

Statement in support of application for merger authorisation

RE: TELSTRA CORPORATION LIMITED AND TPG TELECOM LIMITED ARRANGEMENT
FOR THE SHARING OF ACTIVE INFRASTRUCTURE AND SPECTRUM IN REGIONAL
AUSTRALIA (APPLICATION)

Telstra Corporation Limited

Applicant

TPG Telecom Limited

Applicant

Statement of: Michael Graeme Ackland

Address: Level 41 242 Exhibition St Melbourne, Victoria, 3000 Australia

Occupation: Group Executive, Consumer & Small Business, Telstra Corporation
Limited

Date: 15 August 2022

Document number	Details	Paragraph	Page
1	Statement of Michael Ackland in support of the Application by Telstra Corporation Limited and TPG Telecom Limited for merger authorisation.	[1]-[42]	2-15
2	Confidential Annexure "MA-01", being a copy of [REDACTED]	[20]	5
3	Confidential Annexure "MA-02" being a copy of [REDACTED]	[28]	10

A INTRODUCTION

- 1 I am the Group Executive, Consumer & Small Business at Telstra Corporation Limited (**Telstra**).
- 2 I am authorised to make this statement on Telstra's behalf, and I make this statement based on my personal knowledge and belief. Where I make statements based on information provided to me, I believe that information to be true.
- 3 I am not authorised nor do I intend to waive legal professional privilege on behalf of Telstra in relation to any subject referred to in this statement, and nothing in this statement ought to be construed as constituting a waiver of privilege.
- 4 On 21 February 2022, Telstra and TPG Telecom Limited (**TPG**) entered into three commercial agreements:
 - (a) MOCN Service Agreement dated 17 February 2022;
 - (b) Spectrum Authorisation Agreement – MOCN Area dated 17 February 2022; and
 - (c) Mobile Site Transition Agreement dated 17 February 2022,which were subsequently varied on 28 April 2022 (**Proposed Transaction**).
- 5 The Proposed Transaction has been referred to internally at Telstra as Project Hannibal or Hannibal.
- 6 As the Group Executive, Consumer & Small Business, I attended the Hannibal Governance Forum (**Forum**) from time to time. The Forum was established to oversee Project Hannibal at the leadership level from negotiation through to agreement execution. The Forum provided a cross-business perspective for the decision-making and strategic assessment in relation to the Proposed Transaction. My involvement in the Forum was in assisting with strategic assessment of the Proposed Transaction, particularly as it related to consumer and small business issues and the commercial risks that it posed to our business.
- 7 I have reviewed a redacted version of the application made by Telstra and TPG for merger authorisation under Part VII of the *Competition and Consumer Act 2010* (Cth) (**CCA**), for TPG's grant to Telstra for use of spectrum, deemed pursuant to s 68A of the *Radiocommunications Act 1992* (Cth) (**Radiocommunications Act**) to be a merger within the meaning of section 50 of the CCA (**Application**). The redacted Application contains redactions for information I understand to be confidential to TPG.
- 8 I provide this statement in verification of certain factual matters set out in the Application insofar as they relate to Telstra only.

- 9 The matters set out in this statement are based on my personal knowledge and belief, including:
- (a) my knowledge of Telstra's business and operations based on my experience with Telstra's business over the past 6 years in various roles;
 - (b) my participation in the Telstra Executive Leadership Team; and
 - (c) my participation in the Forum.

B BACKGROUND

10 I have held the role of Group Executive, Consumer & Small Business since April 2019, after acting in the role since September 2018. In this role, I am responsible for leading and making decisions in relation to Telstra's Consumer & Small Business unit.

11 I report directly to Andrew Penn, Chief Executive Officer of Telstra. I lead a team of thirteen Telstra employees who are responsible for the following sub-teams:

- (a) Consumer Segment Group;
- (b) Consumer & Small Business Digitisation Group;
- (c) Belong Group;
- (d) Customer Management & Loyalty;
- (e) Strategy & Planning Centre of Expertise (**COE**);
- (f) Customer Experience, Insights & Design Chapter Area;
- (g) Small Business Segment Group; Marketing;
- (h) Digital Channels Group;
- (i) Retail & Regional Group; and
- (j) Contact Centres Group.

