



## Record of oral submission to the ACCC

Matter name:	Telstra/TPG proposed spectrum sharing		
ACCC parties:	<b>Merger Investigations:</b> Janet Li, Caylie McDonald		
Other parties:	Suntel Communications <ul style="list-style-type: none"><li>• Jim Carew (Director)</li><li>• Melonie Johnson (Director)</li></ul>		
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The ACCC met with Suntel Communications to discuss its written submission in relation to the Telstra/TPG merger authorisation application. The following issues were discussed.

### Overview of the Suntel Communications' business

1. Suntel Communications own and operate 21 Optus branded stores throughout regional Queensland and the Northern Territory. Retail stores are located in Toowoomba (2), Maryborough, Newstead, Hervey Bay, Bundaberg, Gladstone, Rockhampton, Yeppoon, Mackay (2), Airlie Beach, Townsville (2), Mt Isa, Cairns (4) and Darwin (2). 30% of Suntel Communications' customers are business.
2. Suntel Communications does not have exact market share data of its retail sales. However, Suntel Communications knows it has substantially lower market share than Telstra in the areas they operate in. Suntel Communications estimates it has approximately 20-25% market share, TPG has approximately 10% market share and Telstra has the majority where it operates. Ten years ago, these figures were remarkably different; Suntel has taken market share from Telstra since then.
3. Suntel Communications is an Optus licensee/partner and it holds a seat on the Optus National Advisory Council. This council represents the partner group. The partners control 62% of Optus' distribution with company owned stores making up the balance. The council was aware of the transaction due to the media coverage it received. It has had conversations with its direct business contacts regarding competition concerns.

### **Suntel Communications' broad concerns**

4. Optus is competitive from a price perspective. Optus holds a much higher market share in metropolitan areas than it does in regional areas because there are fewer coverage concerns in Metro.
5. Pricing has changed over the last few years. Previously, a customer would pay for phone and data connectivity separately; now it's bundled amongst all providers. Consumers tend to look at the cost per gigabyte or extra inclusions (such as international calling). Coverage is also an influential factor, particularly so in regional areas. It's imperative Optus improves its connectivity in surrounding towns outside regional hubs. Optus' prices are generally 20% lower compared to Telstra. Suntel Communications' (Optus) coverage is not equivalent to Telstra because it operates regionally. It covers comparatively well in metropolitan areas, but it suffers in regional areas.
6. Coverage between towns is very important such as the highway between Cairns and Townsville to Mackay to Rockhampton, etc. Whilst Sydney customers correctly assume they will get contiguous coverage from Sydney to Newcastle, regional customers often incorrectly assume they will have the same between those regional towns as listed above. Often, customers will get reception in large regional towns, but not in the adjacent areas. The average residential consumer can tolerate the lack of coverage if they travel on the occasional weekend, but business and trade consumers need great coverage consistently.
7. Telstra's 5G offering is not yet pertinent enough to encourage customers to switch providers for it. However, Telstra's access to more spectrum as a result of the proposed transaction could change that and lead to more customers switching.
8. Customers who live in major regional towns i.e. Townsville have a greater propensity to shop around. In Mackay, Suntel Communications have two points of presence. However, it does not have infrastructure in the mining area (out west of Mackay). Suntel Communications finds a number of its customers will use its service in town, and a second sim card when in the mining regions.

### **Suntel Communications' comments about proposed transaction**

9. If Optus' coverage remains the same, and the proposed transaction goes ahead, Suntel Communication believes Optus' level of competitiveness (i.e. whether it loses or gains customers) will depend on competing operators' coverage. Network speed will impact Optus' (and therefore) Suntel Communications' churn out numbers and could be vital to its level of competitiveness. The speed offerings of the Optus network is what makes Suntel Communications competitive in geographic markets where they operate. 5G services offered at the moment are on frequencies that do not allow large percentage speed differentials. However, this will change in time.
10. Suntel Communications has not heard from many customers regarding the proposed transaction. The distribution and presence of TPG in the areas Suntel Communications operates is low. It does not understand how the proposed transaction helps regional customers.
11. If the proposed transaction was to go ahead, Optus will become less competitive. Consequently, Suntel Communications may lose some of its regional Optus

distribution centres where their profits are currently marginal. If Suntel Communications loses more than 20% market share, the stores would not survive.

12. The closing of Optus retail stores in regional areas would have a significant public detriment. Regional customers have a strong dependence on telecommunication retail stores (i.e. Optus stores) for technological assistance to resolve matters such as the workings of mobile phones and internet connection. Such issues often require in-person assistance. Of 35 customers who walk into Suntel Communications' regional stores, 34 requests for technology assistance and only 1 would be in relation to a service that Suntel Communications would receive remuneration for (i.e. signing up to an Optus plan). On the other hand, 1 customer in every 18 customers (on average) who walk into its metro retail store would be for a remunerated service. As Telstra has already decreased its retail presence in regional areas, closing Optus regional retail stores means regional customers would have even fewer points of contacts to seek in-person technological assistance. This is a public detriment.
13. The capital investment required to see returns in regional areas is significant at Optus' level. Regional areas need sustainable investment and Suntel Communications does not think the proposed transaction would provide the incentives for Optus to continue investing.
14. Similarly, Suntel Communications and other small and medium business owners are heavily invested in the local communities. Suntel Communications has intentions to continue investing in communities in regional areas, but competitors are continuing to retract, which affects the level of investment in these regional communities.