Witness Statement

Re: Application for merger authorisation by Telstra Corporation Limited and TPG Telecom Limited for sharing of active infrastructure and spectrum in regional Australia

Singtel Optus Pty Ltd

Statement of:	**Benjamin White**
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Occupation:	Managing Director – Wholesale & Strategy Chief Operating Officer – Enterprise & Business
Date:	19 October 2022

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[redacted]

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I, Benjamin White, of 1 Lyonpark Road, Macquarie Park, NSW 2113, say:

1. I am the Managing Director of Wholesale & Strategy, and Chief Operating Officer of Enterprise & Business, at Singtel Optus Pty Limited (**Optus**).

2. This statement is made in relation to the authorisation application with the Australian Competition and Consumer Commission (**ACCC**) lodged by Telstra Corporation Limited (**Telstra**) and TPG Telecom Limited (**TPG**) on 23 May 2022 for sharing active infrastructure and spectrum in regional Australia (**Proposed Transaction**) (the **Authorisation Application**).

3. Exhibited to me at the time of making this statement is a paginated and tabbed bundle of documents marked **Confidential Exhibit BW-C1**, which contains documents in respect of which a claim of confidentiality is made by Optus.

4. Where in this statement I refer to documents in Confidential Exhibit BW-C1, I refer to the tab number behind which the document is located. The documents in this exhibit are true and correct copies of the documents referred to in this witness statement. I have reviewed those documents prior to signing this statement.

5. The matters set out in this statement are true and correct to the best of my knowledge and belief.

6. Except where otherwise indicated, the matters set out in this statement are based on my own knowledge. I have also directly and indirectly made enquiries of Optus employees and records. Where I refer to matters on the basis of information provided to me or records reviewed by me, I believe those matters to be true and correct.

1. **Background**

7. I joined Optus in 2006 as Director of Strategy & Corporate Development. In this role, I oversaw Optus' overall strategy and had responsibility for major business development opportunities including mergers, acquisitions and key strategic partnerships. I held this role until January 2011.

8. Between January 2011 and April 2020, I held a variety of roles in Optus, including but not limited to Vice President of Marketing & Strategy, Optus Wholesale; Vice President of Mobile Marketing; Vice President of Product & Devices; Managing Director of Marketing & Product; and Managing Director of Business & Wholesale.

9. During the period April 2020 to February 2022, I held the role of Managing Director of Wholesale & Strategy, reporting to Ms Kelly Bayer Rosmarin, Optus' Chief Executive Officer (**CEO**). In that role, I had responsibility for Optus' Wholesale and Satellite division and also for Optus' corporate strategy and development. Following Optus' acquisition of Amaysim in 2021, I also had responsibility for integration of that business and that business reported to me.

10. [redacted]

11. As of February 2022, I now report to Ms Gladys Berejiklian, Managing Director of Optus' Enterprise & Business group. As of July 2022, in addition to my role as Managing Director of Wholesale & Strategy, I am also the Chief Operating Officer of the Enterprise & Business group.

12. In this statement, I address the following:

    (a) First, I describe Optus' strategy in its mobile operations and the competitive dynamics between Optus, Telstra and TPG.

    (b) [redacted]

i. [redacted]

ii. [redacted]

iii. [redacted]

iv. [redacted]

(c) [redacted]

(d) [redacted]

2. Optus' strategy in mobile

13. Optus faces competition from Telstra and TPG, which are both mobile network operators (**MNOs**), and a large number of mobile virtual network operators (**MVNOs**), which do not operate mobile networks but instead acquire wholesale mobile services from MNOs and

then supply services to consumers on a retail basis. In considering Optus' strategy, I pay most attention to the MNOs.

14. MNOs in Australia differentiate on four primary factors: geographic coverage (i.e. the magnitude and area covered by the network); price (monthly access fee); quality of service (**QoS**) (including speed, latency and reliability of the service); and customer experience. Two of these four factors are linked to **relative network performance**, the key driver in determining market share.

    (a) Geographic coverage is a critical factor in determining market share of MNOs. Telstra and Optus are the only MNOs that have invested significantly to create a distinct network proposition in regional Australia, as TPG has primarily relied on roaming versus its own infrastructure investment.

    (b) Price is a second-order network impact. This is because willingness to pay is proportional to network performance. The fact that competition is not driven primarily by price is shown by the relative pricing premium between Telstra at the high end, Optus at the midpoint and TPG's heavy discounts, but with Telstra having the highest market share, Optus the next and TPG the smallest. The MNOs each set prices on a nationwide basis but provide retail mobile services (and wholesale mobile services to MVNOs) that are differentiated from one another.

    (c) MNOs seek to improve their QoS by investing in their network. This includes upgrading their technology (e.g. upgrading 4G equipment to 5G, which increases the available capacity of the cell, thus improving the spectral efficiency), increasing site density (i.e. improving the ratio of active equipment to geographical area by building new sites or increasing sharing on existing sites) and buying and adding spectrum (capacity and band, since increasing bandwidth provides higher speeds and greater reliability).

