

Submission

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Telstra TPGT MOCN Authorisation request

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ACCAN thanks the ACCC for the opportunity to comment on the proposed mobile infrastructure and spectrum sharing agreement between Telstra and TPGT – the Multi-Operator Core Network (MOCN) agreement. As the peak consumer communications organisation in Australia, this is an important consultation for ACCAN and our members, as many are organisations and individuals based in rural, regional and remote Australia.

The importance of mobile services in regional Australia

Community expectations about access to mobile services have changed considerably, with access now regarded as a necessity by most consumers¹. A recent survey of almost 1000 Australians showed that 84% of people considered mobile phone to be an essential - something that no one in Australia should have to go without today. This was the highest percentage amongst landline and home internet². These expectations have increased in regional and rural areas over the last decade as service performance has improved and the mobile footprint has expanded, due to private investment and public policy initiatives such as the Mobile Black Spot Program. The utility and convenience of mobile connectivity is highly valued in regional areas, particularly given the limited alternative communications options in outer regional and more remote areas. A contributing factor to the high demand for mobile services is the increasing population in regional areas, with the Australian Bureau of Statistics reporting an overall growth of 70,900 in 2020-21 partly due to migration from urban centres³. In this context, when services perform poorly, are patchy or non-existent, consumers are seriously inconvenienced and frustrated. At times, the consequences can be life-threatening if there is no ability to call for help in emergencies and there are no readily available fixed services.

Rising complaints and negative consumer reports

Despite investment in mobile coverage, unmet demand for increased coverage and improvements in service quality are concerning. Service deterioration has been reported in many regional areas with a NSW Farmers survey in 2021 finding that 60% of respondents reported a decline in mobile coverage and internet connectivity in the previous 12 months, and a 2021 survey by the National Farmers

¹ <https://amta.org.au/wp-content/uploads/2019/05/mobile-nation-2019-the-5g-future.pdf>

² Omnibus survey commissioned by ACCAN, March 2022

³ <https://www.abs.gov.au/media-centre/media-releases/more-growth-regions-during-pandemic>

Federation reporting that 49% of respondents observed that their mobile network coverage had declined in the previous year⁴.

In this context, the TIO has reported higher complaint levels about mobile services by regional consumers and small businesses since 2019, from 8,395 to 10,178⁵ in 2021, with mobile coverage issues and blackspots identified as ongoing concerns, as well as inaccurate information about coverage. ACMA telco complaints data also shows that mobile services have been the most complained about service category since 2018-19. Should the MOCN agreement proceed, ACCAN would be keen to see a reduction in some of these concerns and more satisfactory end user experiences.

ACCAN's comments address the following consultation questions (in bold) identified by the ACCC.

How mobile service providers currently compete, including whether they seek to differentiate on price, network coverage and quality, product and service offerings and inclusions, and whether the MOCN arrangement will impact this competition;

For people who work and live in regional, rural and remote areas coverage is of necessity the dominant factor in deciding which mobile provider to choose, and this market is consequently dominated by Telstra due to its superior network coverage⁶. While Telstra MVNOs offer some alternatives at more reasonable price points, they are not well known and there is confusion about the extent to which they provide access to the full Telstra network. It is difficult for consumers to find this information. Mobile coverage maps can confuse as they are based on predictive algorithms rather than on the ground testing for reception, and inputs from the three mobile network operators are not standardised. The significant level of uncertainty around coverage encourages regional consumers to choose or stay with Telstra, and coverage is clearly a key market differentiator for Telstra in regional, rural and remote areas.

While Optus is the market competitor to Telstra in regional Australia, due to Optus' more limited footprint many consumers remain using Telstra. This is especially the case for consumers who need to travel in and out of coverage zones, who benefit from Telstra's more extensive coverage.

