



**Submission by TPG Telecom Limited**

*to the*


**Australian Competition & Consumer Commission**

**Declaration of Mobile Roaming**

2 December 2016

PUBLIC VERSION

1. TPG Telecom Limited is a very substantial participant in the fixed line telecommunications market and is an existing mobile virtual network operator for both Optus and VHA.
2. TPG is interested in becoming a fourth mobile network operator (MNO) in Australia and has, of recent times, acquired spectrum in the 1800MHz and the 2500MHz bands.
3. Obtaining a right to use spectrum is a magnificent barrier to entry into the market for mobile network services around the world. It is impossible to operate a mobile network without it.
4. In Australia, the market for mobile services has been stable for over a decade with no new MNOs entering the market. In part, this has been due to the lack of opportunities to obtain spectrum and the very high price that has been required to secure it – in both recent auctions run by the ACMA, the prices paid per MHz per head of population have been significantly higher than many international equivalents.
5. Given the difficulty faced by any new entrant, both to secure spectrum and the high capital cost of doing so, obtaining a mobile roaming arrangement is critical to enable the new entrant to build out its network and to supply a service that will be acceptable to the essential early adopters that the new entrant will need to entice to build a successful business.
6. TPG is therefore pleased that the ACCC is considering declaring a mobile roaming service.
7. Elements of these submissions are considered by TPG to be sensitive and confidential and we therefore request that those elements of our submission that are identified as being confidential are kept so by the ACCC.
8. The ACCC has a duty to consider a range of factors when deciding whether to make a declaration. As a prospective new entrant, there are many issues about which TPG is not aware at this point in time. TPG intends therefore to focus on, and respond to, only those considerations insofar as they relate to a potential new entrant into the market.

9. TPG considers that the relevant markets for the declaration inquiry are the retail and wholesale markets for mobile services. Both of those markets are national.
10. TPG considers that competition in the mobile services market is best described as “comfortable”. The MNOs are competing on inclusions but they do not appear to be competing significantly on price.
11. Competition in regional areas, where there is less infrastructure, can be limited to being between Telstra and its MVNOs and therefore is significantly less effective than in the metropolitan areas.
12. Undoubtedly, the various government funding programs have made a substantial contribution to the extension of the networks of the existing MNOs. TPG accepts that those contributions will have been matched to some extent by the MNOs and we accept that Telstra, in particular, has made large investments in its mobile networks so as to be able to establish a very strong competitive position.
13. However, sight should not be lost of the fact that Telstra’s incumbency as the former government controlled monopoly provider gave it advantages that no other MNO has had. Telstra had the benefit of established network facilities throughout the country which enabled it to far more easily build a regionally powerful network than the other MNOs. Support for this powerful network was also provided by way of government assistance such as the USO funds. These facts, together with the additional government subsidy provided by the various blackspots programs, have given Telstra a huge leg up in providing services in regional areas.
14. [CONFIDENTIAL] 

[END CONFIDENTIAL]
15. For both business and personal consumers, the key drivers of competition have been price and data inclusions in the metropolitan areas and coverage in the regional areas. TPG considers that if mobile roaming were to be declared, coverage would become less a driver of competition in the regional areas and consumers would be liberated to focus on the other factors.
16. TPG submits that competition in regional areas is unlikely to change in the absence of a declaration. A key driver of competition would be a fourth MNO which would have strong incentives to create innovative products. Without domestic roaming, such innovative products are unlikely to become available to regional users.

17. TPG has a long history of supplying wholesale services for its fixed line business. As a new entrant in the mobile market, every channel to market will be important to TPG. Wholesale customers can expect to be encouraged to make use of a TPG mobile network. Wholesale suppliers of mobile services will have the same coverage issues as a retail provider so the same issues should be considered.
18. The barriers to entry for a new entrant into the mobile market are extremely high, arguably higher than any other market in Australia. Regulators in other markets, including most recently in Singapore, have taken positive steps to facilitate the entry of new MNOs. The ACCC has the opportunity to make its own positive steps, including by declaring mobile roaming. Declaring mobile roaming will provide essential assistance to a new entrant such as TPG. It will enable TPG to bring innovative products nationwide, including into the regions and, in so doing, help to mitigate the incredibly high cost of entering the mobile market.
19. Geographic coverage has now become less important to consumers in metropolitan areas. But that is only because coverage is now relatively widespread among existing MNOs. Coverage was for many years one of the key drivers of complaint to the TIO for mobile services. For a new entrant, geographic coverage will be extremely important in the early phases of network deployment. Australians have a relatively high degree of mobility, often travelling for business and holiday. Coverage is a significant factor in satisfaction with a mobile provider.
20. Distance and the availability of reasonably priced backhaul provide challenges to extending any mobile network. If both reasonably priced backhaul and spectrum that can cover the necessary distances are not available, then a competitive mobile network is difficult to maintain. Mandated roaming is a suitable solution for these significant challenges.
21. Telstra has a first mover advantage all over the country. However, TPG considers that first mover advantage is less important than having a hold on the bulk of the spectrum that is available. Very large quantities of spectrum are held by Telstra and Optus, which, in itself will make it difficult for a new entrant to compete. TPG also notes that in the recent 1800MHz auction, both Telstra and Optus bid to secure almost the maximums of their entitlements for regional spectrum.
22. TPG considers that declaration of mobile roaming will benefit consumers in regional areas for the reasons stated above. If appropriate cost recovery outcomes are achieved, such as create the requisite incentive for a new entrant to continue to roll out network rather than simply rely on the roaming agreement, it is likely to disadvantage consumers in any way.
23. Obviously, technology and geographic scope of any roaming arrangement will have an impact on the efficacy of the competition that can be provided by a roaming access seeker. If the MNO can offer a 4G or 5G service but the roaming access seeker only offer a 3G service, then the competitiveness of the new entrant's product would be relatively reduced.
24. TPG submits that the correct approach is to make mobile roaming generally available for voice, text and data, regardless of the technology type or the geographic coverage but

create the necessary incentives by way of pricing arrangements. For example, pricing structures could be set with the following principles:

- a. High cost for roaming in metropolitan areas (where a business case for investment should easily exist)
  - b. Medium cost for roaming in fringe metropolitan areas and larger regional towns;
  - c. Lower cost for roaming in rural and remote areas; and
  - d. Differentiated pricing between the various technologies available so that access seekers can make choices about the styles of service it wishes to promote.
25. In general, the above proposition should create the right incentives to motivate investment by a fourth entrant whilst at the same time enhancing the long term interests of all end users by having a range of competitive offerings available.
26. In addition to the incentives created by the above arrangement, TPG believes that being in control of its own network without having to rely on a third party competitor for services is a strong incentive to build or extend a mobile network. TPG does not consider that a declaration of mobile roaming of the kind described above is likely to create any significant disincentive on existing or new MNOs from investing in their own networks.

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