



Record of oral submission to the ACCC

Matter name:	Telstra/TPG proposed spectrum sharing		
ACCC parties:	Merger Investigations: Janet Li, Sophie Mitchell Competition Exemptions: Naomi Lizak		
Other parties:	KALDER Communications Group <ul style="list-style-type: none">• Robert Elliott (Director)		
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Phone to <input type="checkbox"/>	Phone from <input type="checkbox"/>	Meeting <input type="checkbox"/>	Other <input checked="" type="checkbox"/>

The ACCC met with KALDER Communications Group (**KCG**) to discuss its written submission in relation to the Telstra/TPG merger authorisation application. The following issues were discussed.

KCG's background

1. KCG has four retail stores within Tasmania. Two in Hobart, one in Launceston and one in Devonport. KCG provides B2B telecommunications solutions and general mobile retail services.
2. KCG started in 2010. At that time, Optus had very limited branded retail presence in Tasmania with 3% market share in post-paid mobile. Since then (12 years later) Optus' post-paid market share is estimated at between 16-18% in Tasmania. Tasmania is considered by Optus a regional area. With its mobile network, market share and brand consideration continue to improve and evolve in Tasmania.
3. Prior to Optus' entry into Tasmania, customers in the area did not have a choice of telecommunication service providers.

KCG's view on key factors in Optus' growth in Tasmania

4. Optus' growth is on the back of its network investments. Other key factors attributed to Optus' growth has been the bespoke marketing, brand and network consideration. Another key factor in the success of Optus in Tasmania is its local team and the high level of customer service delivered to Tasmanians through their retail stores. Optus' engagement with the community across the state has added to its credibility and has given consumers and businesses the confidence to switch to Optus.
5. Optus' network investments in Tasmania have been focused on breadth of coverage across the state, including both State & Federal Blackspot programs. Optus' first investments were to build in the key, populous areas where Tasmanians work, live and

play (holiday and key tourist locations). In some instances, Optus was providing mobile coverage to Tasmanians in locations that had been neglected by Telstra (e.g. Southport, Bruny Island). The Optus' network investment has forced Telstra to reassess their business plan and engage in competition in previously network neglected areas.

6. Optus now has a comparable network to Telstra in most places across Tasmania. Telstra has the leading network, but Optus is providing choice and competition through its ongoing network and community investment.
7. If Optus hadn't looked to create competition in these areas of Tasmania where it had less coverage, Telstra would not have acted. It was Optus' investments that forced Telstra to react and improve its service offerings.

KCG's view on whether Optus' entrance in Tasmania impacted the price of mobile plans

8. It is without doubt from a customers' perspective that Optus was bringing greater value in to the Tasmanian market place through its mobile plans (plan inclusions) relative to how much customers pay on an Optus plan.
9. Optus' entrance to the Tasmanian market certainly had an impact on the price of mobile plans. Optus has and continues to keep Telstra honest in regard to their value proposition. Without a competitor such as Optus in the Tasmanian market today and if this proposed transaction went ahead, in KCG's view, competition in regional areas would be reduced significantly.

KCG's views on customer's perception of 5G

10. There is interest in the Tasmanian market for 5G and today Telstra has the largest 5G footprint. However, customers need to realise that they need a 5G compatible device, and then it's about the roll out of the network operators 5G network. This will take both time and considerable investment in regional areas such as Tasmania. This will be compromised if the proposed transaction proceeded.
11. KCG, through Optus, offers plans to enterprise customers, such as customers in the agriculture industry. All industries are interested in Internet of Things ('IoT') but that is not specifically reliant on 5G. IoT works well over a 4G network, particularly as you might get better speed over 4G when you have multiple layers of spectrum. The agriculture and other industries are looking for business efficiency and technology plays a big part.

KCG's view on switching providers in Tasmania

12. In most cases, Optus customers are currently satisfied with the coverage and speed that they are being provided. It is rare for KCG to lose a customer once they have switched from Telstra to Optus. KCG has control over two key areas, these being: quality of employees, and delivery of great customer experience. KCG cannot influence price, and so it focused on the quality of its services. KCG is the number one Optus Franchise Partner for customer experience (NPS), but is concerned that the proposed transaction may impose a risk on KCG's ability to continue providing the high level of customer experience that consumers and businesses demand
13. Brand loyalty is a big factor. A lot of things go into creating brand loyalty such as customer experience, the technology provided, the company's product offerings and the unique services that the company can provide. A large product offering, along with local client management, ensures that customers are more willing to stick with the provider.
14. Word of mouth is also extremely important in the Tasmanian market. KCG has many business customers, and they refer others to KCG. Customer and business referrals play a big part in customers having the confidence in making the switch to Optus/KCG.