12 Prior to my role as a Group Executive, Consumer & Small Business, I held the following positions:

- (a) Telstra's Executive, Sales and Service: I led Telstra's Consumer & Small Business sales and service channels, including Global Contact Centres, Telstra Country Wide and Telstra Digital.

- (b) Executive Director, Telstra Country Wide: I was responsible for over 350 retail stores and over 16,000 partners nationally.
- (c) Chief Executive Officer, GE Healthcare, Australia and New Zealand: In addition to my role as CEO, I also held various executive leadership roles across GE's Australia and New Zealand business, including financial services, corporate and healthcare divisions.
- (d) Principal, Boston Consulting Group.

13 On 1 September 2022, I will take on the role of Chief Financial Officer and Group Executive, Strategy & Finance at Telstra.

14 I hold a Bachelor of Commerce and a Bachelor of Chemical Engineering from the University of Melbourne, Australia.

C RETAIL MOBILE SERVICE OFFERINGS

15 As part of my role as the Group Executive, Consumer & Small Business, I pay close attention to the competitive dynamics between retail mobile service providers (Optus, Telstra and TPG, as well as Mobile Virtual Network Operators (**MVNOs**)). This includes the ways in which each mobile network operator (**MNO**) and MVNO competes for consumers, the key drivers of customer acquisition and churn and the ways in which our service offerings differ from our competitors.

16 As the senior executive directly responsible for our consumer and small business division, I am ultimately responsible for ensuring that the customer proposition that Telstra promotes to customers is attractive and effective and ultimately improves their experience with us. This means that it is particularly important to my role to understand the factors and drivers that influence a potential customer's decision to choose mobile services.

17 I have a dedicated internal team (our Group Research & Strategic Insights team) that regularly undertakes market research and analysis including competitive insights into what drives customer behaviour such as customer acquisition and churn. Telstra also engages external research agencies to conduct market research and statistical modelling for us. **[Confidential to Telstra]** [REDACTED]

18 My team is responsible, amongst other things, for commissioning and analysing **[Confidential to Telstra]** [REDACTED]
[REDACTED]

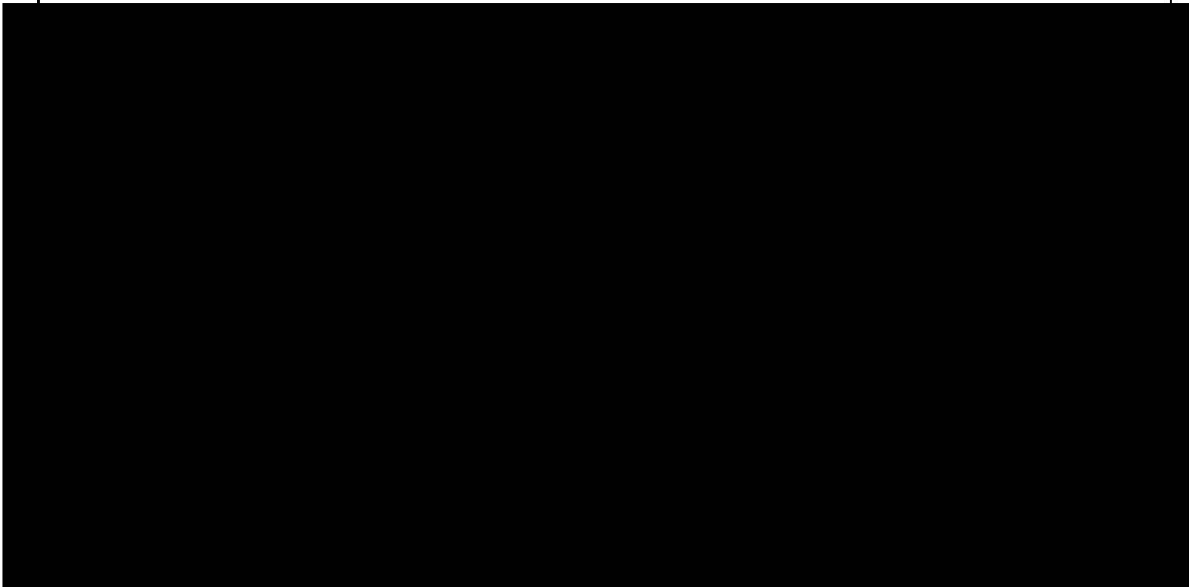
- [REDACTED]
[REDACTED]

