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## **TELSTRA GROUP LIMITED**

# **Submission to ACCC Public inquiry on the access determinations for the voice interconnection services – Draft report**

**Public Version**

**10 September 2025**



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## Executive Summary

Telstra welcomes the opportunity to comment on the Australian Competition and Consumer Commission (ACCC) Draft Report on its public inquiry on the final access determinations (FADs) for the voice interconnection services<sup>1</sup>. Telstra endorses the shift to cost-based TSLRIC+ pricing for mobile terminating access (MTAS) and fixed terminating and originating access services (FTAS/FOAS), for the reasons outlined in the Draft Report.

However, Telstra has some ongoing concerns with the proposed pricing approach and final model specification.

Our primary concern is that by excluding costs related to mobile coverage in areas with only one mobile operator, the draft model will underestimate (by a margin of some 8%) the costs of the significant ongoing investments mobile network operators (MNOs) need to make in order to maintain coverage in these largely regional and remote locations, so as to be able to provide the MTAS to access seekers looking to reach the many end-users who live and work in or travel to these parts of Australia. By so doing, the ACCC's proposed pricing approach is likely to exacerbate the already marginal or negative direct returns incurred by the operators of these sites, further disincentivising ongoing investment during the period of the FAD – which we do not believe is in the long-term interests of end-users.

We are also concerned that excluding low earth orbit (LEO) satellite to mobile (STM) services from the cost model may limit its accuracy and comprehensiveness in assessing future connectivity scenarios. We recommend the ACCC remain open to revisiting this issue, as the scope of the Government's proposed Universal Outdoor Mobile Obligation (UOMO) and the costs MNOs must bear to comply with these obligations become clearer.

Finally, instead of the stepped glide-path for FTAS/FOAS rates proposed by the ACCC, we recommend implementing cost-based FTAS/FOAS rates from half-way through Year 1, after a six-month transition period at the current regulated rate. Applying cost-based rates for FTAS/FOAS six-months earlier than proposed by the ACCC will better ensure fairness and parity with the proposed approach to the cost-based adjustment in MTAS rates (proposed to come in immediately in Year 1). It will also have the benefit of simultaneously reducing the period during which above-cost termination rates for FTAS/FOAS will continue to incentivise scam related activity / artificially inflated traffic – supporting the economically efficient investment in and use of infrastructure. Lastly, leaving the current FTAS/FOAS rate in place for the first six months (rather than requiring a partly reduced rate from the start of Year 1) will be simpler and more efficient from a billing systems adjustment perspective for both access seekers and providers and will better allow fixed operators time to adjust.

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<sup>1</sup> ACCC, August 2025, Public inquiry on the access determinations for the voice interconnection services – Draft report, available at <https://www.accc.gov.au/by-industry/regulated-infrastructure/regulatory-projects/voice-interconnection-services-access-determination-inquiry/draft-report>



# 1 Pricing approach and final model specification

## 1.1 Network footprint and rollout

For the reasons discussed in our earlier submission<sup>2</sup>, we remain concerned that the draft model excludes costs associated with mobile coverage in areas served by a single MNO. As we explain further below, the statutory criteria for making the MTAS FAD to which the ACCC must have regard support the inclusion in the model of areas currently only covered by one MNO and we urge the ACCC to make this change.

We consider the current proposal for the model to entirely disregard the direct costs of providing the MTAS in significant parts of Australia (i.e. all current mobile sites with single operator coverage) runs directly counter to the ACCC's obligations to take account of these costs, as well as the investments MNOs make in extending and maintaining this terrestrial mobile voice coverage, under sub-sections 152BCA(1)(b) and (d) of the *Competition and Consumer Act (Act)*. For the same reason, we hold concerns that this exclusion risks undermining the very objectives the ACCC is required to consider under section 152AB of the Act: the Long-Term Interests of End-Users (**LTIE**) – particularly when it comes to the interests of end-users based in regional and remote Australia in access to ongoing terrestrial mobile voice coverage over the period of the FAD.

We further note that, following the Federal Court decisions in *Telstra Corporation Ltd v ACCC* [2008] FCA 1758 and *Telstra Corporation Ltd v ACCC* [2008] FCA 1436 the ACCC has taken the view that analogous provisions in earlier versions of the Act<sup>3</sup> require the ACCC "...to have regard to the actual direct costs of Telstra complying with any FD the ACCC may make. The ACCC also considers that the direct costs of providing access to a declared service are those incurred (or caused) by the provision of access and includes the incremental costs of providing that access", noting the views of the Tribunal in *Re Telstra Corporation Ltd* [2006] ACompT 4 that "the direct costs criterion 'is concerned with ensuring that the costs of providing the service are recovered", the findings of the Federal Court that "the direct costs criterion requires analysis and consideration of Telstra's direct costs of compliance with a FD, and for real consideration to be given to what Telstra would be required to incur directly as the costs of implementing what the ACCC was considering" and the Federal Court's recognition of the requirement for the ACCC to "...take [the direct costs to Telstra of providing access] into account as a factor in Telstra's favour in the sense of a factor contributing positively to the amount of the periodic charge to be fixed".<sup>4</sup> Telstra considers that a proper consideration of "direct costs" in accordance with sub-section 152BCA(1)(d) precludes use by the ACCC of a hypothetical model which excludes a substantial component of an existing supplier's direct costs which – as the ACCC itself recognises – may well be efficient and should be incentivised.

