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mergerauthorisations@accc.gov.au

ACCC - MOCN Proposal - Preliminary Views

In response to the Statement of Preliminary Views of the ACCC on the MOCN proposal.

Please refer back to our previous submission which outlined the growth in demand for digital technology linked to agriculture across Western Australia.

WA Farmers remains supportive of the proposed Telstra-TPG Multi-Operator Core Network (MOCN) Agreement, because it will deliver choice of provider within the area covered under the Agreement.

The Statement of Preliminary Views that you have published last week correctly in our view identifies that there will be immediate benefits to regional and rural Australia of enhanced service quality to Telstra customers, improved TPG service, and additional choice.

Noting the importance of national telcos to be able to offer an Australia wide footprint it is difficult to imagine that Optus would be looking to not continue to invest in regional coverage.

Many of our members and most of their farm service providers will use both telcos as farm businesses are often spread across different shire councils leaving them to swap between towers and telcos depending on the coverage.

We see similar levels of cross business support with the two major rural chemical service providers Nutrient and Elders, or farm machinery manufacturers Case/NewHolland and john Deere both maintain a strong presence in all regions no matter how small the local customer base because it reinforces their reputation of being a national brand offering national coverage to both new and second hand buyers.

Our view from long past experience watching service providers come and go from regional Western Australia ism if they stop investing and upgrading their service or attempt to pick out the high value towns or localities based on past sales or shop fronts they will quickly loose customer support as the community values loyalty and is wary of those who cant service their farms in other regions or who lack a long term commitment.

There are some good examples of this of which Massey Ferguson who used to be the largest harvestor and tractor dealer in Australia is probably the best example.

Once they pulled back to a small footprint in the 1990s their sales collapsed and its only now that they are attempting to rebuild their presence. Something they are struggling to do as CNH and JD have locked in their reputation by staying through the tough times and maintaining a strong regional

Address: Unit 3. 14 Brodie Hall Drive, Bentley WA 6102 // PO Box: PO Box 1105, Bentley DC WA 6983
Tel: (08) 9486 2100 // Email: reception@wafarmers.org.au
www.wafarmers.org.au

presence.

Today CNH and JD hold the lions share of the market and continue to compete and invest in large workshops, apprentices and dealerships. In comparison AGCO who have the Massey Brand despite having world class machinery have lost out as a direct result of failing to maintain a strong presence in the regions.

Ford and Holden are another example they lost out then they walked away from a strong regional presence only to have Toyota fill the gam. While they all offer similar vehicles its those that stayed and kept investing won the loyalty race.

Similar examples can be found with the airlines, regional customers will support those that keep a national network but often there is only room for two major players of which one is dominant but the other offers a viable but cheaper competing service.

What does not work is a fragmentation of the industry which sees endless cannibalization of margins of all players impacting investment.

When dealing with a small regional market it is far better to have two strong players with solid state/national coverage than three undercutting each other impacting future investment in service delivery.

WAFarmers believes that the proposed merger is the best chance of long term competition and investment with an efficient utilization of existing infrastructure that limits duplication but encourages the upgrade of coverage and bandwidth.

Trevor Whittington
Chief Executive Officer
WAFarmers

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