



Telstra and TPG application for merger authorisation for proposed spectrum sharing in regional Australia – interested party consultation

The ACCC has requested that Kogan.com provide input into an interested party consultation that the ACCC is conducting into the Telstra and TPG application for merger authorisation. The consultation is primarily focusing on the effects on competition, as well as whether the likely public benefits from the Spectrum Transaction outweigh any likely public detriment.

Kogan Mobile Operations Pty Ltd (a 100% owned and controlled subsidiary of Kogan.com Limited (Kogan.com)) is a low cost, price focussed, Mobile Virtual Network Operator (MVNO) operating in Australia under the brand Kogan Mobile and utilising the TPG network. Kogan Mobile currently has hundreds of thousands of subscribers who are concentrated within TPG's core coverage areas (ie. predominantly CBD and outer suburban locations). To date, Kogan Mobile has unfortunately been unable to effectively compete to win customers in regional and remote areas.

Kogan.com is in favour of the proposed spectrum sharing in regional Australia between Telstra and TPG. This expansion of network access will enable Kogan Mobile to offer voice, messaging and data services to Kogan.com's millions of Active Customers who live outside of the current core TPG coverage areas, as well as allow Kogan Mobile to deliver enhanced service to its hundreds of thousands of subscribers as they move to, travel through or otherwise utilise the expanded coverage in regional Australia.

To date, the limited network access available in regional Australia for customers of the TPG network, has no doubt had a deleterious impact on competition in those areas - this has been to the detriment of consumers.

The proposed offering of services by TPG via the Telstra network will effectively break down the monopoly or duopoly that currently exists in many regional areas throughout Australia, since it will result in customers in some towns and areas having a choice of providers on two or three network operators, for the first time ever (ie. some towns have only ever previously had Telstra network coverage, and some have only ever previously had Telstra and Optus network coverage). By allowing the current monopoly and in some cases duopoly regional markets to be broken down, it

is expected that competition amongst industry participants, and choice for consumers, will increase. This is expected to have a positive impact on competition in the Australian mobile telecommunications industry.

Specifically, the proposed spectrum sharing will enable MVNOs operating on the TPG network, such as Kogan Mobile, to provide comparable services in inner regional, outer regional, and remote areas to those operating on the Telstra (and in some cases to those of Optus), with far fewer coverage gaps, and at competitive prices. Kogan.com conceptualises this as follows:

Number of networks (and their respective MVNOs) competing in each market

Market type	Current	Proposed
Cities and large towns	3	3
Inner regional	2	3
Outer regional and remote	1	2
Extremely remote	1	1

To further explain the foregoing comments about likely impacts on price level, in terms of analysing and predicting the likely effects of changes to competition in an industry (market), Michael Porter's five forces model is often used to predict the impact of changes in a market, on price levels. The model predicts that in markets with an increasing number of participants, there is likely to be increasing competitive rivalry, which results in a lowering of prices in those markets. The extension of Telstra's network to TPG customers in inner regional, outer regional and remote markets, will effectively result in one additional competitor network (one competitor being an MNO and its corresponding MVNOs operating on that network) in each of those markets and hence, will likely result in increased competitive rivalry, which in turn is likely to result in a lowering of the overall price levels in those markets. Since a large proportion of metro consumers frequently travel to and through regional markets, it is likely that competitive rivalry will also increase in urban (non-regional) markets, as a result of the proposed change.

To this end, Kogan.com foresees an increase in competition, and a reduction in overall pricing levels both in metro and regional markets, as a result of the proposed spectrum sharing. Kogan.com predicts that this change will directly have a positive impact on consumer choice and the wider telecommunications industry, by enabling healthier and more intense competition between all mobile operators in Australia.