- [Redacted]
- [Redacted]

[Redacted]

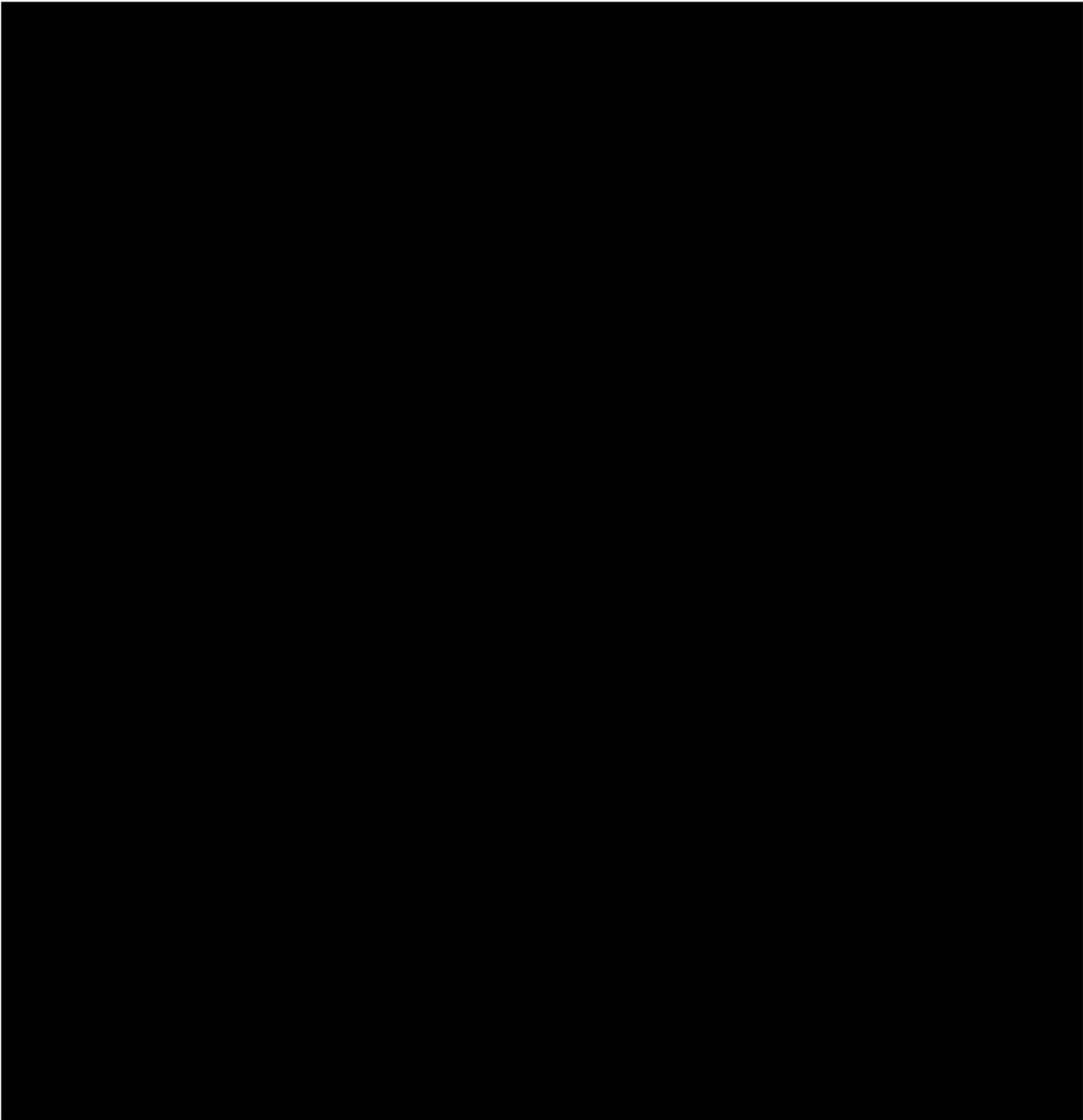
19 I am shown Figure 1 of the Application which is extracted from Annexure T of the Application [Confidential to Telstra] [Redacted] This reflects the kind of customer insight analysis that my team prepares on a quarterly basis, in the ordinary course of Telstra's business and it is used in our standard business decisions. It was not prepared for the purposes of the Proposed Transaction or the Application.

