a more holistic consideration of the issues across the various services. While this may be appropriate for the Discussion Paper, Telstra considers the services may need to be considered separately as the inquiry progresses. This is particularly the case for the DTCS which adopts a different approach to declaration and is also currently subject to a different timeframe.



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## Domestic Transmission Capacity Service

### Overview of Telstra's position

Telstra considers that the LTIE are best served by extending the declaration of the DTCS with amendments to the competition assessment method to reflect the state of the market, including the presence of NBN.

More specifically, Telstra's position is that:

- The market for transmission has continued to evolve since the last declaration inquiry with the presence of NBN and regional providers leading to intense competition and ongoing infrastructure investment.
- While declaration is still justified on some routes, the change in market dynamics means the competition assessment method should be revised to recognise the presence of NBN which not only imposes a significant competitive constraint but effectively acts as a regulated fallback.
- The service description for the DTCS should be maintained as it appropriately reflects an effective 'anchor' product in the market which has proven to promote competition, innovation and investment.
- A five-year declaration period continues to be appropriate on the basis that it provides regulatory certainty and stability in regional networks, allowing for better evaluation of return on investment for capital expenditures.

Our position is set out in further detail below.

### Infrastructure-based competition continues to intensify and evolve

The Discussion Paper sets out a view that market developments have taken place since the previous declaration inquiry. This includes ongoing investment in areas of high demand and the completion of the NBN leading to a shift in transmission traffic and infrastructure investment. In Telstra's view such market developments have significantly changed the nature of the transmission market such that a review of the way transmission is regulated is now required.

Since the last review of the DTCS declaration, there has been continued growth in data demand. For example, in the three months to June 2022, total data downloaded by Australian adults increased by 18% on both NBN and mobile services.<sup>1</sup> Correspondingly, the demand for data carriage and transmission capacity is on the rise. This growth in demand has contributed to an increasingly dynamic and competitive market for transmission services, including in regional and rural areas. Access seekers continue to benefit from competitive prices, ongoing investment, and innovation in the services offered.

Examples of investments and enhancements made by access providers to expand competitor representation on transmission routes include:

- TPG and Vodafone completed their merger in 2020, with TPG's extensive 27,000-kilometre fibre network in Australia being integrated to enhance backhaul for Vodafone mobile customers.
- Vocus has invested in a range of projects including a Sydney-Canberra-Melbourne 400Gbps upgrade as part of a five-year, approximately \$1 billion investment program. They have also

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<sup>1</sup> ACMA, Communications and Media in Australia series: How we use the internet.  
<https://www.acma.gov.au/sites/default/files/2023-03/HOWWEU-1.PDF>



started planning and designing a new 1,600km east coast cable system between Melbourne, Sydney, and Brisbane,<sup>2</sup> and initiated Project Horizon, a new 2,000-km fibre cable stretching from Perth to Port Hedland via the Pilbara.

- In 2021 Vocus completed the Terabit Territory project, delivering a 25-fold increase in capacity in Vocus' fibre backbone from Darwin, Adelaide, Brisbane, and Townsville on behalf of the Northern Territory Government.<sup>3</sup>
- NBN Co's Connecting Victoria Program has established 31 Business Fibre Zones, allowing RSPs to supply enterprise Ethernet services with zero upfront build costs from NBN Co to providers serving around 15,000 businesses across the state.
- In September 2020 NBN Co announced a \$300 million Regional Co-Investment (RCIF) initiative which aims to deliver higher wholesale broadband speed services over the NBN to households and businesses in regional and remote areas. NBN Co's half-year report for 2023 states there are over 20,000 active enterprise Ethernet services, with an additional 6,000 services activated during the half.<sup>4</sup>
- The Queensland Connecting Neighbourhoods (QCN) initiative, born from the Advance Queensland Initiative, aims to support regional competitiveness. QCN Fibre, in partnership with Powerlink and Energy Queensland, provides increased transmission capability for Internet and Retail Service Providers by utilizing unused space on existing stable optical networks. Since its inception in early 2022, QCN has achieved a ten-fold increase in delivered capacity across the combined 13,000km fibre networks of Energy Queensland and Powerlink.<sup>5</sup>
- In August 2019 Superloop announced the completion of the Indigo subsea cable which carries live traffic from Sydney to Perth to Singapore and connects all 121 NBN Points of Interconnection (POIs) across Australia.<sup>6</sup>

Utilities providers, such as electricity or water companies, also often possess existing infrastructure assets, including transmission networks, that are utilised for delivering telecommunication services. For example:

- Transgrid Telecommunications successfully delivered critical telecommunications infrastructure to the Western Sydney International Airport site at Badgerys Creek. The project involved stringing 20 kilometres of optical ground wire conductor from the Sydney West substation to the airport site, incorporating high-speed Wavelink and internet connectivity over the Transgrid fibre network.<sup>7</sup>
- Both Queensland Rail and VicTrack possess extensive networks of railway tracks, stations, and associated land, which often include rights-of-way suitable for fibre optic cable installation. Through partnerships and agreements, telecommunication companies can lease or utilize these assets, leveraging existing railway corridors to extend fibre coverage.

The market for transmission is now characterised by the presence of NBN, large competitors with national footprints and regional providers. As a regulated monopoly provider, NBN effectively provides a regulated 'fallback' for access seekers while regional providers continue to assert significant competitive tension on relevant routes.

The increase in competition for transmission services is reflected in changes to Telstra's customer base, price trends and the 'win rate' for Telstra's tenders for transmission services:

- **[c-i-c begins]**

<sup>2</sup> [CEO Kevin Russell outlines ~\\$1 billion investment program... | Vocus](#)

<sup>3</sup> [Ellie Sweeney, Vocus Chief Operating Officer, speaks at CommsDay...](#)

<sup>4</sup> [NBN-Co-Half-Year-Report-FY23.pdf.coredownload.pdf \(nbnco.com.au\)](#)

<sup>5</sup> [QCN Expands Coverage To More Than 20,000 Towers and Co-Location Facilities Across Queensland. - QCNFibre](#)

<sup>6</sup> [Superloop's subsea fibre cable INDIGO is now live](#)

<sup>7</sup> [Powers Telecommunications for Western Sydney Airport | Transgrid](#)



- [c-i-c ends].

**Transmission services should continue to be declared where competition is muted**

The DTCS was primarily designed to regulate regional and remote areas where competition is absent or less vigorous (i.e., where there are not sufficient access providers for a route to be considered competitive).

