



Communications Group
Australian Competition and Consumer Commission
GPO Box 3648
Sydney NSW 2001

Attention: Ms Lauren Zhu (via lauren.zhu@accc.gov.au)

Copied to: Mr Julian James (via julian.james@accc.gov.au)

Dear Madam,

Primus Telecom's Submission in relation to the ACCC's Review of Domestic Mobile Termination Access Service (MTAS) – June 2011 – Discussion Paper

Primus Telecom ('**Primus**') appreciates the opportunity to make this submission to the Australian Competition and Consumer Commission ('**ACCC**') in relation to the ACCC's Discussion Paper of June 2011 entitled *Domestic Mobile Terminating Access Service (MTAS): Public Inquiry to make an Access Determination*.

Primus submits that the case for a material MTAS price reduction is compelling. Primus notes the submission lodged by Macquarie Telecom and agrees with its submissions in favour of significantly lower MTAS rates. The current MTAS indicative price of 9 cents per minute is well above international benchmarks and the underlying cost of its provisioning. An over-priced MTAS results in sub-optimal market outcomes which are to the detriment of end users.

Primus is strongly supportive of significant changes to the current MTAS rate and supports:

- A Final Access Determination ('**FAD**') for the MTAS which embraces significantly lower MTAS rates;
- An indicative MTAS price to be based on international benchmarking (and to be confirmed as required by the ACCC using cost based studies) for three (3) years embodying a substantial initial reduction to 3.5 cents per minute from 1 January 2012. A significant early reduction is consistent with global precedents; and
- New record keeping rules ('**RKRs**') which apply to integrated operators (namely Telstra and SingTel Optus) requiring them to report their average FTM retail price on a quarterly basis in order to monitor and publish details about movement in their MTAS rates.

Primus notes the ACCC has proposed introducing a pass-through mechanism for integrated operators (namely Telstra and Singtel Optus). Primus does not believe a pass-through mechanism is the correct approach to adopt at this time. Primus strongly believes in the operation of 'markets' and considers a market-based approach could deliver substantial benefits to end-users over the next MTAS regulatory pricing period. Primus accepts however, that to assist market transparency, the ACCC may wish to consider introducing a mechanism to monitor and publish details about the extent to which integrated operators do not pass on the benefits of lower MTAS rates to consumers. The ACCC may conclude this form of light-handed regulation, involving targeted information disclosure, would be more appropriate than seeking to directly regulate retail pricing. Primus reaches this conclusion in light of increasing competition through the various 'bucket-type' plans currently on offer, and of particular relevance, increasing substitution of fixed to mobile calls where fixed line service plans do not competitively price these call types.

Primus would note that in reaching its final position on MTAS pricing the ACCC should remain mindful that non-integrated competitive industry participants - particularly those with a national presence - rely heavily on cross-subsidising loss making services with revenue derived from other services. While this is the economic reality faced by these competitive operators, Primus does not believe the integrated operators such as Telstra and Singtel Optus are subject to the same limitations.

In closing, Primus considers that it is timely for the ACCC to review the appropriate regulatory approach for MTAS. From Primus's perspective, the Australian mobile sector has grown substantially and evolved significantly since the current regulatory approach was put in place. A new approach is required to regulating MTAS which leads to substantially lower charges than continuation of the current system. This in turn would create greater benefits for consumers and promote competition. In particular, lower MTAS charges will *inter alia*:

- Lead to falling retail mobile prices and increase efficiency through aligning charges more closely with relevant cost structures;
- Assist operators to compete on a level playing field, regardless of their balance of incoming and outgoing traffic and size;
- Reduce the inherent subsidy from fixed to mobile services in Australia which in part has arguably promoted fixed to mobile substitution by creating a greater price differential for MTM versus FTM voice calls;
- Facilitate investment by fixed network operators like Primus in the provision of services over the NBN. Primus and other service providers face a range of back office and additional costs as part of the migration to the NBN over the next eight years;
- Reduce a significant proportion of the cost underlying retail fixed to mobile prices providing the opportunity for them to fall; and
- Increase telecommunications usage through these lower prices.

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

Yours faithfully,



John Horan
Primus Telecom