



Record of oral submission to the ACCC

Matter name:	Telstra/TPG proposed spectrum sharing		
ACCC parties:	Merger Investigations: Eado Varon, Ninad Kulkarni, Ben Roberts		
Other parties:	Internet Association of Australia <ul style="list-style-type: none">• Narelle Clark (Chief Executive Officer)• Sophia Joo (Policy Officer)		
File Number:	MA1000021		
Date:	17 August 2022		
Time:	3:00 pm AEST		
Phone to <input type="checkbox"/>	Phone from <input type="checkbox"/>	Meeting <input type="checkbox"/>	Other <input checked="" type="checkbox"/>

The ACCC met with the Internet Association of Australia (**IAA**) to discuss its written submission in relation to the Telstra/TPG merger authorisation application. The following issues were discussed.

Background and membership

1. The IAA explained that Telstra is not a member of the IAA. TPG is a member but did not input into the IAA's submission to the ACCC on the proposed transaction. Most of IAA's members are smaller internet service providers (**ISPs**). IAA began in Western Australia as part of an effort to improve economies of scale and improve internet quality, connecting networks together and agreeing to share costs to manage traffic. IAA has since grown throughout Australia.
2. IAA explained that given it did not receive clear agreement amongst its members regarding the proposed sharing agreement between Telstra and TPG, IAA has not come to an especially strong view on the proposed transaction.
3. Most smaller ISPs join IAA in order to get content through IAA's shared network infrastructure, as opposed to Telstra or other providers. Many members get roughly three quarters of their traffic through IAA's network.

Comments on access to Telstra's network

4. IAA submitted that smaller ISPs and retail service providers (**RSPs**) have expressed strong concerns about entrenchment of Telstra's dominance in regional markets. This concern relates to getting full access to Telstra's internet services.
5. IAA also noted a general concern that Telstra has received a significant amount of funding from the Mobile Black Spot Program and other public funding programs, and

yet when it resells its network, it does not necessarily resell all of its network support and/or coverage.

6. IAA explained that Telstra carves out certain aspects of the network for subsequent resale to ISP/RSPs. Because customers may not be able to determine how much of the Telstra network is resold to ISPs/RSPs, customers tend to prefer going with Telstra rather than risking less complete network coverage and/or support.
7. IAA considers there is some doubt regarding how much access TPG will have to the full Telstra network under the proposed transaction, and the extent to which full access will flow on to a wholesale level.
8. IAA members' customers expect to receive all aspects of an internet service regardless of where (regional or metropolitan) they are located. While throughput may be slightly slower in regional areas, there is an expectation that if devices are connected to the internet they will work.
9. IAA considers there is also a risk of misrepresentation within the marketplace – that is, inaccurate inferences or conclusions about the level of TPG service provided under the proposed transaction. Some customers may sign up to TPG expecting Telstra quality of coverage under this deal, but not actually receive that level of coverage due to limitations in TPG's access to Telstra's network.
10. Under the proposed transaction, IAA considers that Telstra does not appear to have any incentive to lower prices. Telstra does not have an incentive to provide TPG full access to its network. Telstra and TPG do not necessarily have much incentive to provide network access to other providers. Third party providers are significantly smaller and do not have much bargaining power.

Further comments in relation to the proposed transaction

11. IAA noted that TPG is typically advertised as the cheaper – if potentially lower quality – option for telecommunication services. Customers may lose this cheaper option in regional areas under the proposed transaction if TPG raises its prices.
12. IAA members would like to see more competitors in regional markets. TPG historically had sharing agreements with Optus. However, IAA considers this did not appear to lead to any significant access improvements.
13. IAA considers there is a broader issue of supply chains and whether any company is willing to make significant capital investments in the current economic environment. It may be conceivable that by sharing infrastructure and spectrum under the proposed transaction, Telstra and TPG could make better use of existing resources in this supply chain constrained environment. It is potentially difficult to get equipment into the country in a reasonable time and equipment is typically more expensive than usual.
14. IAA believes that many IAA members may support the imposition of access conditions in order for the proposed transaction to be approved, but some members would not support this.