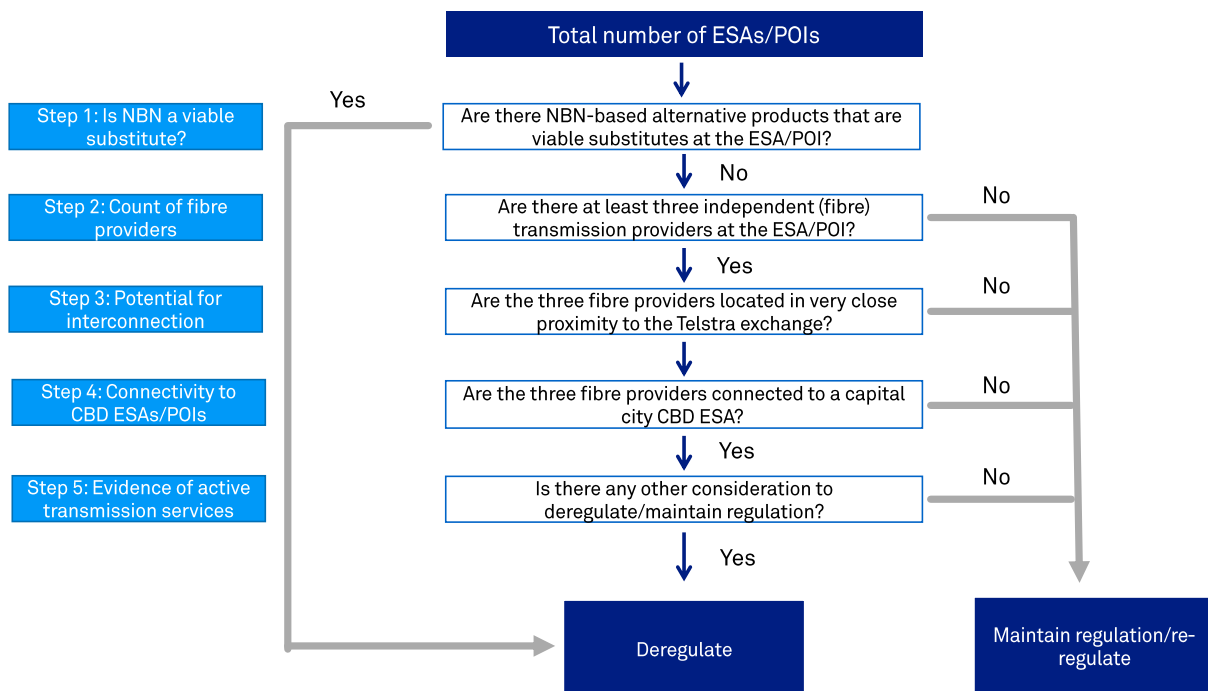
As acknowledged by the ACCC, Telstra remains the sole operator of transmission networks in many regional and remote areas where NBN or other infrastructure alternatives are not available. In these – and similar - circumstances, declaration continues to be appropriate. However, as set out above, the presence of NBN has fundamentally changed the market for transmission such that a revision of the competition assessment method is needed to ensure its ongoing relevance.

**The Competition Assessment Method should be revised to reflect changes in the market**

Telstra supports the ongoing application of a criteria-based approach to assessing areas for deregulation although considers that the competition assessment methodology must be revised to reflect the state of the transmission market. Specifically, the presence of NBN.

NBN is a significant competitor in the market with the ability to offer price and non-price terms that cannot always be matched by Telstra. Telstra also has a number of examples where we have had to change transmission routes for customers as well as significantly drop pricing due to the competitive threat of NBN. Our experience is that NBN is now used as a ‘backstop’ for commercial negotiations.

Telstra’s position is that the presence of NBN on a route should be considered the regulated ‘fallback’ such that declaration is not needed. This would be implemented by an additional first competition criteria which assesses whether there are NBN-based alternative products. This is illustrated in Figure 1 below.



**Figure 1: Revised competition criteria**



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This updated methodology accurately represents the current state of the market, where NBN rollout is completed, competition is intensified due to industry consolidation, concentrated traffic, and ongoing fibre investments by both traditional and non-traditional providers.

### **The service description should be maintained as a fallback position for access seekers**

The ACCC is seeking views on whether the service description for the DTCS continues to reflect the transmission services most commonly acquired in the market. Telstra's view is that the service description for the regulated DTCS should not necessarily reflect what access seekers most commonly acquire but rather it should act as an 'anchor' product. In doing so the DTCS declaration promotes both competition and innovation in transmission markets due to carrier flexibility to develop commercial constructs.

The current service description defines a high-quality baseline service that is uncontended and symmetric. These regulatory settings have facilitated efficient and innovative operation of the market, allowing the development and pricing of transmission products, while also offering regulated services and prices as a fallback option when commercial agreements cannot be reached. This well-established approach has consistently produced positive customer outcomes aligned with the LTIE. Accordingly, Telstra believes the current service description should be maintained.

Specifically, the DTCS service description should:

- Retain the essential terms "symmetric" and "uncontended."
- Avoid expansion to include additional value-added services.
- Leave the definition of "protection" open to allow for investment and innovation in product development.
- Maintain the current geographic market definitions.

### **Retaining the key definitional terms "symmetric" and "uncontended"**

Including "symmetric" and "uncontended" in the service description ensures technology neutrality while encompassing the highest quality offerings available in the market. This definition also prevents inadvertently subjecting IP-based access services, which service different markets, to regulation. Omitting these terms would risk unintentionally regulating emerging or nascent services, potentially undermining commercial incentives and investment, to the detriment of the LTIE.

### **Not expanding the service description to include managed transmission services**

The current service description is well-established and, as set out above, provides an appropriate anchor. Commercial pricing and product structures for alternative transmission services, with additional service features, have been developed based on this description. It serves as a reference point for access providers to meet specific customer needs by pricing more complex transmission products or offering lower quality contended and asymmetric services.

The scope of additional features that could be added to a transmission service is too vast for inclusion in a fixed service description. It is more appropriate to maintain alternate transmission services available for commercial agreements on a case-by-case basis. In the existing regulatory framework, the market has effectively determined competitive prices for these commercial constructs. Telstra's Managed Lease Line (MLL) service is an example of a transmission product developed to address customer-specific requirements, providing a flexible commercial pricing structure and additional value-added features. The availability of alternate products incorporating point-to-point, symmetric, and uncontended data services demonstrates the flexibility of the DTCS service description in accommodating new services within its existing terms.





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## **The service description should continue to promote investment and innovation in product development**

Commercial contracts do not universally define "protection" in the same way. The determination of "protection" mechanisms is typically done on a case-by-case basis with customers. It would therefore be challenging to reach a clear and concise definition of protection. Additionally, including a definition of protection in the service description would impose unnecessary limitations. It is more appropriate to address protection as a commercial issue, allowing different premiums to be associated with different types and classes of protection. This approach would encourage continued investment in high-quality network design.

