Statement of Iñaki Berroeta Aurrecoechea

I, Iñaki Berroeta Aurrecoechea, of 177 Pacific Highway, North Sydney, New South Wales make the following statement.

1 I am the Chief Executive Officer (CEO) of Vodafone Hutchison Australia (VHA). I have held this role since 1 March 2014.

2 Except where I state otherwise, I make this statement based on the knowledge that I have obtained in the supply of mobile telecommunication services to customers over 20 years, including as CEO of Vodafone Romania (where as CEO I approved the execution of a domestic roaming agreement on Vodafone Romania’s network) and CEO of Vodafone Malta, and from my various roles at Vodafone Spain, Global Star USA, AirTouch International Inc. (USA), and Airtel Moviles (Spain).

3 I believe the information in this statement to be true.

A EXPERIENCE

4 I hold a Ingeniero Superior (BS and MSC of Science) in Telecommunications from Bilbao Superior School of Telecommunications Engineering, Spain, and a Master of Business Administration from Henley Management College, United Kingdom.

5 As CEO at VHA, I am responsible for (among other things) approving decisions to enter into commercial mobile arrangements and making investments in mobile infrastructure.

6 I have spent over 20 years working in the telecommunications industry and I have a detailed understanding of the industry, including mobile roaming arrangements.

B THE ACCC’S DOMESTIC MOBILE ROAMING INQUIRY

7 I am aware that the Australian Competition and Consumer Commission (ACCC) is considering whether to declare domestic mobile roaming under Part XIC of the Competition and Consumer Act 2010 (Cth) (Domestic Mobile Roaming Inquiry).
I understand that the ACCC’s Domestic Mobile Roaming Inquiry is taking place because (among other reasons):

(a) areas of regional and rural Australia suffer from inadequate mobile coverage and often an absence of mobile coverage; and

(b) in those areas that do have mobile coverage, consumers often suffer from a lack of choice and in many areas are only able to buy their mobile services from the dominant provider, given the absence of competing VHA or Optus coverage. Australia’s dominant mobile telecommunications provider, Telstra Corporation Limited (Telstra), has a monopoly over approximately 60% of the geographic mobile coverage area (Telstra Monopoly Area), much of which I understand has been funded (in whole or part) by local, state and federal government subsidies. In my experience both the extent of the Telstra Monopoly Area and the extent to which public subsidies have been directed to a single mobile operator, is highly unusual, if not unique to Australia. This has implications not only for competition and choice in the Telstra Monopoly Area, but for VHA’s ability to retain and win customers in adjacent areas and even into metropolitan areas.

Having met with Australian Government representatives and consumers I know that they are significantly concerned about the lack of mobile coverage in regional and rural Australia and the absence of competition for the supply of mobile services in the Telstra Monopoly Area.

VHA is currently severely handicapped in its ability to invest in and compete in many regional and rural Australia areas because, as I explain below, VHA is effectively and practically prevented from delivering mobile services to potential Vodafone customers in the Telstra Monopoly Area, as well as existing VHA customers that may travel to or otherwise value coverage in those areas. One consequence of this is that VHA is currently unable to bring innovative and world-leading Vodafone machine-to-machine products (which rely on roaming via mobile networks) to regional agricultural, health, automotive, transport, energy and utilities sectors.
D VHA INVESTMENT AND THE ACCC’S DOMESTIC MOBILE ROAMING INQUIRY

23 In this section, taking into account the matters I discuss above, I outline VHA’s incentives for investment in regional and rural areas.

24 I, along with certain other VHA Executives, have delegated authority to approve high-value contractual commitments including capital investment in regional sites.
If a domestic mobile roaming service in any area with less than 3 mobile networks is declared by the ACCC:

(a) I will be able to approve proposals to invest in regional and rural Australia to build new mobile sites not only within the Telstra Monopoly Area, but also beyond that, which will result in the total ‘all network’ coverage footprint increasing.

(b) Investment proposals to extend mobile coverage to areas outside the current regional coverage footprint, which I need to approve to release investment funds, will be substantially improved by:

(i) contiguous network coverage to support investment in otherwise isolated sites; and

(ii) VHA being able to generate sufficient revenue to recover the costs of investments in isolated sites (and otherwise),

with the result that relevant proposals would meet VHA’s internal requirements.

(c) I will be able to dedicate additional VHA resources to compete for government subsidies for new mobile network infrastructure outside the Telstra Monopoly Area (which sites, absent a declared mobile roaming service, would otherwise be isolated), and an expansion of competition for subsidies that would otherwise be captured by Telstra.

In relation to paragraph 25(c), in my experience, VHA has been significantly handicapped in its ability to compete with Telstra to win government subsidies. This is because, while government subsidies are directed at increasing the mobile coverage in areas outside of existing coverage areas, Telstra’s refusal to negotiate and allow VHA access to the Telstra Monopoly Area, which is generally adjacent to the areas where the Government wishes to direct the subsidy, means that VHA is effectively excluded. It is not possible to build a credible business case for substantial investment in isolated sites which are contiguous to the Telstra network, but remote from the VHA network.