KCG's view on the impact of the proposed transaction

Reduced competition

15. KCG considers that Optus provides great customer services through its retail stores, and provides comparable coverage in most areas. Though Optus has a strong position in the market, the proposed transaction will still negatively impact Optus' future regional investment plans.
16. KCG submits that the proposed transaction is a strategic 30-year plan by Telstra. It is important to consider what will happen in 30 years' time when the agreement with Telstra and TPG has concluded.
17. The agreement between Telstra and TPG, if authorised by the ACCC, will reduce Optus' competitiveness in regional areas, and through that reduced competition, Optus will be forced to reduce its regional investments. This will weaken and remove choice for regional customers. Essentially, in 30 years' time, after the agreement between Telstra and TPG has dissolved, the telecommunications market in Australia will be back to a monopoly as the proposed agreement would have significantly weakened Optus's position in the Australian marketplace.
18. KCG considers that the proposed transaction will affect metro consumers too. Metro residents travel around Australia. If regional coverage competition is removed, the metro customers cannot enjoy coverage across the country. The proposed transaction will have a flow on effect Australian-wide. It will bring Australia back to a monopoly from a telecommunication perspective.
19. This proposed transaction may force a decrease in Optus' level of investment, which will significantly impact KCG. If there is no return on investment for Optus shareholders with regional coverage investments by Optus, then there will be a big question mark as to where investments should go. If it is not economically sound, Optus may choose not to continue to invest in regional areas like Tasmania.
20. If the proposed transaction is authorised, it will reduce competition between Telstra and TPG. KCG argues the proposed transaction is an open coercion of two players, who are getting to manipulate the market and ultimately create a duopoly. This transaction will bring the market from three key players to two players in the short term, and in the longer term deliver one clearly dominant provider (Telstra).

Public detriment

21. In Tasmania, consumers and business customers alike look for value and support when things go wrong, and in most instances (particularly in regional areas) that requires a face-to-face resolution. Customers want to go to the physical, brick and mortar store. In particular, the more elderly the demographic, the more they require the physical store to get assistance for their mobile needs. Tasmania is a region that has an aging demographic.
22. Telstra has reduced its physical distribution by about 25% in Tasmania and TPG (Vodafone), has reduced from four stores in Tasmania to just one. This is a real concern for Tasmanians, particularly if the proposed transaction proceeds. Customers would have nowhere to go when things go wrong.
23. Customers who require that physical support go to Optus when Telstra doesn't provide it. This is the reason why Optus and KCG strategically places its retail distribution near the Telstra stores. In the past, when Telstra's customer resolution wasn't great, Telstra customers would go to Optus branded stores and request assistance.

24. KCG and Optus provide a range of services, from everyday consumer products (e.g. home internet, business internet, wearables, etc.) to the more complex business solutions that require multiline loop protocol services.

KCG's views on the reaction to TPG in Tasmania

25. TPG is a relatively newcomer to post-paid mobile in the Tasmanian market. TPG has a strong, fixed customer base in Tasmania, particularly since buying iiNet from a fixed line provider. Buying iiNet forced the iiNet customers on to the Vodafone network. This forced move was not well received by customers, as they felt they did not get a choice and were told that they "had to go to Vodafone" or leave. They left because they had the choice between multiple providers.
26. This proposed transaction will have a similar effect and reaction in years to come. The proposed transaction essentially tells customers that they "have to go to Telstra" – it takes away the real choice from customers.

KCG's view on Optus' investment plans in Tasmania

27. KCG has monthly meetings with the Optus team, and is in communications with Optus for the rollout of future planned Greenfield towers for Optus to improve and continue to invest in its Tasmanian mobile network. KCG was also involved in discussions with Optus in relation to the Federal Blackspot Program. KCG has influenced Optus to ensure that choice is provided in the Tasmanian market. KCG is very passionate to continue its business and services in Tasmania.
28. Optus was successful with the Tasmanian State Blackspot Program tender and is in the process of providing greater coverage to Tasmanian residents and tourists in Tasmania. However, further investment is unlikely to continue to occur if there's one dominant telecom supplier in regional areas with limited competition.

KCG's view on the proposed transaction's impact on Optus' future investment plans in Tasmania

29. These are challenging times for the telecommunication industry. There are higher capital expenditure requirements (i.e., deployment of 5G) and lower returns on those investments. COVID-19 has presented further challenging times for telecommunication companies.
30. If this proposed transaction proceeds, Optus would most likely conduct a risk analysis and review the risk of continuing to invest in regional areas with little to no return. This will affect all of Australia, not just regional customers.

KCG's final comments

31. Optus did not instruct or assist KCG draft its submission to the ACCC. KCG did inform Optus that it would be making a submission to the ACCC and would be having an oral consultation with the ACCC on 17 August 2022.
32. KCG is a business that is very integrated into the Tasmanian community. KCG is a locally owned and operated business, and it absolutely values the importance of customer service. KCG will continue to influence Optus' investments in network coverage and community engagement. It also aims to continue to serve Tasmanian customers, both from a network perspective and in the community.