

Friday 10th July 2020
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Domestic Mobile Terminating Access Service Declaration Inquiry
Australian Competition and Consumer Commission
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RE: Public inquiry on the access determination for the Domestic Mobile Terminating Access Service

ACCAN thanks the ACCC for the opportunity to comment on the public inquiry on the access determination for the Domestic Mobile Terminating Access Service (MTAS) draft report.

As mentioned in our previous submission, ACCAN is supportive of the approach taken by Analyses Mason and the methodology used is broadly appropriate.¹ We believe the benchmarking exercise has produced reliable outputs which are reflective of the cost of providing the MTAS in Australia. However, we have concerns regarding the decision to price the MTAS at a flat rate of 1.22 cent per minute, effective from 1st January 2012 to the 30th June 2024. While this is a decrease in price from the current 1.7 cent per minute, more could be done to protect the interests of consumers.

The table below is presented by the ACCC in the MTAS draft report and is used to provide a range between the upper bound and lower bound in which the MTAS price will lie. The upper bound of the range reflects the average costs per minute from Sweden, Peru and Portugal only, whilst the lower bound includes the UK and France as well. The UK and French models produced relatively low-cost outputs which could be regarded as outliers, so whilst it is appropriate to consider the results, less weight should be placed on these models. ACCAN supports the decision to choose a MTAS price within the range presented below.

Table 1: Estimated MTAS cost range for 2020 to 2024 (nominal AUD cent, including spectrum costs).²

Years	2020	2021	2022	2023	2024
Upper bound (Sweden, Peru and Portugal)	1.28	1.24	1.22	1.2	1.2
Lower bound (UK, France, Sweden, Peru and Portugal)	1.02	0.97	0.95	0.92	0.93

However, it is unclear to ACCAN why the ACCC has made the decision to take a conservative approach in setting the MTAS price and has adopted the 75th percentile of the estimated cost range, given that usually a midpoint between the range would be appropriate.³ ACCAN believes that this does not

¹ ACCAN, *Submission to the Public inquiry on the access determination for Domestic Mobile Terminating Access Service position and consultation paper*, 10 January 2020. P.2. (ACCAN Submission)

² The ACCC, *Public inquiry on the access determination for the Domestic Mobile Terminating Access Service Draft Report*. May 2020. P.48.

³ The ACCC, 2020. P.48.

balance the interest of access providers and access seekers, and will ultimately disadvantage consumers.

Choosing a price at the higher end of the range supports the interests of access providers and will disadvantage downstream markets. A higher price protects the legitimate interests of access seekers as they can recover higher costs of providing the service. This will have the consequence of preventing smaller fixed line operators and mobile virtual network operators (MNVOs) from providing more competitive offerings.⁴

Ultimately, lower MTAS prices benefit consumers, particularly those who continue to use fixed line voice services, as lower MTAS prices can be passed through to the retail market. Reductions in wholesale costs are likely to benefit elderly consumers and consumers in rural, regional and remote areas in particular, who disproportionately use fixed line voice services as well as those on low incomes who continue to purchase usage-based charging plans.

In addition to the choice of the 75th percentile, it is unclear to ACCAN why the MTAS does not decrease over time between 2020 – 2024, given that the benchmarking exercise shows the cost of providing the service falling consecutively.

Table 2: 50th and 75th percentile of estimated MTAS cost range for 2020 to 2024 (nominal AUD cent, including spectrum costs)

Years	2020	2021	2022	2023	2024
Conservative approach (75 th percentile)	1.22	1.17	1.15	1.13	1.13
'Normal' approach (50 th percentile)	1.15	1.11	1.09	1.06	1.07

ACCAN has produced the table above using data from the ACCC's draft report, showing the MTAs price between 2020 to 2024, where a 75th percentile and a 50th percentile is adopted. There is a material difference between the approach the ACCC takes in its regulatory decision, particularly when the price is set at a flat rate for the entire time period. By 2024, the estimated MTAS cost of 1.07 cent per minute is substantially different from the 1.22 cent per minute MNO's will be able to charge, as proposed by the ACCC's draft report.

As ACCAN understands, the ACCC's decision to take a conservative approach is based on future matters, where there is the intention to consider a holistic review of the MTAS and the Fixed Terminating Access Service (FTAS) prior to the expiry of the current FTAS and MTAS declaration. In addition, there is intent to develop a cost model once 5G is deployed. ACCAN agrees that these forward-looking matters are significant and important, however it is unclear to us how these issues necessitate a conservative approach in the interim.

The justification for this decision is largely unclear, whilst we appreciate that there will be a further review in 2024 which is more holistic and considers 5G, this does not prevent a 50th percentile figure being used in the short term or for the MTAS to decrease over the coming years.

Sincerely,
Megan Ward
Economic Adviser.

⁴ The ACCC, 2020. P.2.