## **Retain the current geographic market definitions**

In the Discussion Paper the ACCC queries whether the move towards an NBN point of interconnect-centric transmission network warrants a review of the way the ACCC assesses the extent of competition in transmission markets. Specifically, whether an exchange service area-centred competition assessment is still relevant to identify services subject to regulation, and if so, whether the 2018 criteria are still relevant.

Our view on the 2018 criteria is, as set out above, that the presence of NBN should be included as an additional first step in the competition assessment method. Telstra's view is that this adequately recognises the regulated fallback and competitive constraint imposed by NBN. We do not otherwise consider that further changes are necessary at this point in time i.e., no need to add a specific NBN POI transmission route classification.

## **A five-year declaration period continues to be appropriate**

Telstra considers that a five-year declaration period continues to be appropriate on the basis that it provides regulatory certainty and stability in regional networks, allowing for better evaluation of return on investment for capital expenditures.

## **Fixed Line Services**

This section provides Telstra's view on the declarations for the Fixed Line Services as listed in Table 4.1 of the Discussion Paper, namely:

- the Network Access services, ULL and LSS;
- the Resale Voice services WLR and LCS;
- the Voice Interconnection services FOAS and FTAS; and
- the Resale Broadband service, W-ADSL.

## **Overview of Telstra's position**

Telstra considers that the LTIE are best served by extending the declaration of the fixed line services and retaining the existing service descriptions for each service.

More specifically, Telstra's view is that:

- While fixed line service volumes have declined significantly, Telstra's legacy network continues to provide last mile access to customers predominantly in regional Australia, as well as some vulnerable customer groups.
- Extending declaration of certain fixed line services (WLR, LCS, W-ADSL, FOAS and FTAS) will provide certainty and stability while the future supply of service in regional Australia is determined and the substitutability of other technologies becomes clearer.



- There is strong evidence to suggest that maintaining ULL and LSS declaration is unnecessary due to the very low number of services (which are expected to decline even further) in place.
- The declaration of any fixed line services should be limited to three years to allow for the policy approach in regional Australia to be determined after which time declaration should be reassessed.

Our views are set out in further detail below.

### Voice and broadband SIOs continue to decline

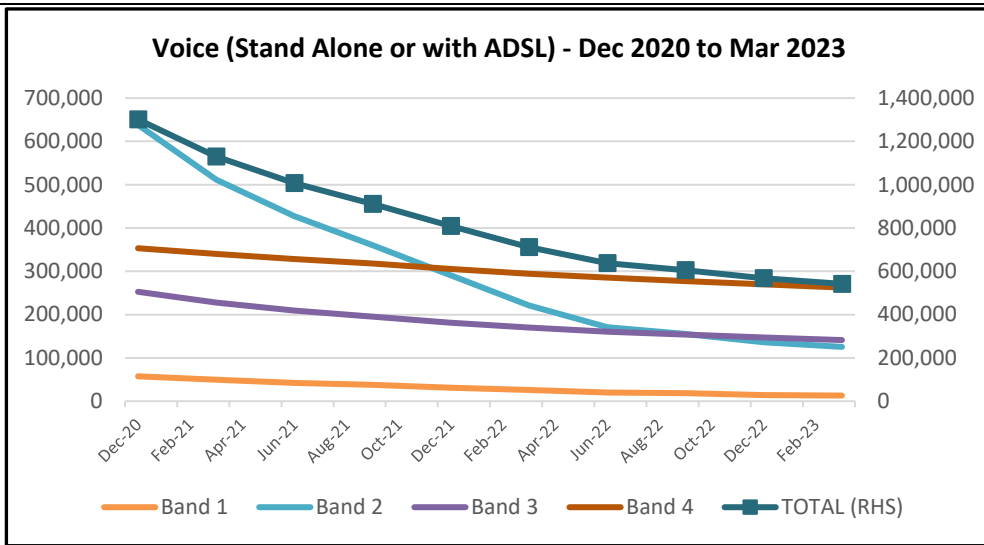
Telstra's submission to the 2018 fixed line services declaration inquiry set out a view that the volumes of fixed line services had declined and would continue to do so as the rollout of the NBN progressed. This has proven to be the case, and while the decline has been driven by mandatory migrations in major cities and metropolitan areas where the NBN rollout is now complete, there has also been a steady, ongoing decline of services in more regional and remote areas.

As set out in the Discussion Paper, the total retail and wholesale voice and broadband services in operation (SIOs) on Telstra's legacy network has declined significantly since the previous declaration inquiry. Voice and broadband services continue to decline in CBD, metro and major regional areas and are expected to continue to do so but this is starting to taper off as almost all of the services planned by NBN have now migrated off copper. In more minor regional areas and rural areas, the decline in voice and broadband SIOs has been relatively steady and constant. These trends are evident in Table 1 below, noting the higher rates of reduction for bands 1-3 primarily reflects the presence of services which have been subject to mandatory migration obligations.

	Voice SIOs			Broadband SIOs		
	Mar 2022	Mar 2023	Reduction	Mar 2022	Mar 2023	Reduction
Band 1	25,707	12,962	49.6%	4,036	1,744	56.8%
Band 2	220,969	125,393	43.3%	43,400	19,140	55.9%
Band 3	170,423	141,142	17.2%	59,804	44,818	25.1%
Band 4	294,174	262,346	10.8%	74,104	61,464	17.1%
<b>TOTAL</b>	<b>711,273</b>	<b>541,843</b>	<b>23.8%</b>	<b>181,344</b>	<b>127,166</b>	<b>29.9%</b>

**Table 1: Voice and Broadband RKR Data showing SIO decline in previous 12 months.**

Almost half (48.4%) of all Voice SIOs active in March 2023 (262,346) were in Band 4. Figure 2 below shows SIO trends in each band over the last 2.5 years.



**Figure 2: RKR Data for Voice SIOs by band – Decline since Dec 2020 Quarter.**

In the period between Dec 2020 and March 2023, Band 1 total Voice SIOs (retail plus wholesale) declined by 77.4%, Band 2 by 80.3%, Band 3 by 44.1%, whereas Band 4 total Voice SIOs declined by 25.7%. A probable explanation for the lack of decline of voice SIOs in Band 4 areas is that the vast majority are Telstra customers, for many of whom a USO voice service is provided over the copper network, and in any event may not be provided over the NBN Fixed Wireless network. This percentage grows to 98.4% of Band 4 Voice SIOs where either NBN Satellite or Fixed Wireless Access is the only available alternative to legacy voice. In other words, 98.4% of Band 4 Voice SIOs have no fixed-line alternative.

