

Mr Ed Seymour
Australian Competition & Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

By email: commsmarketstudy@accc.gov.au

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Dear Mr Seymour

I would like to express my views on Australian Competition and Consumer Commission's (ACCC) issues paper on *Competition in evolving communications markets*, specifically question 41, what are the benefits and risks associated with mobile network infrastructure sharing?

As a former resident in regional NSW, I am concerned about the proposal for regulatory intervention with respect to mobile coverage in regional Australia, which would see network operators gain access to competitor networks through infrastructure sharing arrangements.

It is recognised that such arrangement may increase competition amongst service providers, but it is felt that such competition would be limited to the retail side of the transaction, and over time would have negative impacts on infrastructure investment.

Since privatisation, Telstra has spent billions of dollars building one of the world's largest networks. Customers in the cities and in the bush value the extra coverage very highly and it is one of the main reasons they choose to buy mobile services from Telstra.

It is understood that Vodafone is seeking regulation to close this competitive gap by cheaply riding on the Telstra network to avoid spending their own money on providing infrastructure.

Simplistically, this is the equivalent of an airline wanting to provide services in regional Australia and instead of investing in its own business to make seats available, it pushes for regulation to force another airline to reserve half the seats on its planes for its own customers.

One can understand why some competitors would lobby for this – it would be a free Christmas present. Just as in the airline example, Telstra has carefully invested billions of dollars over many years building extensive networks. I do not think that it is right that others be given a free ride on the Telstra networks.

It would also be very bad for Australians that live and work in regional areas. Why would anyone invest in maintaining or upgrading their regional networks when they can hitch a ride on someone else's network and there is no longer any competitive differentiation from greater network coverage? What happens when a network reaches full capacity? Who is responsible for expanding the capacity?

I return to the airline example. The plane is now full. Does a network operator buy another 100 seat plane or do they buy a smaller 50 seat plane, and what is their incentive to do such?

If the ACCC were to pursue network sharing in the manner proposed, it is felt that network provision should be separated from the retail arm of a business, but preference would be to independent network providers.

The only main impediment to such approach would be that network provision is purely driven by demand which would negatively impact regional Australia where demand is lower. However, under the current arrangements other market opportunities such as service bundling, make mobile network provisioning a more attractive proposition, where the cost of mobile network infrastructure can be absorbed by other parts of the business.

It is felt that this is why Vodafone is pursuing such regulatory intervention as they are not a full service provider like Telstra and Optus and therefore, unless providing mobile coverage is 100 per cent profitable, they are not willing to invest in regional Australia.

Rather than attacking Optus and Telstra's commitment to regional Australia through proposed regulatory intervention, the ACCC should be encouraging them to expand their network and service offerings, and if that is to the commercial detriment of Vodafone, so be it.

Vodafone is a global company that spends many hundreds of millions of dollars on advertising and sponsorship, of which a large portion could be redirected towards network infrastructure investment, therefore allowing it to compete using its own infrastructure rather than that of its competitors.

It is unlikely that infrastructure sharing will provide a better outcome for consumers in regional Australia in the longer term, and therefore I strongly believe that the ACCC should not pursue network infrastructure sharing through regulatory changes.

[REDACTED]

A handwritten signature in cursive script, appearing to read "William", followed by a long horizontal flourish.

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