Importantly, the Analysys Mason sensitivity testing shows that excluding single-operator areas will result in MTAS providers under-recovering their true efficient costs of providing this service nationally by ~8%.<sup>5</sup> This is a level material enough to potentially have a genuine detrimental impact on the incentives of MNOs to continue to invest in extending and even maintaining coverage in regional and remote areas where direct returns are already marginal or negative. As explained below, that risk is not merely hypothetical – it is supported by the ACCC's own evidence gathering.

In the ACCC's Regional Mobile Infrastructure Inquiry Final Report (**RMII Report**), the ACCC observed that after a mobile network is deployed, MNOs and mobile network infrastructure providers continue to

<sup>2</sup> Telstra, Response to ACCC Public inquiry on the access determinations for the voice interconnection services, 14 May 2025

<sup>3</sup> s152 CR(1)(d) of the *Trade Practices Act 1974*

<sup>4</sup> See LSS Access Dispute Telstra / Chime Reasons for Final Determination April 2010 -

<https://www.accc.gov.au/system/files/public-registers/other/Chime%20-%20Telstra%20LSS%20redacted%20statement%20of%20reasons%20-%20April%202010.pdf>, §§194-199.

<sup>5</sup> I.e. the sensitivity testing shows the inclusion of these areas in the model results in an uplift of ~8% to the MTAS rate - [Analysys Mason report on draft cost model.pdf](#), Figure 4.3 S2.



incur material<sup>6</sup> ongoing operational and maintenance expenses – including those covering regular inspections, upgrades or maintenance. The ACCC found these costs to include maintenance of site grounds, fences, access roads, tower structures, headframes, fall arrest systems, tower corrosion, bird protection, and lightning protectors, as well as related costs to mobilise personnel to regional, rural and remote areas. Consequently, the RMII found that maintenance costs tend to increase with remoteness<sup>7</sup> – i.e. in precisely those areas that are more likely to have single carrier coverage and hence receive no contribution to the access provider’s MTAS termination costs under the ACCC’s proposal. Already, i.e. at current MTAS rates, the RMII Report raised concerns that rural communities serviced by a single MNO were facing challenges around capacity and quality of service, as well as gaps in coverage.<sup>8</sup> Under-recovery of MTAS costs for these sites will only serve to worsen concerns around the lack of incentives for MNOs to improve or upgrade services in these locations. Telstra accordingly submits that the uplift to the MTAS rate modelled by Analysys Mason in sensitivity scenario 2 should be incorporated into the final model, to ensure the model remains aligned with the LTIE objectives of efficient investment and sustainable service provision. Even more importantly, this approach will be of direct benefit to the long term interests of end-users living and working in these single operator covered communities – to support their ability to continue to enjoy voice coverage in those communities from that operator, and also for customers of other operators who may be in the area - who benefit from camp-on E000 access in these areas (where by definition the other MNO does not have coverage).

Further, in the Draft Report, the ACCC rightly admits it is not the case that the single operator coverage proposed to be excluded from the model i.e. all of those areas in excess of the areas where at least two operators currently operate networks, “*is inefficient or should not be incentivised*”.<sup>9</sup>

The assumption that a hypothetical efficient mobile operator in 2025 would only deploy coverage in areas where at least two networks currently operate does not reflect the realities of efficient investment infrastructure in Australia. In practice, many of the most critical coverage expansions have occurred in areas where only one operator has chosen to invest. Between 31 January 2023 and 31 January 2024, even the MNO with the highest percentage of co-located sites in Australia still had single operator coverage at nearly 10% of its sites, with this figure much higher for the other two MNOs (32.2% and 66.6% respectively).<sup>10</sup>

From a competition perspective, MNO presence at single-operator areas is not a result of inefficiency, but of strategic investment aligned with consumer demand. These sites often serve as platforms for future market entry, with infrastructure designed to support co-location and sharing. The Optus-TPG Multi-Operator Core Network (**MOCN**) agreement now enables TPG to access over 2,400 Optus regional sites—many of which were previously single-operator locations. The same would have been true for many of Telstra’s current single operator sites, had the ACCC approved our original proposed MOCN arrangement with TPG. These arrangements illustrate how infrastructure initially deployed by one operator can evolve into shared networks, supporting broader competition and service availability, directly challenging the ACCC’s rationale for excluding these areas from the cost model.