The decline in broadband SIOs in the 27 months between Dec 2020 and March 2023 has been along similar lines, with Band 1 Broadband SIOs declining by 84.4%, Band 2 by 89.3%, Band 3 by 58.8% and Band 4 by 37.8%. The higher rates of decline vis-à-vis voice decline are likely due to better quality and higher-speed alternatives to ADSL (which is only capable of ~20 Mbps download speed) thanks to NBN and emerging technologies such as LEO satellites.

**Fixed line declarations should be maintained in the short term to provide customer certainty**

As set out above, there is ongoing decline in legacy voice and broadband services in all areas — metropolitan areas, major regional areas and rural and remote areas.

The future provision of services in regional Australia is still subject to some uncertainty, including whether other technologies will prove to be appropriate substitutes. The extent to which Telstra’s legacy network will continue to be used to provide voice services outside the NBN fixed line footprint is also unclear but it is important to recognise that it is approaching end of life and alternative connectivity options which offer better end user experiences are becoming increasingly available. While we support the migration of customers to these alternative options, we recognise there is a case – in the context of ensuring continuity and stability of services in regional Australia – to maintain the declaration of the fixed line services at the present time.

Commensurate with this, Local Call Service (LCS), Fixed Originating Access Service (FOAS) and Fixed Terminating Access Service (FTAS) declarations will also need to be retained. As the ACCC



notes, WLR, LCS and FOAS are usually purchased in a bundle,<sup>8</sup> and FTAS is required to support any-to-any connectivity between end-users across different networks.<sup>9</sup>

### There is no benefit in maintaining ULL and LSS declarations

The volumes of ULL and LSS are trending towards zero, and this suggests that there is little benefit in maintaining declarations for these services.

In our submission to the ACCC's 2018 Declaration Inquiry, we highlighted the need to maintain the ULL and LSS declarations during the period while transition to the NBN was occurring.<sup>10</sup> As we noted at the time, maintaining the declaration on ULL and LSS would allow access seekers to maintain / grow their market presence as end users migrate to the NBN, thereby helping to promote competition in the transition to the NBN. However, as set out below, the volume of ULL and LSS SIOs has decreased significantly since that time, illustrating that ULL and LSS no longer play that role.

At the time of the 2018 Declaration Inquiry, there were 1,063,815 ULL SIOs and 256,541 LSS SIOs.<sup>11</sup> In March 2023, according to the ACCC's RKR data, there were 681 ULL SIOs and 862 LSS SIOs. Table 2 below shows the decline in ULL and LSS SIOs in the past 12 months.

	ULL SIOs			LSS SIOs		
	Mar 2022	Mar 2023	Reduction	Mar 2022	Mar 2023	Reduction
Band 1	5,231	85	98.4%	311	31	90.0%
Band 2	28,342	590	97.9%	2,958	811	72.6%
Band 3	248	5	98.0%	37	18	51.4%
Band 4	13	1	92.3%	7	2	71.4%
<b>TOTAL</b>	<b>33,834</b>	<b>681</b>	<b>98.0%</b>	<b>3,313</b>	<b>862</b>	<b>74.0%</b>

Table 2: ULL and LSS RKR Data showing SIO decline in previous 12 months.

Importantly, at the end of March 2023, 0.9% of ULL services (i.e., 6 SIOs) and 2.3% of LSS services (i.e., 20 SIOs) were in either Band 3 or Band 4. Band 1 and the vast majority of Band 2 are within NBN's fixed line or fixed wireless footprint (i.e., not using satellite access) and should have now migrated to the NBN.

The number of unique ESAs where access seekers are still acquiring ULL is shown in Table 3.

<sup>8</sup> ACCC Declaration Inquiry Discussion Paper, May 2023, §4.1.2, p.19.

<sup>9</sup> ACCC Declaration Inquiry Discussion Paper, May 2023, §4.1.3, p.20.

<sup>10</sup> Telstra submission to ACCC Fixed Line Services Declaration Inquiry, 12 Oct 2018, §4.3, p.11.  
[Telstra - Fixed line services declaration inquiry - Public submission - 12 Oct 2018.pdf](#)

<sup>11</sup> Source: ACCC RKR data for Sept 2018, available at [Snapshot of Telstra's customer access network - Sep 2018.pdf](#)



	Band 1	Band 2	Band 3	Band 4	TOTAL
ESAs with 1 or more ULL SIOs	14	113	2	1	130
Total ESAs in Band	16	585	749	3,717	5,067
% of ESAs with 1 or more ULL SIOs	87.50%	19.32%	0.27%	0.03%	2.57%

Table 3: ESAs where access seekers acquire ULL (as at May 2023).<sup>12</sup>

The substantial reduction in SIOs for both ULL and LSS indicates the transition to NBN is now largely complete. The Discussion Paper notes, “[a]s at the end of March 2022, the total unconditioned local loop and line sharing services in operation had declined since September 2007, by 89% and 99% respectively.” While this is correct (because, on ULL SIOs, in Sept 2007 there were 306,248 SIOs and in March 2022 there were 33,834), it does not consider the peak volume of ULL SIOs of 1,565,660 in December 2015. Taking this into account, the reduction is almost 99.96%.

Based on the above, there is strong evidence to suggest that maintaining ULL and LSS declaration is unnecessary given the very low number of services, which are expected to decline even further. As services continue to decline, the unit costs increase substantially, as there is an unavoidable cost in ensuring there are adequate staff with the requisite skills, and sufficient spare parts to conduct repairs within applicable timeframes. Accordingly, Telstra considers that the declarations of ULL and LSS should be allowed to expire.

### FOAS is not required to maintain access to special services

The Discussion Paper observes, “[t]he fixed originating access service is relevant for special services such as 13/1300 (local rate) and 180/1800 (toll free) numbers which allow parties to call specified classes of numbers at reduced or zero rates.”<sup>13</sup> This is not correct. Calls to 13/1300 (local rate) and 180/1800 (toll free) numbers use a different service called Inbound Originating Access (Inbound OA). While the calls themselves travel through the same physical interconnection gateways as regular FOAS traffic, all Inbound OA traffic is managed under separate commercial agreements, with no reliance on the FOAS declaration to set inter-carrier rates for these inbound services.

While this fact does not change our position on the need to retain the FOAS declaration (FOAS declaration is required as FOAS is bundled with WLR and LCS to make a wholesale PSTN access service), we consider it important to note that the 13/1300/180/1800 call types are not dependent on the FOAS declaration.

### Service descriptions should be maintained

If any or all the fixed line services continue to be declared, the existing service descriptions remain appropriate. There is no reason to change service descriptions that have been in place for a number of decades, are well understood by industry, and work well. This is particularly so given the declining demand for these services in light of transition to the NBN, and the importance of fostering industry certainty about the scope of regulation of the legacy network at this time.