Figure 1: Reasons customers acquire mobile services from Telstra [Confidential to Telstra]



20 The factors identified in Figure 1 of the Application [Confidential to Telstra] [Redacted] are also consistent with the kind of consumer factors identified on slides 24 (post-paid) and 35 (prepaid) of the monthly [Confidential to Telstra] [Redacted] extracted below. Annexed to this statement and marked MA-01 is a true copy of the [Confidential to Telstra] [Redacted]

[Confidential to Telstra]:



21 As this demonstrates, our customer research and analysis consistently shows that consumers consider [Confidential to Telstra] to be important factors when selecting a mobile services provider. As a result, TPG is not currently an attractive option for many mobile customers in rural and regional Australia because of [Confidential to Telstra]

[Redacted]

22 Telstra regularly compiles competitor intelligence, including the prices of prepaid and post-paid mobile services plans. **[Confidential to Telstra]** [Redacted]

[Redacted]

[Redacted]

23 While coverage and network quality (in regional or rural areas) are important features for many consumers, **[Confidential to Telstra]** [REDACTED]

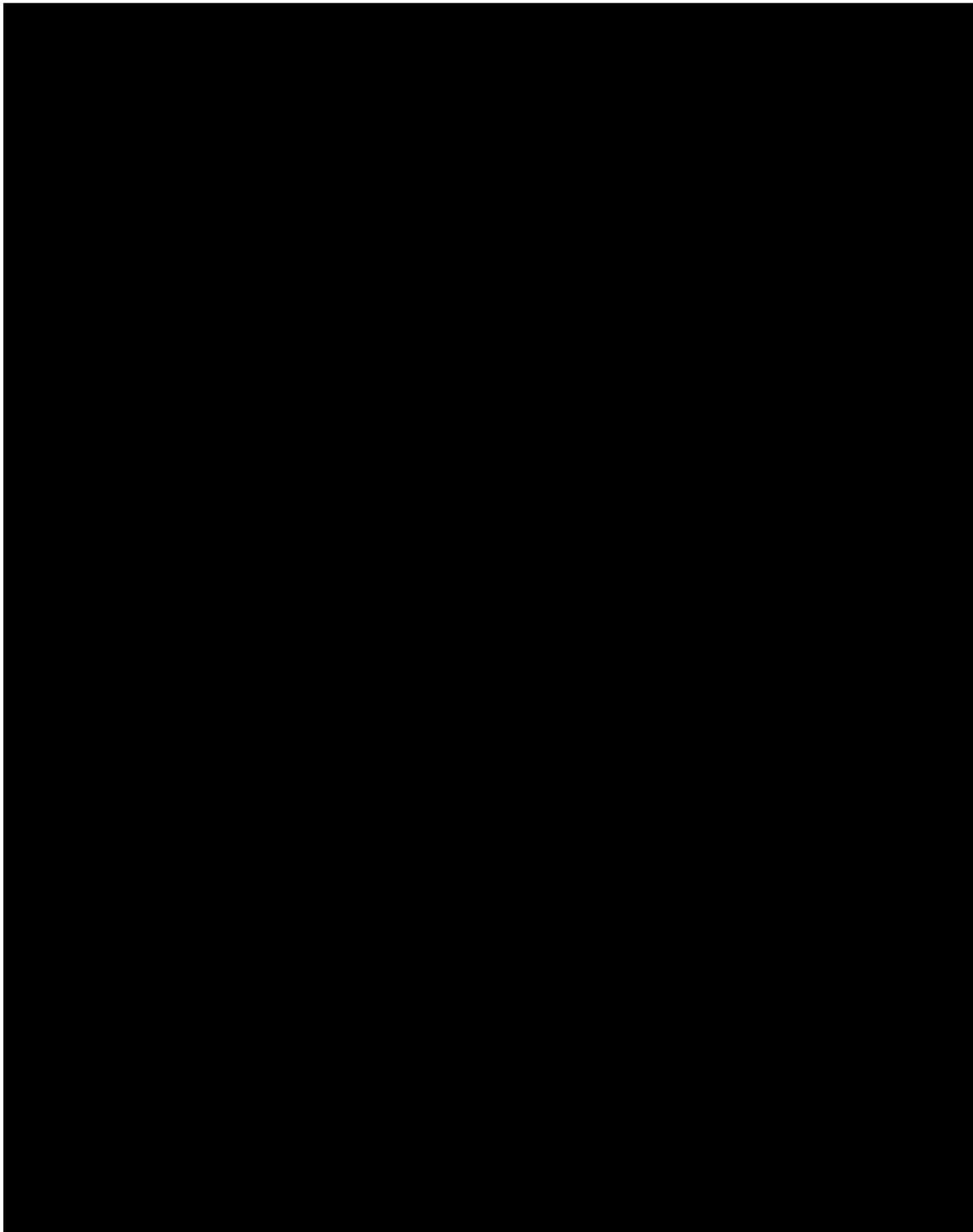
[REDACTED]

