



Media Release

➤ For immediate release 24th February 2014

Consumers being gouged for sending an SMS

ACCAN, Australia's peak communications consumer body, says some consumers are being gouged by telcos for sending an SMS and has asked the ACCC to take action.

In its submission to the ACCC's *Domestic Mobile Terminating Access Service Declaration Inquiry*, ACCAN states that some consumers are paying unreasonable SMS prices because telcos are inflating the price that they charge one another to pass texts between networks.

"Consumers should not be slugged for simply sending an SMS. It's time the ACCC stepped in and set the scene for some real competition. Telcos are currently setting whatever outrageous wholesale price they want and then that gets passed onto consumers," said ACCAN Deputy CEO Narelle Clark.

In its submission to the inquiry, Macquarie Telecom noted that it costs telcos less than 1 cent to send 100 SMS. However, ACCAN notes that some telcos charge customers on non-included value plans around 15 cents for one SMS.

"This level of profit margin is astronomical. We're strongly encouraging the ACCC to take action on this SMS price gouge, as they have done in the past with voice calls to mobiles," said ACCAN Deputy CEO Narelle Clark.

Telstra, Optus and Vodafone haven't revealed the wholesale SMS price that they charge each other, which they claim is commercial-in-confidence. However in its submission, Optus has called for wholesale SMS prices to be reduced.

According to joint ACCAN and Anglicare Victoria research, low-income consumers, older Australians and people with disability are more likely to suffer from these high prices.

"Many of these consumers don't own a smartphone, so they're not able to take advantage of relatively cheap data messaging services like Whatsapp or Viber, leaving them stuck with these unreasonable prices," said ACCAN Deputy CEO Narelle Clark.

ACCAN says that if the ACCC declares SMS termination rates, it will be able to set a lower wholesale rate and create an environment for competitive retail pricing, with the aim of cheaper prices for consumers. The same wholesale declaration was made for voice calls to mobiles in 1997. While there are other factors involved, since that date ACCC pricing information shows the cost of a mobile service has dropped at least 51% in real terms.

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The Australian Communications Consumer Action Network (ACCAN) is Australia's peak communications consumer organisation. The operation of ACCAN is made possible by funding provided by the Commonwealth of Australia under section 593 of the Telecommunications Act 1997. This funding is recovered from charges on telecommunications carriers.

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Media contact: Mark Callender 0409 966 931 or mark.callender@accan.org.au

View this media release online: <http://accan.org.au/news-items/media-releases/734-consumers-being-gouged-for-sending-an-sms>

Additional information:

ACCAN explainer on mobile termination rates: If an Optus customer sends a Telstra customer an SMS, Telstra charge Optus a wholesale charge for “terminating” the SMS. Subsequently, if the Telstra customer sends an SMS back to the Optus customer, Optus charge Telstra the same wholesale charge for “terminating” the SMS.

ACCC explainer on mobile termination rates: <https://www.accc.gov.au/publications/how-the-accc-review-of-mobile-phone-regulation-affects-you>

ACCAN and Anglicare research on telco affordability issues for low-income consumers: <http://accan.org.au/our-work/research/711-affordability-for-low-income-consumers>