<sup>12</sup> **Disclaimer:** Data in this table is based on internal Telstra data, not RKR data, as RKR data does not contain detail of the ESA where each ULL resides. There may be discrepancies between the source data used to compile RKR data and the source data used to compile this table.

<sup>13</sup> ACCC Declaration Inquiry Discussion Paper, May 2023, §4.1.3, p.20, last paragraph of that section.



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Any change to the service descriptions could easily impose additional costs on Telstra to give effect to them. Given the low number of services, wholesale prices would need to increase, potentially substantially, to recover those costs.

### **A shorter declaration period is appropriate**

Telstra considers it is appropriate to extend any declaration of the fixed line services for a further three years only. While previous inquiries have extended declarations for five years, there are a number of reasons why a shorter declaration period is now appropriate:

- The significant decline in legacy voice and broadband services, as set out above, suggests limited benefit in retaining declaration for a longer period.
- Three years provides sufficient time for the policy approach in regional Australia to be determined, including the role LEO satellites will play, ongoing investment in terrestrial mobile networks, and potential reform of the USO, after which time declaration should be reassessed.
- Retaining declaration for a longer time period risks harm to investment in new technologies and solutions, which is not in the LTIE. This is particularly the case in regional Australia where alternative technologies are important for future service provision.

Telstra notes our position on extending the declarations rather than letting them expire at the end of the current declaration period is conservative. However, we consider that retaining the fixed line services declaration at this time is likely to provide continuity and stability of services in regional Australia, and for certain groups of consumers who have yet to transition to alternative options. That said, we expect certainty of future service provision to be determined such that a three-year declaration period is in the LTIE. A longer period may result in a significant diminishing of any benefits of declaration.

### **Separation of Telstra supports ongoing equivalent treatment of customers**

The Discussion Paper sets out a concern raised during the 2018 declaration inquiry that "...while Telstra had established 'InfraCo' to operate certain fixed line and other infrastructure assets such as the Customer Access Network, this was not a fully structurally separated company and potential incentives remained for Telstra to either deny access or impede competition in the transition to the NBN." Telstra does not consider that this was a valid concern at the time of the previous declaration inquiry and, as such, does not believe it should continue to be a valid concern. Telstra believes it has always treated our retail and wholesale customers on an equivalent basis and continues to do so, even as the declared fixed line services become less relevant to access seekers and consumers.

### **Declaration of fixed line services has no bearing on the ability to fulfil the USO**

Telstra is solely responsible for delivery of the USO under section 12D of the *Telecommunications (Consumer Protections and Service Standards) Act 1999*.

The ACCC declares services in order to ensure access seekers can obtain access to services where the service provider is in a monopoly position, and while ongoing access to WLR, LCS and FOAS is likely necessary to ensure access seekers can provide legacy voice services to their customers, these access seekers are not responsible for fulfilling the USO, and hence, maintenance or expiration of the declarations has no bearing on the ongoing provision of the USO.<sup>14</sup> It is also relevant that Telstra is not an access seeker under the WLR, LCS and FOAS Declarations to acquire wholesale services from Telstra InfraCo to supply voice services to its retail customers.

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<sup>14</sup> It could be argued the declaration is necessary to ensure access seekers can obtain the necessary wholesale services they require to provide legacy voice services to their customers, but these services are not USO services, as specified under TUSOPA.



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Given this, Telstra can continue to fulfil the USO even if the declarations of the fixed line services are allowed to expire.





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## Mobile Terminating Access Service

This section provides Telstra's view on the declaration for the Mobile Terminating Access Service (MTAS)

### Overview of Telstra's position

Telstra considers that the LTIE are best served by extending the declaration of the MTAS and retaining the existing service descriptions for each service.

More specifically, Telstra's position is that:

- While the mobile market is highly competitive, characterised by falling prices and innovative services, the MTAS is still a bottleneck service as each Mobile Network Operator (MNO) has control over connecting voice calls to its own directly connected end customers.
- OTT services are now viewed as a demand side substitute for mobile voice services by many consumers. However, there are limitations to the use of OTT voice services and an MNO's voice MTAS remains an essential input into the supply of both FTM and MTM calls, which continue to generate substantial traffic over both the fixed and mobile networks.
- Mobile and fixed terminating access should not be combined into a single service description due to the high costs associated with doing so. These costs would significantly outweigh any anticipated benefits to the detriment of end users.
- There is no evidence to support the redeclaration of SMS termination, with P2P and A2P rates set on a commercial basis and strong ongoing substitutes from a consumer perspective.
- The service description for MTAS should be retained and the declaration extended for an additional five-year period.

Our position is set out in further detail below.

### Australia's mobile market is highly competitive

Australia's mobile market is highly competitive, with total mobile phone SIOs continuing to increase since the last declaration inquiry. Over 2021-2022, total mobile phone services increased by 3% to over 28 million services.<sup>15</sup> Customers can choose from a large number of mobile service providers and have been the beneficiaries of strong competitive outcomes, including strong price competition, non-price competition and product innovation. The market also comprises a significant number of MNO sub brands and MVNOs, which in 2022 made up 18% of total SIOs, with these brands typically providing an alternative for the more price conscious segment of the market.<sup>16</sup> Between 2017-2022, for consumers in the median priced percentile, advertised prices decreased by 10.3% for mobile services.<sup>17</sup> Over the same period, feature-adjusted pricing analysis indicated that the price of mobile services fell by 47.5% overall, driven principally by changes in the inclusion of data allowances and speed improvements.<sup>18</sup>

Australia is well recognised as a global leader in 5G mobile services and Australian consumers already benefit from some of the lowest mobile data prices in the OECD as well as having amongst the fastest

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<sup>15</sup> [ACCC Communications market report 2021-22](#), pg. 12

<sup>16</sup> [ACCC Communications market report 2021-22](#), pg. 12

<sup>17</sup> [ACCC Communications market report 2021-22](#), pg. 13

<sup>18</sup> [ACCC Communications market report 2021-22](#), pg. 13





mobile speeds in the world.<sup>19</sup> Competition will continue to intensify as MNOs further expand their 5G footprint. The ACCC's Mobile Infrastructure Report 2022 highlights that over the last year all three MNOs have invested significantly in both metro and regional areas and that the investment is expected to scale up significantly over the coming years.<sup>20</sup> Telstra's 5G network now covers 85% of population, with more than 4,700 5G enabled sites within selected areas of more than 400 major and regional cities.<sup>21</sup> Further, as part of Telstra's T25 strategy, we have recently announced plans for our expanded 5G rollout which will deliver approximately 95 per cent population coverage by FY25 – including a 100,000 square kilometre increase in our 4G and 5G network footprint, substantially increasing regional coverage. Telstra also expects to have 80% of mobile traffic on its 5G networks within this timeframe.<sup>22</sup>

## **OTT services are now viewed as retail substitute for fixed voice and mobile calling by many consumers**

### **Smart phone adoption is almost ubiquitous**

The way consumers use their mobile services has evolved since the ACCC last declared the MTAS. Smartphone adoption and use has become almost ubiquitous for all Australians. For example, in 2017, 81% of adult Australians used a smartphone.<sup>23</sup> In 2021, Deloitte reported that 92% of adult Australians had access to a smartphone.<sup>24</sup> The use and adoption of smartphones enables users to engage with more feature rich applications, including video chat, social media, web surfing and other entertainment, education, and navigation experiences.

