Record of oral submission to the ACCC

Matter name:	Telstra/TPG proposed spectrum sharing		
ACCC parties:	**Merger Investigations:** Janet Li, Caylie McDonald **Competition Exemptions:** Soo Sian Koh **Mobiles & Consumer Engagement:** Deric Flores		
Other parties:	Infrastructure Logic Pty Ltd (OneWifi) • Gary Tsang (Commercial and Strategy Director) • Mevan Jayatilleke (Managing Director) • Peter Hitchiner (Director of Engineering)		
File Number:	MA1000021		
Date:	15 August 2022		
Time:	3:00 pm AEST		
Phone to ☐	**Phone from** ☐	**Meeting** ☐	**Other** ☒

The ACCC met with Infrastructure Logic Pty Ltd (**OneWifi**) to discuss its written submission in relation to the Telstra/TPG merger authorisation application. The following issues were discussed.

Overview of the OneWifi business and the industry

1. OneWifi is a 5G neutral host organisation. It has been working in the industry with network vendors for the past 5-6 years. Similar to a mobile infrastructure offering, OneWifi offers mobile network sharing to mobile network operators on a neutral host basis. OneWifi is open to work [redacted] to offer their services on their infrastructure. OneWifi is currently working with all MNOs. It also:
    a. services local councils on Smart City and IoT solutions
    b. offers mobile in-building coverage to commercial and residential buildings via Distribution Antenna Systems (DAS) on behalf of property developers or building owners, and
    c. works with the New South Wales government department on their mobile active sharing program.
2. OneWifi uses one set of active equipment and one set of infrastructure to transmit any number of MNOs' spectrum and signals. OneWifi can support up to [redacted] MNOs at one time. It's the most efficient use of capital and a fundamental tenant of the neutral host model.
3. OneWifi's business model is based on 'shared infrastructure' and provides small cell networks that can be shared amongst MNOs. [redacted]

[redacted], but OneWifi is planning and working to build sites in the future e.g. [redacted]. OneWifi is not a traditional infrastructure company; it provides an active service. It combines one transmission set and offers the set to different telecom providers. On the other hand, other competitors provide multiple transmission sets, one for each MNO.

4. OneWifi does not need spectrum to operate. Mobile operators often provide their own spectrum.
5. When OneWifi considers where to build new sites, it works alongside MNO(s) to assist them build capacity through small cell networks in areas where it is difficult to build a macro tower[1] for aesthetic reasons.
6. OneWifi operates in regional and metropolitan areas. It is important for OneWifi to consider any asset builds in regional and metropolitan areas separately because each of the areas have their own specific requirements. For example, a lot of regional areas are subject to federal and state government funding and policy initiatives (such as the recent blackspots program, Connecting Victoria), while that is not the case in metropolitan areas.
7. Given the current lack of government grant programs available, the earliest OneWifi could start deploying infrastructure is [redacted] for regional Australia and [redacted] for small cell networks. OneWifi would likely focus on metro small cell networks first then regional areas, as metropolitan areas are more commercially viable. OneWifi does not necessarily need grants to have a viable commercial case for metropolitan areas. OneWifi can also 'fill the gaps' of regional areas. However, critical mass is required in the absence of subsidies in regional areas.
8. In circumstances where OneWifi has access to a government grant, OneWifi typically needs an average of [redacted] per site, per location, in order to have a commercially viable business case to build new infrastructure. These figures are based on the size of the portfolio and amortizing the large cost base over a large asset base.
9. Aside from funding, other challenges OneWifi faces when building sites in relation areas include access to power, real estate, overall cost, and back haul (getting information back to the data centre, especially when there is no fibre). There is only satellite in regional areas, so it is important to have a good design of the network build.
10. OneWifi estimates it costs [redacted] to build a macro site and would take around twelve months. Costs vary as capital costs depend on location; regional sites could cost even more. It could cost closer to [redacted] to build a cluster of sites (as repeater locations are required) in regional areas. Regional sites require the ability to direct mobile traffic back to an aggregation point before one can provide service to an end customer. Transmission and power are approximately 50% of the total cost in regional areas. It is far less in suburban context as there is more readily available fibre and aggregation points. Road access is also expensive [redacted].

[redacted]

[1] Macro towers, or macro sites, are cells in a mobile phone network that provides radio coverage served by a high power cell site (tower, antenna or mast)

OneWifi's broad concerns

Spectrum

12. OneWifi considers that low band spectrum is exceptionally valuable, if not critical, in regional areas. This is due to the distance between stations. For a three-kilometre radius, it would require either one low band station or two to three mid band stations. OneWifi submits the proposed transaction 'will fundamentally decimate hyper local competition'. Telstra and TPG will have economies of scale, plus scope and reach.
13. The reallocation of spectrum under the proposed transaction will have flow on impacts to investment in infrastructure. If there is no critical mass, OneWifi believes it cannot compete. It considers that while there may be product differentiation at a wholesale level, there is no product differentiation with infrastructure.

Impact on OneWifi's business

14. If the proposed transaction is approved by the ACCC, it would change OneWifi's future strategy. OneWifi would struggle to get to [redacted] per site. Regional fixed wireless players are selective about where they want to go and are more specific how they 'cherry pick' locations. [redacted] OneWifi considers the proposed transaction needs checks and balances to ensure choice for consumers.

MVNO market

15. OneWifi considers the MVNO market in regional centres is a good example of how telecommunications companies struggle to provide services. The regional market deters MVNOs [redacted] because the cost structure doesn't make commercial sense. If the proposed transaction goes ahead, consumers will only have the choice of one or maybe two providers.
16. Lower cost to serve should mean lower prices for consumers, not just from an infrastructure perspective. Historically the rationale for not enabling MVNOs is not technical, it's commercial. [redacted]

Further comments about the proposed transaction

17. OneWifi considers there will be no benefits or detriments to OneWifi as a result of the proposed transaction. OneWifi has invested in Smart Cities in regional areas but there are no additional costs to it as a result of the proposed transaction. However, OneWifi has broad concerns about the transaction, which are highlighted above.
18. OneWifi is supportive of active network sharing in principle. The pooling of resources to create one network allows MNOs to maintain product differentiation and create synergies. OneWifi submits that active sharing is efficient and using the right architecture can provide customers with more choice. OneWifi considers there is a public benefit to active network sharing - it is more equitable and accessible. Regional areas are large cost centres so if one can find a way to produce large cost savings it will stimulate better outcomes for all.
19. OneWifi considers there are a lot of benefits of neutral host arrangements - capital efficiencies, environmental benefits, allied industry benefits (i.e. emergency services), benefits for farmers (through private LT and IoT offerings). Traditionally, independent operators only care about themselves, but neutral hosts can care for multiple operators. There are a lot of passive neutral hosts. OneWifi considers that an additional 30-40% can be saved through active sharing arrangements.