

12 June 2015

Australian Competition and Consumer Commission
MTASFADInquiry@acc.gov.au

**Mobile terminating access service:
Final access determination Draft decision –**

SUPPLEMENTAL SUBMISSION

Your reference
Our reference

Further to the submission of 5 June 2015 made by Macquarie Telecom Pty Limited (“**Macquarie Telecom**”) to the Australian Competition and Consumer Commission (“**ACCC**”) in response to the ACCC’s Mobile terminating access service: Final access determination Draft decision paper, May 2015 (“**Draft MTAS FAD**”), please accept the attached supplemental submission. This supplemental submission provides new information just released on the Australian smartphone market.

On 10 June 2015, IDC released information on Australian mobile phone shipments as part of its *IDC Asia/Pacific Quarterly Mobile Phone Tracker*.¹ **IDC states that 2.32 million units of mobile phones were shipped in Australia in Q1, 2015.** When compared on a year on year basis the overall mobile phone market in the country grew by 29.2 percent, due mainly to the continued popularity of Apple iPhone 6 and iPhone 6 Plus. Apple’s Q1, 2015 market share rose to 49 percent, while Samsung had 31 percent market share and Telstra, Microsoft and HTC all had 3 percent each.

Based on these statistics, the **growth in VoLTE capable mobile phones in Australia is huge.** Apple’s iPhone 6 and iPhone 6 plus handsets support VoLTE, as do the majority of mobile phones sold by Samsung, Microsoft and HTC. For example, the Samsung Galaxy S6, S6 Edge, S5, Note 4 and HTC’s One M9 certainly do (as did the older Samsung Galaxy S4).

Based on the IDC shipment figures, Macquarie Telecom therefore estimates that more than 80 percent of mobile phones sold last quarter – namely 1.856 million mobile phones support VoLTE. As a consequence, **we estimate – assuming sales volumes at current levels - that within 12 months or so more than 10 million mobile phones will support VoLTE in Australia.** The significant growth in VoLTE capable mobile phones reinforces Macquarie Telecom’s view about the need to ensure regulated rate reductions are mandated to flow to MVNOs. Absent such a requirement, it is even more likely that MNOs will capture the growth in customer revenue that these VoLTE capable devices. In turn, this will add to the uncompetitive position that MVNO’s are in and further limit their ability to compete for end users. The rise in popularity of these newer generation devices allows MNOs to grow their end user market share at the expense of MVNOs that have their cost base kept high by the significantly above cost MTAS and SMS input costs – some 250 times higher than cost in relation to SMS.

¹ www.idc.com/getdoc.jsp?containerId=prAU25679615

It should also be noted that ***based on these IDC statistics, an estimated 80 to 90 percent of all mobile phones sold in Q1, 2015 sold in Australia are LTE capable.***² Again, in this environment where the great majority of consumers are demanding an LTE capable handset, the lack of access to wholesale 4G (LTE/LTE-A) service offering is highly anti-competitive, and is designed to, and in fact has the likely effect of, substantially lessening competition in the market.

Should you have any queries concerning this supplemental submission, please feel free to contact me.

Yours sincerely,

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² Only low end handsets sub-AUD200 handsets such as the Telstra Temp and Rush and Samsung Young 2 do not support LTE as all of Apple's new iPhones, all higher end Samsung, Microsoft and HTC phones etc support multiple TDD and FDD LTE bands.