    (d) The ability of MNOs to leverage the above factors in driving market share also depends on their go-to-market model and the customer experience it delivers. Significant expenditure on marketing and distribution is required to communicate the product proposition to customers and to convert them through appropriate channels and also to run an efficient customer care function.

15. In the Australian market, customer share is strongly correlated to share of sites due to the geographically dispersed population and low number of operators resulting in concentrated competitive dynamics. A higher share of sites implies a higher relative site density and an improved network experience for customers.

16. Perceptions of network coverage and performance are very important aspects of competition for mobile customers. [redacted]

17. In considering competition between the MNOs, I think about three regions:

(a) "**metropolitan**" (or "**metro**") areas, defined in the Authorisation Application to be focussed around major cities, comprising approximately 50,000 square kilometres and reaching around 81.4% of the population:

i. Telstra, Optus and TPG each operate mobile networks with extensive coverage and capacity in these areas.

ii. The "metropolitan" area includes: "the top 6 cities", being the major capital cities (Sydney, Melbourne, Brisbane, Perth, Adelaide and Canberra), "the top 7-12 cities", being the major centres attached to the most populous capital cities (Gold Coast, Sunshine Coast, Newcastle, Central Coast, Wollongong and Geelong) and "the top 13-19 cities", being the Australian cities with a population greater than 100,000 (Hobart, Darwin, Townsville, Toowoomba, Cairns, Ballarat and Bendigo). The top 12 cities constitute 0% – 72% population coverage, and the top 13-19 cities constitute 72% – 80% population coverage.

(b) "**regional**" areas, defined in the Authorisation Application to comprise approximately 1.5 million square kilometres and reaching further population up to 98.8% of Australia. Telstra has the most extensive network in this area, followed by Optus and then TPG which competes for up to 96% of the population but to a lesser extent; and

(c) "**remote**" or "**rural**" areas, defined in the Authorisation Application to comprise approximately 1.0 million square kilometres and reaching further population up to 99.5% of Australia. Only Telstra operates a mobile network in this area.

(d) [redacted]

18. Coverage in regional areas is important to customers living in regional and remote areas but it is also important to many metropolitan-resident customers who need to travel or think they may need to travel to regional or remote areas.

19. Optus and TPG have a joint venture arrangement (**eJV**) which has been in place since 2004. [redacted]

20. Mobile is a capital-intensive business and a scale business. An operator with a larger customer base can generate more revenue and invest more capital, and will have lower costs on a cost per customer basis.

21. Mobile technology has made leaps roughly every 10 years, starting with 1G in the 1980s (which brought with it "analog" mobile voice communication), to the introduction of 4G in the 2010s (which brought with it mobile broadband). This evolution has led to regular capital-intensive technology investment cycles, with the latest cycle typically building upon technology investments during the previous cycle.

22. Optus' investment in 5G is critical to provide a competitive network relative to Telstra and TPG. I understand that investing in 5G will allow Optus to handle growing data demand which will surpass 4G capacity, and to capture growth in new 5G use cases as they emerge.

23. Telstra, Optus and TPG are currently competing to rollout 5G mobile networks. [redacted]

24. Competition to deploy 5G mobile networks has been affected by the Federal Government's decision announced in August 2018 that prevented Huawei equipment from being used in the Australian 5G networks. This has affected Optus' 5G network rollout which had planned to use Huawei equipment. A consequence of the

Government's decision is that Optus is not only prevented from using Huawei equipment for 5G, but is also required to swap out and replace its 4G Huawei equipment if and when it deploys 5G at a site with 4G Huawei equipment. [redacted]

25. [redacted]

3. [redacted]

26. [redacted]

27. [redacted]

(a) [redacted]

(b) [redacted]

(c) [redacted]

28. [redacted]

A. [redacted]

29. [redacted]

30. [redacted]

31. [redacted]

32. [redacted]

33. [redacted]

34. [redacted]

35. [redacted]

36. [redacted]

(a) [redacted]

(b) [redacted]

(c) [redacted]

(d) [redacted]

(e) [redacted]

(f) [redacted]

i. [redacted]

[redacted]

[redacted]. The **Regional Coverage Zone** (as defined in the Authorisation Application) (also referred to as the **RCZ**) is the 81.4% – 98.8% population coverage area and comprises around 17% of the population. [redacted]

112. On 21 February 2022, TPG announced the proposed regional network arrangement with Telstra [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted].

125. [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

A. Impact of the Proposed Transaction on overall market trends

128. Based on my experience and the work my team and I have done since we heard about the Proposed Transaction, my view is that this transaction will have significant impacts on Optus if it were to proceed, and it will significantly change the market dynamics in regional Australia. [redacted]

129. Currently, Optus sits in between Telstra and TPG both in terms of price and coverage. [redacted]

[redacted] The access to spectrum and infrastructure that TPG will gain from the Proposed Transaction will significantly improve its competitiveness in regional markets, [redacted]

[redacted]

[redacted]

[redacted].

[redacted]

[redacted]

[redacted].

Signature of witness

[redacted]

Benjamin White
Date: 19 October 2022