With mobile roaming, and access to contiguous coverage, I will be able to direct my team to compete head-to-head with Telstra for government subsidies to a far greater extent than I have been able to do in the past. I believe that greater competition for
government subsidies and the potential for further expansion of the mobile coverage footprint will complement and reinforce existing government policies and subsidies. In my view, competition is needed to better ensure these taxpayer-funded subsidies achieve the best economic outcomes, which is not the case currently.

28 If a domestic mobile roaming service is not declared by the ACCC:

(a) I consider it unlikely that I will be able to approve the business case for investment in many areas of regional and rural Australia, where those areas are not contiguous with VHA’s existing mobile footprint, because VHA will not be able to use Telstra’s coverage area as a stepping stone to provide contiguous coverage to support regional investment.

(b) 

(c) I consider it unlikely that VHA will be able to compete head-to-head with Telstra for government subsidies in much of regional and rural Australia, leaving Telstra to continue to capture a disproportionate share of government subsidies marked for remote and regional mobile coverage deployment. In my view this will mean that Telstra continues to expand the Telstra Monopoly Area (assisted by government subsidies), which will further affect VHA’s ability to capture government subsidies.

(d) I believe that VHA’s ability to effectively compete with Telstra will decline, allowing Telstra to continue to charge excessive prices to consumers and potentially even to increase its prices.

Conclusions

29 With a declared mobile roaming service, VHA will be able to approve investments,
and compete directly with Telstra for government subsidies, to extend mobile coverage to new areas outside the current regional and rural coverage footprint. In addition, VHA will be able to compete with Telstra to supply services to consumers and businesses located within the Telstra Monopoly Area, ultimately delivering greater competition to consumers across Australia. Roaming will also allow me to introduce tried and tested international machine-to-machine products and innovative business solutions to regional and rural customers.

30 Without roaming, VHA will in most (if not all) cases only be able to approve investments (with and without government subsidies) in areas contiguous to VHA’s existing coverage areas, unless exceptional circumstances apply. That is, outside of exceptional circumstances, I will be unable to approve investments that extend mobile coverage to communities outside the current Telstra Monopoly Area.

E DOMESTIC MOBILE ROAMING WILL INCREASE COMPETITION AND INVESTMENT

31 I understand that Telstra opposes domestic mobile roaming and suggests that infrastructure competition is the solution and otherwise says roaming is not technically possible.

32 As CEO of VHA, I know that:

(a) domestic mobile roaming is both feasible and technically workable. As CEO of Vodafone Romania, I was personally involved in the development of a roaming agreement and implementation of that agreement as the roaming provider; and

(b) infrastructure-based competition to replicate Telstra’s Monopoly Area is not economically possible.

33 Based on my 20 years’ experience in telecommunications and having worked in countries with domestic mobile roaming, my view is that the declaration of domestic mobile roaming in Australia will:
(a) increase competition for mobile services in regional and rural Australia (and also across Australia more generally) by giving consumers the ability to choose between the incumbent and other providers like VHA; and

(b) allow VHA to compete for Telstra customers in a way that will apply material downward pressure on Telstra’s excessive prices.

34 More specifically, in relation to investment in new coverage areas:

(a) I understand that Telstra has raised concerns regarding the impact of the ACCC’s declaration of mobile roaming on Telstra’s investments in new coverage. In my view, based on my experience across a number of mobile telecommunication providers here and overseas, I believe that Telstra’s concerns are significantly overstated, and I have asked my team responding to the Domestic Mobile Roaming Inquiry to provide the ACCC with evidence to establish this;

(b) as I stated above, a declared mobile roaming service will enable my team to propose and allow me to approve investments in areas not contiguous to VHA’s network, including areas inside and outside of Telstra’s coverage; and

(c) absent such declaration, I believe that Telstra will have little or no competitive incentive to further invest in those areas, although it may invest for other reasons such as to capture government subsidies.

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36 Having observed domestic mobile roaming in operation in other jurisdictions including where I was the CEO of an incumbent provider, I firmly believe that domestic mobile roaming in Australia will deliver real benefits to Australian mobile consumers. In terms of the magnitude of those benefits, I am aware that VHA has attempted to quantify these in materials provided to the ACCC. My belief and expectation is that the benefits to consumers would be substantial. There are particularly substantial
benefits in terms of VHA’s ability to deploy tried and tested leading-edge global machine to machine solutions for the benefit of the agricultural, health, automotive, transport, energy and utilities sectors.

Date: 10 March 2017

Iñaki Berroeta Aurrecoechea
CEO, Vodafone Hutchison Australia