### **1 in 2 Australians now use OTT apps to make voice calls**

One of the most significant changes since the last declaration inquiry is the increased usage of OTT applications for voice calling. Telstra believes that over the last declaration period, there has been a significant and sustained transition in the use of OTT services by consumers. A 2022 ACMA survey found 52% of Australian adults used an OTT application to make a voice call (up from 22% in 2017).<sup>25</sup> This represents a 7 percentage point increase year on year highlighting the rapid nature in which consumer preferences are shifting in favour of OTT.<sup>26</sup> We consider that the COVID-19 pandemic has been an important inflexion point, leading to a significant familiarisation for consumers and businesses that has aided in the adoption of other OTT voice calling. Data shows that during Australia's COVID-19 restrictions, there was a doubling in the number of older Australians (75 and above) using digital communications, including social media apps. The pandemic shifted the behaviour of consumers overall towards the use of social media and OTT apps with data showing that between January and June 2020, 77% of Australians used an app to make voice call, video calls or send messages.<sup>27</sup>

Relatedly, Australians are downloading more data than ever before across both prepaid and post-paid mobile devices, with the ACCC reporting in the 6 months to December 2022 a 15% and 16% increase on these device types respectively.<sup>28</sup> In addition, the ACCC's own research showed a significant increase in average monthly active users across each of the main social media platforms between 2019

<sup>19</sup> Cable.co.uk, Worldwide mobile data pricing, 2021, based on sample of OECD countries, Average price of 1GB (USD)\$ at mobile\_data\_price\_comparison\_data.xlsx (live.com); WIK-Consult sample based on Ookla/speedtest.net.au. Sample includes Australia, Sweden, Canada, United Kingdom, Germany, New Zealand, Austria, Ireland and Italy. August 2021

<sup>20</sup> [Mobile Infrastructure Report 2022.pdf \(accc.gov.au\)](#), pg. 10

<sup>21</sup> Telstra, 2023, <https://www.telstra.com.au/5g>

<sup>22</sup> Ibid

<sup>23</sup> Venture Consulting data commissioned by Telstra, 2018

<sup>24</sup> [Digital Consumer Trends 2021 Report \(deloitte.com.au\)](#), based on a survey commissioned by Deloitte Australia involving a representative sample of 2000 Australians between 18-75.

<sup>25</sup> ACMA, [How we Communicate](#), December 2022 [How we communicate Executive summary and key findings\\_0.pdf \(acma.gov.au\)](#), pg.3

<sup>26</sup> ACMA, [How we Communicate](#), December 2022, [How we communicate Executive summary and key findings\\_0.pdf \(acma.gov.au\)](#), pg. 3

<sup>27</sup> [COVID restrictions helped increase digital communication use for older Australians | ACMA](#)

<sup>28</sup> ACCC, [Internet Activity Report](#), For the period ending 31 December 2022, pg. 2



and 2022,<sup>29</sup> with the total time spent on mobile apps per Australian adult per month increasing significantly.<sup>30</sup> The growth in data usage, coupled with the increase in time spent on OTT/social media apps, highlight changing preferences of Australians in their communications use, including a shift towards OTT apps in place of traditional fixed and mobile calling services.

### **OTT apps provide consumers and businesses with additional features**

In the 2018 declaration inquiry the ACCC found that OTT voice services “*have features that prevent them from being used by consumers as full substitutes for MTM voice calls*”<sup>31</sup>. The ACCC highlighted concerns regarding the lack of interoperability and the need for both the sender and receiver to have a smartphone with data service enabled and the same OTT application installed. Whilst we recognise that these issues used to be generally true, there is now near ubiquitous adoption of smartphone and preference for OTT apps (as discussed above) highlighting that this no longer remains a significant obstacle for customers, with users actively switching between traditional voice and OTT calling, and between OTT calling apps with ease.

Since the last inquiry, there have also been significant advancements in the functionality of OTT voice services, as compared to traditional voice services, with the ACCC themselves noting the functionality in some cases is superior.<sup>32</sup> Australia is now a more digitally connected society, and the pandemic has resulted in a positive change to the way in which consumers and businesses interact with technology. For example, applications such as Microsoft Teams and Zoom, which were predominately used for business communication during the pandemic have functionality that is far superior to traditional voice calling applications in that they enable users to real-time collaborate, conference and share information and data. Apps such as WhatsApp or Facebook Messenger also offer enhanced services such as group calling and conferencing.<sup>33</sup> The adoption of these OTT services by consumers during the pandemic and post-pandemic indicates they will remain a preferred communication method into the future. Prior to the pandemic, Zoom had 10 million daily participants, However, by October 2020, the video conferencing platform had 300 million users.<sup>34</sup> Microsoft Teams also experienced exponential growth during the pandemic rising from 20 million annual users in 2019, to 270 million users by 2022.<sup>35</sup>

### **Improvements to underlying infrastructure support the quality and reliability of OTT services**

Concerns raised in the previous declaration inquiry included issues with call quality, practicality, and the reliability of OTT services.<sup>36</sup> Given the advancement of 5G technology and the ongoing expansion of 5G networks, we do not consider this to be a significant impediment to future adoption of services. Since the last declaration inquiry, the NBN roll out has been completed meaning more Australians are able to access high quality internet services and, as noted above, 5G roll out is advancing at pace, resulting in significantly improved infrastructure. This significant improvement is highlighted by the recent Speedtest Global Index which found that Australia had amongst some of the fastest mobile download speeds in the world (with median mobile download speeds of 86Mbps)<sup>37</sup>.