[REDACTED] In my experience, this has been true throughout the past 5 years that I have been in my current role. Over this period, competition at the lower-priced end of the retail market has been driven primarily by Belong and MVNOs.

24 While TPG and its MVNOs have less coverage than Optus and Telstra (and their MVNOs), the plans of TPG and its MVNOs are offered at similar price points. This indicates to me that higher input costs (e.g. from additional network coverage) cannot necessarily be reflected in a mobile services provider's prices, as there are strong competitive constraints at the price-sensitive end of the retail mobile market.

25 Optus has continued to invest in its network in regional and rural areas. This investment is reflected in increased competitiveness with Telstra in some customers' perceptions. As part of its ordinary business activities, **[Confidential to Telstra]** [REDACTED]

[REDACTED]



D MARKET SHARES AND CUSTOMER CHURN

Calculation of mobile market shares

26 Telstra uses a number of data sources to estimate our share of retail mobile services. Some of these are internally derived and at other times we also use external data sources. National market share analysis can often be calculated using MNOs own published annual results.

However, the level of granularity provided in published reports is limited, and so this doesn't enable Telstra to determine our share of customers at a geographic level. We therefore also obtain research from external consultants. [Confidential to Telstra] [REDACTED]

27 [REDACTED] In the course of Telstra preparing the Application, my team requested specific data from Roy Morgan for the period between July 2021 and December 2021 (**Roy Morgan Data**). Roy Morgan was able to provide geographic granularity with respect to inside and outside capital cities.

[Confidential to Telstra] [REDACTED]

28 [Confidential to Telstra] [REDACTED]

[REDACTED]

[REDACTED]

Annexed to this statement and marked **MA-02** is a true copy of an email confirming the above.

29 I have reviewed Table 6 of the Application which contains Telstra's estimated national shares for the supply of retail mobile services for the period between July 2021 and December 2021 based on the Roy Morgan Data. While I did not prepare Table 6 of the Application, I reviewed the calculations for these national shares and confirm that the calculations of market shares in Table 6 are accurate based on the Roy Morgan Data.

Table 6: National shares for the supply of retail mobile services by weighted count of products [Confidential to Telstra]

Supplier	Estimated share
Telstra (including Belong)	█
Optus (including Amaysim and Vaya)	█
TPG (including Vodafone, TPG, Lebara and others)	█
Other (including MVNOs)	█
Total	100%

Source: Roy Morgan Single Source (Australia) July 2021-December 2021 data.

- 30 I have reviewed Table 11 of the Application which contains Telstra’s estimated national shares for retail broadband services for the period between July 2021 and December 2021 based on the Roy Morgan Data. While I did not prepare Table 11 of the Application, I reviewed the calculations for these national shares and confirm that the calculations of market share in Table 11 are accurate based on the Roy Morgan Data.

Table 11: Shares for supply of retail mobile services by weighted count of products [Confidential to Telstra]

Supplier	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin/Alice Springs
Telstra	█	█	█	█	█	█	█
TPG	█	█	█	█	█	█	█
Optus	█	█	█	█	█	█	█
Other	█	█	█	█	█	█	█
Total	100%	100%	100%	100%	100%	100%	100%

Source: Roy Morgan Single Source (Australia) July 2021-December 2021 data. Totals may not add to 100% due to rounding.

