



10 July 2020

Email: MTASInquiry@acc.gov.au

Copy to:

Tara Morice
Director
Infrastructure Regulation Division, ACCC
Email: tara.morice@acc.gov.au

Chris Xie
Assistant Director
Infrastructure Regulation Division, ACCC
Email: chris.xie@acc.gov.au

Dear Sir/Madam

Re: Public inquiry on the access determination for the Domestic Mobile Terminating Access Service - Draft report

Telstra welcomes the opportunity to submit comments in response to the Australian Competition and Consumer Commission's (ACCC's) Domestic Mobile Terminating Access Service (MTAS) – Final Access Determination Draft Decision.

We broadly support the ACCC's benchmarking process and methodology in setting the MTAS price. We believe that the benchmarking study by Analysys Mason has been undertaken in a rigorous and logical manner.

Further, we support the final pricing of 1.22 cents per minute as an appropriate result of the benchmarking process, which balances the need for an efficient return on investment for operators and is also in the long-term interests of end users.

Benchmarked countries

Telstra supports the final benchmarked price of 1.22 cents per minute. We believe that the Analysys Mason and ACCC approach has overall been rigorous.

We note that Analysys Mason first considered the pricing models from 9 countries. These models were adapted (i.e. data updated) to reflect Australian circumstances, and the model results tested to identify those models which behaved as expected and could be used as benchmarks for Australian MTAS prices. Through this process a number of models (i.e. countries) were removed from the benchmarking exercise.

To set Australian MTAS prices, the ACCC took the 75th percentile of the five benchmarks UK, France, Sweden, Peru and Portugal. We note that while the ACCC would usually consider the midpoint of a range (50th percentile) to be appropriate, it chose to take a conservative approach by selecting the 75th percentile in part because the UK and France prices are



significantly below the grouping of Sweden, Peru and Portugal. Further, the ACCC stated that “*there are additional considerations which may warrant a more conservative approach in adopting a price point that lies above the midpoint of the estimated cost range*”.¹ Namely, the ACCC is considering whether to conduct a holistic review of the MTAS and FTAS prices before the end of the current MTAS and FTAS declarations, and it is likely to explore the development of an Australian cost model once 5G roll out is more advanced.

As an alternative to the ACCC’s benchmarked price outcome, we considered the price outcome when taking the 50th percentile of Sweden, Peru and Portugal. We decided on this approach because these countries produce very similar results, whereas the UK and France appear to be relative outliers. However, this approach still results in a price of 1.22 cents per minute.

On balance we agree with the ACCC’s position that a more conservative approach should be adopted. Given that the alternative approach results in the same price, the final benchmark of 1.22 cents per minute is the most appropriate price for MTAS.

Long term interests of end users

Telstra believes the ACCC’s draft position supports the long term interests of end users.

Promoting competition

We support the ACCC’s view that a price that reflects the efficient cost of supplying the MTAS is likely to promote competition in the fixed and mobile services markets. Telstra also agrees with Optus and Vodafone’s view that there is a growing disconnect between the MTAS rate and retail services. While retail service providers are required to pay the MTAS when their customers phone a user on another mobile network, they have also chosen to offer unlimited calls on the majority of their retail plans. This indicates that the MTAS price is not a barrier to offering greater value for money in retail plans (e.g. in the form of unlimited calls) and hence the MTAS price is likely to be only a small factor in market competition.

On balance, we are of the view that the proposed new rate of 1.22c per minute would in no way harm competition.

Any-to-any connectivity

Telstra supports the ACCC’s view that any-to-any connectivity is broadly achieved by the MTAS declaration, which requires access providers to comply with the Standard Access Obligations. Further, we agree with the ACCC’s position that an MTAS price based on the efficient cost of providing the service would assist in achieving any-to-any connectivity.

Efficient use of and investment in infrastructure

We consider that a regulated price based on the efficient cost of providing MTAS will continue to ensure efficient investment in infrastructure used to provide MTAS, as well as ensure efficient use of the infrastructure by end-users.

Further, we disagree with Vodafone’s view that a reduction in termination revenue will adversely affect investment in mobile voice services. Infrastructure-based competition in the mobiles sector has delivered substantial investment in new technologies by mobile operators. We also note that net MTAS payments (i.e. MTAS revenue less MTAS payments) only make up a very small proportion of revenue relating to mobile services. Telstra does not believe the

¹ ACCC MTAS FAD draft report, p. 48.



reduction to 1.22 cents per minute, which reflects the efficient costs of investment, could have a negative effect on efficient investment.

Lastly, we agree with the ACCC's view that an MTAS price based on the efficient cost of investment will continue to support investment, recovery of efficient cost, and ensure that investment continues to be viable. The reduction in MTAS price should also be considered in the context that the benchmark price affects both revenue and costs of an MNO, limiting any overall negative financial affects through reduction in outpayments.

If further clarification is required, please contact Ben Hutchinson on [REDACTED], or [REDACTED].

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Iain Little'.

Iain Little
Economic Regulation Executive
Sustainability, External Affairs and Legal
[REDACTED]