In metro areas, mobile service providers are more likely to compete on price, inclusions, and bundling of other services (for example, Vodafone's recent offering of cheaper 4G/5G home broadband bundle for its mobile customers). TPG has focused successfully on good value services at a lower price point in this market – for example, Felix offers unlimited mobile data, standard calls and text at \$35 a month, and MVNO Kogan \$15 per month for 10GBs data and unlimited standard calls and texts. To date, the trade off between price and coverage which TPG has catered for has been to the benefit of metropolitan consumers who do not value coverage.

⁴ [ACCAN submission](#): Regional Telecommunications Review, section 1.1

⁵ TIO submission: Regional Telecommunications Review 021: <https://www.tio.com.au/sites/default/files/2021-10/TIO%20Submission%20-%202021%20Regional%20Telecommunications%20Review.pdf>

⁶ <https://www.accc.gov.au/regulated-infrastructure/communications/mobile-services/regional-mobile-issues/mobile-infrastructure-report-2021>

Under the MOCN agreement, Telstra will still lead on coverage so it is likely to retain this key differentiation in rural and remote areas and remain the provider of choice for regional based consumers who travel in less populated areas. However, within TPG's expanded footprint TPG services would become an attractive lower priced alternative, as the market would be open to mobile brands operated by TPG (Vodafone, TPG, Lebara, Kogan, and Felix), as well as some smaller MVNOs using the TPG network. This increased choice would be a very welcome development for those living in regional areas, and for those travelling from metropolitan areas to the regions.

However, to benefit fully from the MOCN, consumers will need improved coverage maps so that they can be properly informed about the services they are buying. ACCAN supports initiatives flagged by the ACCC to standardise the way mobile coverage is reported across mobile network operators, and additionally sees a need for on the ground testing to ensure the assumptions made about coverage using predictive algorithms are accurate.

A complexity is that exclusions from the non-discrimination provisions may dampen TPG's ability to compete with Telstra. For example, TPG will not have access to 5G sites for the first six months after activation by Telstra, and will only be offering fixed wireless services over 5G on 3.6Ghz spectrum⁷. We urge the ACCC to examine these exclusions to assess the competition implications, as we have a concern that Telstra's six months 'first mover advantage' may be difficult for TPG to compete with, given the barriers to switching faced by consumers. We also have concerns that the 5G delay could cause consumer confusion, as people may believe they are getting full access to the Telstra mobile network in buying a TPG service, when in fact TPG services may not work as well as Telstra's for the first 6 months. In relation to fixed wireless, ACCAN's understanding is that TPG will not be offering 4G fixed wireless services in the areas covered by the MOCN. This is a disappointing outcome for households in these areas who could benefit from additional choices, such as Vodafone's bundled offer of 4G home internet with unlimited data for \$50 a month for mobile subscribers. ACCAN is concerned that these exclusions will work to dampen the improved competitive pressure expected from TPG increasing its coverage.

The likely impact of the MOCN arrangement on prices, including mobile services, fixed bundles and data services; the likely impact of the MOCN arrangement on non-price aspects of competition, including product and service offerings, contracts, network coverage, bundling options, speed, customer service and service quality.

ACCAN welcomes assurances from both Telstra and TPG that spectrum pooling would lead to improved network service quality, and alleviate current congestion. ACCAN hopes this will address reports from consumers that the quality of service in the Telstra regional network has deteriorated, and provide future proofing so that the network will have the capacity to meet demand. This would be a very positive outcome for regional areas.

It is unlikely that the MOCN would have any impact on improving fault repair times for mobile infrastructure given that Telstra would remain the network operator.

⁷ See paras 139 and 140, Telstra TPG Application

Prices

The potential for more price competition could be a positive outcome for consumers under the proposed arrangements. As mentioned above, TPG has generally been able to offer cheaper alternatives to Telstra and Optus as a trade-off for its more limited coverage. It is of the utmost importance that this differentiation would remain if the MOCN proceeds.