<sup>29</sup> ACCC, *Average monthly active users by social media platforms, 2019 v 2022, Digital Platforms Inquiry Interim Report : Report on Social Media Services*, pg. 32, March 2023 [Document title] (acc.gov.au)

<sup>30</sup> ACCC, *Total time spent on mobile app per Australian adult per month from 2020 to 2022*, *Digital Platforms Inquiry Interim Report : Report on Social Media Services*, pg. 67, March 2023 [Document title] (acc.gov.au), [Document title] (acc.gov.au)

<sup>31</sup> ACCC, Final Report, *Domestic Mobile Terminating Access Service Declaration Inquiry*, June 2019, [DORIS - D19-95275 MACE - MTAS Declaration Inquiry 2018-19 - Final Report - PUBLIC - FINAL - 28 June 2019.PDF](#) (acc.gov.au), pg. 10

<sup>32</sup> ACCC, Discussion Paper, *Public Inquiry into the declaration of the domestic transmission capacity service, fixed line services and domestic mobile terminating access service*, 31 May 2023, pg. 42

<sup>33</sup> See [WhatsApp now lets you mute people during group calls - The Verge](#)

<sup>34</sup> [Zoom daily meeting participants worldwide 2020 | Statista](#)

<sup>35</sup> Business of Apps, 2023, <https://www.businessofapps.com/data/microsoft-teams-statistics/>

<sup>36</sup> ACCC, Final Report, *Domestic Mobile Terminating Access Service Declaration Inquiry*, June 2019, [DORIS - D19-95275 MACE - MTAS Declaration Inquiry 2018-19 - Final Report - PUBLIC - FINAL - 28 June 2019.PDF](#) (acc.gov.au), pg. 10

<sup>37</sup> [Australia's Mobile and Broadband Internet Speeds - Speedtest Global Index](#). Measured in May 2023



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## OTT apps impose a competitive constraint to traditional OTT calling

Consistent with our observations during the last declaration inquiry, the competitive constraint imposed by OTT voice and messaging services (which are traditionally available to customers for no direct charge) has continued. A review of both fixed and mobile plans in June 2023 by Telstra, Optus and TPG showed that FTM and MTM calls and SMS are typically included in the subscription price of plans.<sup>38</sup>

### The MTAS should continue to be declared

Whilst Telstra considers that OTT services provide a full demand-side substitute for voice services for many consumers, we consider that the LTIE is nevertheless best promoted by the continued declaration of voice MTAS. Whilst OTT functionality has evolved, adoption is more widespread and the underlying infrastructure has improved, an MNO's voice MTAS is still an essential input into the supply of both FTM and MTM calls, which continue to generate substantial traffic over both the fixed and mobile networks.<sup>39</sup>

### The MTAS service description is technology neutral and should be maintained

Telstra considers the current MTAS service description, as it relates to voice, remains appropriate and should remain unchanged. The current service description defines the voice MTAS on a technology-neutral basis, which is fit for purpose. As discussed previously, the mobile market is characterised by high levels of competition, innovation, and investment to upgrade mobile networks from one generation to the next (e.g., 4G to 5G). We consider this innovation and investment is facilitated in part by the technology-neutral MTAS description, which avoids linking call termination to specific technology generations or formats (e.g., Voice over Long-Term Evolution – VoLTE). Further, being overly prescriptive by introducing a technology-based service description to reflect potential ways to deliver a voice call to a mobile handset may have negative unforeseen outcomes. We therefore consider the MTAS service description should remain unchanged.

### Duration of declaration

Telstra considers the declaration period should be 5 years to provide businesses with certainty and minimise the ongoing costs of regulation. This will allow sufficient time for OTT services to expand further and improve their capabilities, after which it will be appropriate to consider the future of MTAS declaration.

### Mobile and fixed terminating access should not be combined into a single service description

We do not support combining mobile and fixed terminating access into a single termination service description.

In addition, combining fixed and mobile termination into a single service description implies the cost of supplying a voice call on a mobile network is the same as the costs of supplying a voice call on a fixed network. Mobile networks (3G, 4G and 5G networks) have a much higher cost to deploy (including spectrum costs, higher cost of deployment in regional and remote areas) and include differentiated features to fixed networks (e.g., VoLTE/Higher Definition calling). Combining fixed and mobile termination does not recognise this and would not be in the LTIE given that network operators should be entitled to make efficient investments in national mobile networks and recover part of those costs through voice interconnect charges.

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<sup>38</sup> See for example, [Telstra Mobile Plans - Critical Information Summary](#) – calls included across all plans, All advertised Optus mobile plans include 'Talk and Text' – unlimited calls to Australian mobiles, landline, 13/1300 numbers and voice mail - Mobile Phone Plans & SIM Only Plans | Optus, Home Phone Unlimited Included, TPG – Unlimited Calls on all TPG Mobile SIM Only Plans - [CIS-TPG-Mobile-SIM-Only-Plans.pdf](#)

<sup>39</sup> [c-i-c] [c-i-c]



Retail plans still also recognise the distinction between fixed voice and mobile with carriers generally offering distinct plans for fixed voice and mobile calling (despite the price tariffs converging). Mobile numbers are used by mobile network operators to supply mobile services whilst geographic numbers are used largely to supply “local” number services that have a geographic connection to particular regions in Australia. Regulated wholesale services should mirror the downstream supply of retail services where the distinction between mobile services and local number-based services remains meaningful at Retail then this should be reflected in the wholesale supply too. To not reflect this would cause unnecessary confusion and cost for regulated businesses.

The services are different from a technical perspective. From a call routing point of view, mobile termination and fixed termination are delivered to end customers connected to different access networks. Handover practices used across the industry reflect these differences (i.e., the industry employs near end handover for mobile calls and far end handover for fixed calls reflecting the principle that interconnect as far as possible should be at the closest practicable point to the customer i.e., inter-state transit should not be part of the service). Given the technical differences, it would be impractical to combine the services into a single service description.

### **There is potential for terms of access that support reduction in SCAM calls**

Scam calling using ‘spoofed’ Australian numbers continues to be a significant problem. This is despite all carriers and carriage service providers having obligations to monitor for (and block) scam calls. Telstra estimates (by extrapolating the known spoofing rate of Telstra held numbers to calls received presenting non-Telstra CLI), it is receiving up to 6 million scam calls per weekday that are not currently being blocked.

Consideration should be given to whether it is necessary (and appropriate) to include measures in either the service description or the subsequent access determination to allow terminating carriers to take action against carriers that are persistently delivering large volumes of scam calls using spoofed Australian numbers. For example, when non-mobile operators are spoofing mobile numbers, where a large proportion of calls may need to be blocked by the terminating carrier, or where the proportion of terminating calls exceeds a specified threshold for ‘other carrier’ numbers. Such action would be justified because the terminating carrier is having its costs increased because it is required to filter calls for the originating and transit service providers who do not have sufficient controls in place. The declaration of call termination, and application of Standard Access Obligations, should not prevent terminating carriers from refusing to terminate traffic that they suspect is scam and harmful to their end users.