- 31 I have reviewed Table 7 of the Application which contains Telstra’s estimated number of services in operation (SIO) serviced by mobile network operators in the 17% Regional Coverage Zone (as defined in the Application). The SIO shares in Table 7 were calculated using internal Telstra data, with input from Ookla Speedtest data. Telstra uses Ookla Speedtest data as part of our normal business operations to compare Telstra’s mobile speeds to those of our competitors. Ookla Speedtest uses crowdsourced speed test data collected from a large volume of individual speed tests undertaken by customers across various geographic areas. Ookla data can therefore be used to calculate market shares, on the assumption that customers

of different MNOs are equally likely to conduct speed tests and so the total number of speed tests submitted for each MNO in a geographic area is a useful proxy for that MNO's share of total customers in the area. While not perfect, because it assumes that customers of each MNO use Ookla Speedtest in the same proportions, this approach still provides a way to estimate market share within more tightly defined geographic areas or regions.

- 32 Based on the approach outlined above, I confirm that Table 7 reflects Telstra's assessment of the estimated number of services in operation by the MNOs (including MVNOs) in the 17% Regional Coverage Zone using Ookla Speedtest data.

Table 7. Estimated number of SIOs serviced by MNOs (including MVNOs) in the 17% Regional Coverage Zone [Confidential to Telstra]

MNO	SIO in 17% Regional Coverage Zone	% SIOs serviced
Telstra	[REDACTED]	[REDACTED]
Optus	[REDACTED]	[REDACTED]
TPG	[REDACTED]	[REDACTED]

Source: Telstra internal data. Estimates between parties may vary.

Figures relating to customer churn

- 33 The concept of "churn" refers to a customer moving from one telco provider to another. Telstra keeps a close eye on churn data, given that it provides a good insight into how effectively we are competing. It offers one of the most immediate and direct measures of how many customers are coming to us, or leaving us, at any point in time. The term "churn out" refers to customers leaving Telstra to move their service to a competitor and the term "churn in" refers to customers transferring their services to Telstra.

- 34 I have reviewed Table 8 of the Application which contains an estimated breakdown of net "churn out" from Telstra Retail to MVNOs in regional areas prepared by a member of my team,

[Confidential to Telstra] [REDACTED]
 [REDACTED]
 [REDACTED]

	Postpaid	Pre-Paid
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

- 35 Using the percentage of churn out from Telstra to Telstra MVNOs and non-Telstra MVNOs in the table above, the figures set out in Table 8 are derived from the following calculations (rounded to the nearest whole number) **[Confidential to Telstra]**:

	Postpaid	Pre-Paid
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

- 36 I have reviewed Table 8 which shows Telstra’s breakdown of churns to MVNOs to Telstra and non-Telstra MVNOs (which are likely to be Optus MVNOs in regional and rural areas, given the low level of TPG network coverage in these areas). I confirm that it has been prepared by my team based on data that we routinely use for assessing and monitoring churn. Table 8 therefore reflects Telstra’s best assessment of net churn out from Telstra Retail to MVNOs in regional areas.

Table 8: Breakdown of net MVNO churn out from Telstra Retail **[Confidential to Telstra]**

	Churn Out	
	Postpaid	Prepaid
Telstra MVNOs	[REDACTED]	[REDACTED]
Other MVNOs	[REDACTED]	[REDACTED]

E Assessment of the Proposed Transaction

- 37 In my role as Group Executive, Consumer & Small Business, I was involved in assessing the commercial implications of the Proposed Transaction for Telstra. **[Confidential to Telstra]**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

38 I have reviewed paragraph 177 of the Application and confirm that it is an accurate description of the [Confidential to Telstra] [REDACTED]
[REDACTED]

39 [Confidential to Telstra] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

F VERIFICATION OF SELECTED SECTIONS OF THE APPLICATION

40 As Group Executive, Consumer & Small Business, I was responsible for reviewing and approving paragraph 232 of the Application which describes low cost offers available to customers. It is true to my knowledge.

41 As Group Executive, Consumer & Small Business, I was responsible for reviewing and approving paragraph 189 of the Application which discusses Optus's increased competitiveness with Telstra in some customer perceptions. [Confidential to Telstra] [REDACTED]
[REDACTED]
[REDACTED] confirm that, to my knowledge and belief, paragraph 189 of the Application is a true and accurate reflection of Telstra's views based on that data and those processes.

42 As Group Executive, Consumer & Small Business, I am familiar with the information in the document marked Annexure T of the Application [Confidential to Telstra] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Signed on behalf of Telstra Corporation Limited by



Date: 15 August 2022