However, it is difficult from ACCAN's perspective to predict what the impact on prices would be. Telstra has recently announced a 4-5% price increase for its mobile plans in line with CPI, and there is speculation that Optus will also be increasing mobile pricing later in 2022⁸. TPG may want to maintain current mobile pricing levels to build growth in the regional market, as well as increase its share of the metropolitan market. Alternatively, additional costs incurred by TPG under the proposed arrangements may need to be recouped by higher prices nationally, which would disadvantage its current metropolitan customer base at a time of high cost of living pressures putting a strain on household budgets. This would be an undesirable outcome. TPG have indicated that their costs under the MOCN will be offset by spectrum lease payments from Telstra, and from savings in decommissioning its 725 mobile sites in the MOCN footprint, which may reduce pressure to increase prices.

Given that Telstra will maintain its coverage advantage and is the market incumbent in regional areas, we believe it unlikely that it would be motivated to lower prices because of the proposed arrangements. Telstra has even indicated that it is open to annual price increases in line with CPI in future, suggesting it has no intention of price reductions.

Decommissioning of 725 TPG mobile sites

TPG and Telstra have agreed that TPG will remove its equipment from 725 mobile sites in the regional area covered by the MOCN, and Telstra will install its equipment on 169 of these sites. ACCAN would be concerned if this process resulted in any diminution of coverage overall. Additionally, the extent to which the decommissioning of mobile sites reduces redundancy during an emergency should be considered. ACCAN notes that this impact may be mitigated if the mobile sites flagged for decommissioning will retain Optus and Telstra active equipment.

Besides the potentially reduced redundancy, is unclear to ACCAN what the long term impacts of the reduction in infrastructure competition would be. Indeed, the structure of the mobile towers market has undergone significant change in the past year with all three mobile networks selling their towers. In light of these developments, ACCAN considers that any potential consumer harm from a reduction in passive infrastructure competition could be mitigated by a fit-for-purpose facilities access regime.

⁸ <https://www.afr.com/companies/telecommunications/telstra-raises-mobile-phone-charges-optus-tipped-to-follow-20220602-p5aqm0>

How closely TPG and Telstra currently compete, or would be likely to compete in the future, absent the MOCN arrangement; the likelihood of other competitors expanding their network coverage and quality to constrain the services provided by Telstra and TPG under the MOCN arrangement.

As the current market competitor to Telstra in regional Australia, Optus has made clear its deep concerns about the dampening effect of the MOCN arrangements on its future investments in regional infrastructure, and the expansion of its 5G network. This would be a negative outcome, as consumers in regional areas would benefit from increased competition from the three mobile network operators on an infrastructure and service offering basis. We suggest the ACCC carefully assess the respective claims made by the mobile networks to take into account any lessening of competition and resultant consumer detriment, noting that only the ACCC has full transparency of the Authorisation Application and submissions to the current consultation due to partial redactions.

We also urge the ACCC to carefully assess the impact on the potential growth of mobile network neutral host models, as the MOCN could make it considerably more challenging for neutral hosts to enter the market in the regional MOCN area, and beyond. For consumers in fringe regional, rural and remote areas, neutral host infrastructure sharing is an attractive option as it has the potential to support expanded coverage in less-profitable areas.

The extent and likelihood of public benefits and detriments, claimed by the applicants or otherwise, arising from the MOCN arrangement; and any other competition issues relevant to the ACCC's consideration of the proposed arrangement.

ACCAN notes that the MOCN arrangement will effectively concentrate spectrum holdings in regional areas allocated to Telstra and TPG, enabling improvements in mobile services to be shared by both parties. While this will mean that TPG's regional spectrum will be used more efficiently, we are aware that the MOCN can be seen as a way of bypassing spectrum limits set by the government in consultation with the ACCC. We urge the ACCC to use its expertise to carefully assess the short and long term implications here for end users. ACCAN would be concerned if the increased access to scarce telecommunications spectrum resulted in a significant increase of market power to Telstra, resulting in a lessening of competition across the sector.