### **SMS should remain undeclared**

Telstra does not support the redeclaration of either person-to-person (**P2P**) SMS or application-to-person (**A2P**) SMS. The ACCC’s reasons for determining in 2019 that the regulation of SMS termination was no longer in the long-term interests of end-users remain valid. They have only gained in strength since then.

In the case of P2P SMS, where in 2019 the ACCC found SMS termination to no longer represent a bottleneck input for downstream services, it is even less of a bottleneck today. In 2019, the ACCC determined that OTT messaging apps were an effective substitute for P2P SMS services at the retail level. Since then, the levels of adoption and use of over-the-top messaging apps have further increased. According to the ACMA, use of communication apps for messaging has increased from 58% in May 2019, to 75% in June 2022.<sup>40</sup> This figure increases to 87% in June 2022 if messaging via a social media

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<sup>40</sup> ACMA, “Communications and Media in Australia: How we Communicate”, December 2022 - [Communications and media in Australia: How we communicate | ACMA](#), Figure 2.



website or app is also included.<sup>41</sup> The trend of P2P SMS volumes being overwhelmingly dwarfed by OTT messaging volumes is compellingly illustrated in Figure 5.2 of the ACCC's Discussion Paper.

Deregulation of SMS termination has also had no negative impact on the retail pricing of P2P SMS services. Overall retail prices of mobile plans have remained stable or fallen,<sup>42</sup> and the vast majority of available mobile plans continue to include unlimited SMS allowances.<sup>43</sup> This means that the effective cost to consumers of SMS in most cases is zero.

SMS termination has never been an essential input to downstream A2P SMS services which remain subject to strong competition from alternative communication services. A2P SMS services involve a message being sent from an online interface (usually belonging to a business or government enterprise, such as a bank or an airline) to the mobile number of an end-user customer. Given the uses for A2P SMS, the ACCC has previously correctly found that potential substitutes for the sending of A2P SMS from one network to another (i.e., A2P SMS termination) include:

- A2P SMS providers and aggregators buying on-net A2P SMS services from each individual MNO;
- over-the-top messages;
- in-app messages;
- emails; and
- phone calls.<sup>44</sup>

Since 2019, end-users of A2P messages have continued to find new and innovative ways to contact their customers, including a combination of in-app messaging, email, voice (including AI / chatbot driven digital voice and chat interactions with customers) and OTT products which are tailored for the use of businesses in communicating with their customers. Rich Communication Services (**RCS**) are also starting to gain some momentum in Australia, with Google leading on enabling connectivity.<sup>45</sup> Other forms of business focussed RCS are available through WhatsApp<sup>46</sup> and Apple Business Chat<sup>47</sup>. **[c-i-c begins] [c-i-c ends]**.

As illustrated in Table 4 below, as for P2P SMS, analyst data regarding the market for business SMS in Australia shows a clear trend of SMS volumes being consistently dwarfed by OTT alternatives.<sup>48</sup>

<sup>41</sup> ACMA, "Communications and Media in Australia: How we Communicate", December 2022 - [Communications and media in Australia: How we communicate | ACMA](#), Figure 4.

<sup>42</sup> [ACCC Communications market report 2021-22](#), pg. 13

<sup>43</sup> As reflected in the ACCC's advice to consumers that "*Most mobile phone plans, both post-paid and prepaid, offer unlimited national calls and SMS inclusions*" - [Choosing a mobile phone service | ACCC](#) – see also, [What Does 'Unlimited National Calls And Text' Mean In A Phone Plan? \(whatphone.com.au\)](#), providing details of options available including some MVNO offers priced as low as \$9.90 per month for unlimited SMS, 200 mins of standard calls and 1GB of data for 30 days - [Top 10 Unlimited Phone Plans In Australia | Save Up To 32% | WhatPhone](#). See also ACCC, [Communications market report 2020-21](#), ACCC, Australian Government, p xi.

<sup>44</sup> [DORIS - D19-95275 MACE - MTAS Declaration Inquiry 2018-19 - Final Report - PUBLIC - FINAL - 28 June 2019.PDF \(acc.gov.au\)](#) (pp 37-39; 40).

<sup>45</sup> [Why RCS? \(google.com\)](#)

<sup>46</sup> [WhatsApp Business | Transform Your Business](#)

<sup>47</sup> See [Apple Business Register](#) and [iOS - Business Chat - Apple \(AU\)](#).

<sup>48</sup> OMDIA, Business Messaging Market Sizing Tool, 27 October 2022





Business messaging traffic (millions)	2019	2020	2021	2022	2023	2024	2025	2026
RCS A2P	-	-	0.05	0.60	2.74	7.73	16.85	32.87
SMS	4,886	5,839	6,769	7,323	7,708	7,989	8,139	8,565
Messaging apps	323,478	517,564	579,672	643,436	701,345	757,453	818,049	875,312

Source: Omdia © 2022 Omdia

**Table 4: SMS and OTT volumes**

Accordingly, and consistent with the ACCC’s 2019 findings, Telstra considers that there are, and will continue to be, sufficient commercial incentives for the three MNOs to provide A2P SMS termination services on reasonable terms without the need for declaration.

**[c-i-c begins] [c-i-c ends]** In the ACCC’s 2019 Final Report, the ACCC proposed to continue to monitor the downstream markets for A2P SMS services to ensure that A2P SMS service providers continue to have reasonable access to services.<sup>49</sup> Telstra submits that this continues to be the case. **[c-i-c begins] [c-i-c ends]**

#### Impact of declaration on efforts to combat SMS scam

In 2019, the ACCC considered the concerns raised that continued declaration of SMS termination could result in inefficient use of infrastructure in light of the levels of spam and phishing SMS attributable to A2P SMS. The ACCC explained that such fraudulent and spam SMS traffic imposes high economic and social costs on consumers and, as such, is regarded as inefficient use of infrastructure.<sup>50</sup> Telstra submits that leaving the SMS termination service unregulated will support the MNOs in their continued efforts to combat scam SMS originated by A2P providers, by providing them with commercial flexibility when it comes to the termination of and/or charging for SMS demonstrating scam indicators.

<sup>49</sup> [DORIS - D19-95275 MACE - MTAS Declaration Inquiry 2018-19 - Final Report - PUBLIC - FINAL - 28 June 2019.PDF \(acc.gov.au\)](#), p 41

<sup>50</sup> [DORIS - D19-95275 MACE - MTAS Declaration Inquiry 2018-19 - Final Report - PUBLIC - FINAL - 28 June 2019.PDF \(acc.gov.au\)](#) (pp 42-43).