It is true, as the ACCC observes in the Draft Report<sup>11</sup>, that deployments at current single operator locations have not been driven by competitive advantage alone. They have also been driven by a commitment to the long-term public interests of mobile end-users in Australia and supported by government co-funding programs such as the Mobile Black Spot Program. These co-investment programs are designed to extend coverage to underserved communities and are subject to rigorous cost-benefit analysis. The ACCC’s 2024 Mobile Infrastructure Report<sup>12</sup> confirms that 12.4% of Telstra’s and 10.9% of Optus’s new sites were co-funded, demonstrating the efficiency and strategic value of

<sup>6</sup> The ACCC noted the OneWifi estimate that the direct cost to maintain a tower is between 5% to 7% of the capital cost per annum - [Regional Mobile Infrastructure Inquiry final report.pdf](#), p 45.

<sup>7</sup> [Regional Mobile Infrastructure Inquiry final report.pdf](#), p 45

<sup>8</sup> [Regional Mobile Infrastructure Inquiry final report.pdf](#), p 74.

<sup>9</sup> [Draft report | ACCC](#), p 25.

<sup>10</sup> [mobile-infrastructure-report-2024.pdf](#), p 17.

<sup>11</sup> [Draft report | ACCC](#), p 25.

<sup>12</sup> ACCC, Mobile Infrastructure Report, 2024



these investments. Excluding them from the cost model (where single operator) creates a regulatory bias against early investment, even when such investment is efficient and aligned with long-term service goals. Furthermore, it is not the case that Government co-funding supports efficient mobile coverage expansion in Australia only at single operator sites. The RMI noted that in 2022, 9% of sites established with co-funding support under the Mobile Blackspots Program were multi-operator sites.<sup>13</sup> We therefore submit that the presence of Government co-funding support for deployment of coverage at a site should not be viewed as a determinative factor for excluding single operator sites from the model.

Lastly, we note it is inconsistent with the ACCC's view that emerging STM technology should not *"be directly incorporated in the cost model at this point in time"* for the ACCC to simultaneously treat this emerging technology as a factor ruling out the likelihood of deployment at current single operator terrestrial sites by a hypothetically efficient operator during the term of the FAD.<sup>14</sup> Either *"there is currently a lack of reliable information that can be incorporated into the cost model to reflect the deployment of these services including the costs and the associated demand forecast"*<sup>15</sup>, including as to the impact on the incentives of a hypothetically efficient MNO to use this technology for voice coverage at current single operator sites, or there is not.

In light of the above points, Telstra urges the ACCC to revise the draft cost model to incorporate the full costs of infrastructure in single-operator areas. Doing so will ensure fair cost recovery, support sustainable investment, and promote the LTIE objectives of efficient infrastructure use, competition, and access to services.

## 1.2 Modelled technology

The draft model currently does not account for LEO satellite STM services, which are rapidly emerging as an important component of modern mobile connectivity in Australia. As discussed in our earlier submission, given the growing relevance of STM services and expected future capabilities to support voice calls, it will be very important for future iterations of the cost model to explicitly include the costs borne by MTAS providers when delivering this service via STM.

Telstra acknowledges the ACCC's view that it may be premature to factor in costs associated with the provision of mobile voice services under the UOMO. However, we note that MNOs are expected to be obliged to offer these services during the regulated period. Accordingly, while upfront inclusion may be premature, there should be a clear mechanism to recover these costs from the point in time when they are required to be incurred (which may be earlier than the expiry of the MTAS FAD). This will ensure that access providers are not left out of pocket for supplying MTAS services in accordance with their regulatory obligations and aligns with the principle of cost recovery under the LTIE framework.

## 2 Proposed glide path for FTAS/FOAS

In relation to the proposed FTAS/FOAS rates, we support the move toward a lower, efficient regulated rate as it will help reduce perverse incentives—particularly those arising from above-cost payments that distort traffic flows and arbitrage behaviour. However, we believe the proposed stepped glide-path during the first 12 months introduces needless complexity and unduly extends the period of above cost regulated FTAS/FOAS rates. Instead, we recommend the new rates commence directly following a six-month transition period at the current regulated rate.

This timing adjustment will allow carriers sufficient lead time to update billing, validation, and call rating systems, which often require organisational capex, project resources, and scheduling coordination across existing industry programs. Aligning the timing with operational realities will support a smoother transition and ensure the benefits of efficient pricing are realised without undue disruption.

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<sup>13</sup> [Regional Mobile Infrastructure Inquiry final report.pdf](#), p 72.

<sup>14</sup> [Draft report | ACCC](#), p 25.

<sup>15</sup> [Draft report | ACCC](#), p 28.



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### **3 Non-price terms and conditions**

The ACCC proposes to retain existing non-price terms with minor updates for consistency. We broadly support the ACCC's position to retain the non-price terms and conditions and recognise its efforts to provide consistency across the framework. However, we have ongoing concerns regarding the practical implementation and clarity of the way in which the Part IX access regime and the new Scams Prevention Framework should interact. We encourage the ACCC to continue exploring options to ensure industry is provided with the requisite clarity, consistent with Telstra's earlier requests for this.