

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: Bart-Jan Sweers

Address: 400 George Street, Sydney 2000, New South Wales, Australia

Occupation: Principal, Economic Modelling, Telstra Corporation Limited

Date: 12 August 2022

This document contains confidential information which is indicated as follows:

[Confidential to Telstra] [.....] for Telstra Corporation Limited and its related bodies corporate

Contents

Document number	Details	Paragraph	Page
1	Statement of Bart-Jan Sweers in support of the Application for by Telstra Corporation Limited and TPG Telecom Limited for merger authorisation	1-44	1-13
2	Confidential Annexure "BS1" being a copy of [REDACTED] [REDACTED]	29, 33, 38	8-10

A INTRODUCTION

1 I, Bart-Jan Sweers, am Principal, Economic Modelling at Telstra Corporation Limited (**Telstra**).

2 I am authorised to make this statement on Telstra's behalf.

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 I was involved in the negotiating the above agreements with TPG. Other key persons involved in the negotiations included Andrew Penn, Nikos Katinakis, Chris Meissner, Andrew Briggs, Alex Bladenis and Ashley Hunter from Telstra.

6 The Proposed Transaction has been referred to internally at Telstra as Project Hannibal or Hannibal.

7 I was a member of the Project Hannibal Project Team (**Project Team**), which was the team responsible for negotiation, strategic assessment, and decision-making, including attending meetings with TPG, in relation to the Proposed Transaction. I was one of the individuals responsible for strategic assessment and negotiation.

8 As Principal, Economic Modelling, 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. 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.

9 I provide this statement in verification of certain factual matters set out in the Application insofar as they relate to Telstra only. I also provide this statement in verification of certain factual matters set out in the Letter of Instructions provided to expert Emma Ihaia on 27 July 2022 (**Ihaia LOI**).

10 Except where otherwise specified, the matters set out in this statement are based on my personal knowledge and belief, including my knowledge of Telstra's business and operations based on my experience with Telstra's business for more than 5 years first as a General Manager and then as Principal.

B BACKGROUND

11 I have held the role of General Manager/Principal, Economic Modelling since October 2016. In this role, I am responsible for analysing and advising on network strategy, the economics of Telstra's network investments, and network cost saving initiatives, through the development of strategy papers, business cases and cost models.

12 I report directly to Gavin Spain, Principal Wireless Network Economics. I have one person reporting to me, and my team focuses on network economics, economic modelling and data analytics in the area of network strategy, investment and costs.

13 Prior to joining Telstra in October 2016, I held the following positions:

(a) Associate Director, KPMG (Australia) (February 2015-October 2016): I led KPMG's Financial Modelling team in Sydney, developing and reviewing financial business and cost models in a wide variety of contexts ranging from high profile corporate transactions, through to supporting businesses and governments in complex decisions on strategic change, investments, operational performance improvement, cost efficiency and pricing. I worked across a range of industries but was particularly focused on telecommunications and government.

(b) Senior Manager, PwC (Netherlands) (October 2010-December 2014): I conducted quantitative, fact-based strategy consulting primarily focusing on telecommunications, government, energy and financial services. This involved the use of advanced business models and data analytics to facilitate strategic investment decisions, regulatory compliance and cost optimisation.

(c) Lead Consultant, Analysys Mason Limited (UK) (September 2007-September 2010): I provided telecommunications strategy advice, including in the context of mergers and acquisitions, privatisation support, licence acquisition, mobile and wireless technologies, regulatory cost modelling, spectrum valuation and spectrum auction strategy.

14 I hold the following qualifications:

- (a) Master of Science in Business Administration (Strategic Management) from Rotterdam School of Management, Erasmus University, Netherlands;
- (b) Master of Science, Applied Physics (Seismics & Acoustics) from Technische Universiteit Delft, Netherlands; and
- (c) Propedeuse, Economics from Erasmus University Rotterdam, Netherlands.

C VERIFICATION OF SELECTED SECTIONS OF THE APPLICATION

- 15 In my role as Principal, Network Modelling, I analyse and interpret technical and financial data concerning Telstra’s business, in particular its fixed and mobile networks.
- 16 I consulted with relevant Telstra subject matter experts to compile various data and information from Telstra’s systems or data sets for the purpose of preparing selected sections of the Application.
- 17 References to the ‘MOCN area’ are references to the ‘17% Regional Coverage Zone’ as defined in the Application.

Costs of network investment

- 18 I prepared Table 1 of the Application. In preparing Table 1 of the Application, I relied on existing Telstra data (extracted below) which set out an indicative breakdown of costs for establishing a macro site across metropolitan, regional, rural and remote areas. That data was previously compiled by a member of Gavin Spain’s team as part of Telstra’s ordinary business activities. I referred to the total site costs for the metropolitan, rural, and remote categories in the table below as a proxy for the MOCN (rural) area and non-MOCN (metro and remote) areas.

[Confidential to Telstra]

	Metro	Regional	Rural	Remote
Site establishment				

Technology				

19 I used the national population data published by the Australian Bureau of Statistics and broke it down into the different coverage areas shown in Table 1 below using the population coverage percentages shown in this table. These coverage percentages were derived by Telstra subject matter experts in the Network Engineering team, using an Australian mobile industry standard approach for calculating population coverage. This approach which uses ABS population per SA1 area, which is a classification maintained by the ABS, and counts that population as covered if the centre point of that SA1 area is covered. Coverage in the MOCN area was assessed using this methodology by using information within the Network Engineering team on the location of, and technology deployments on, Telstra mobile sites. The site count per coverage area is based on the actual locations of Telstra mobile sites in the MOCN area.

20 I used the following averaging formula to calculate the 'captured population per site':

$$\text{population} / \text{site count} = \text{captured population per site}$$

21 I used the following averaging formula to arrive at the cost per person captured:

$$\text{indicative cost per site} / \text{captured population per site} = \text{cost per person captured}$$

22 Given the above approach, I believe that Table 1 is a reasonable approximation of the average site establishment cost per person captured by Telstra sites in the listed coverage zones.

25 In preparing Figure 15 of the Application, Telstra used a cell-by-cell model of Telstra’s mobile network, developed by a Telstra subject matter expert, Anthony Petersen. The model projected the expected congestion levels using:

- (a) Telstra’s internal traffic growth forecast [Confidential to Telstra] [REDACTED] and [REDACTED]
- (b) Telstra’s internal benchmark for site congestion, which considers a site congested if it delivers an average broadband speed below [Confidential to Telstra] [REDACTED] during defined busy hours within a 4-week period.

26 This model, the growth assumptions and internal congestion benchmarks referred to in the previous paragraph are used by Telstra in its ordinary course of business for network congestion. They were not developed for the purpose of the application or for figure 15 specifically.

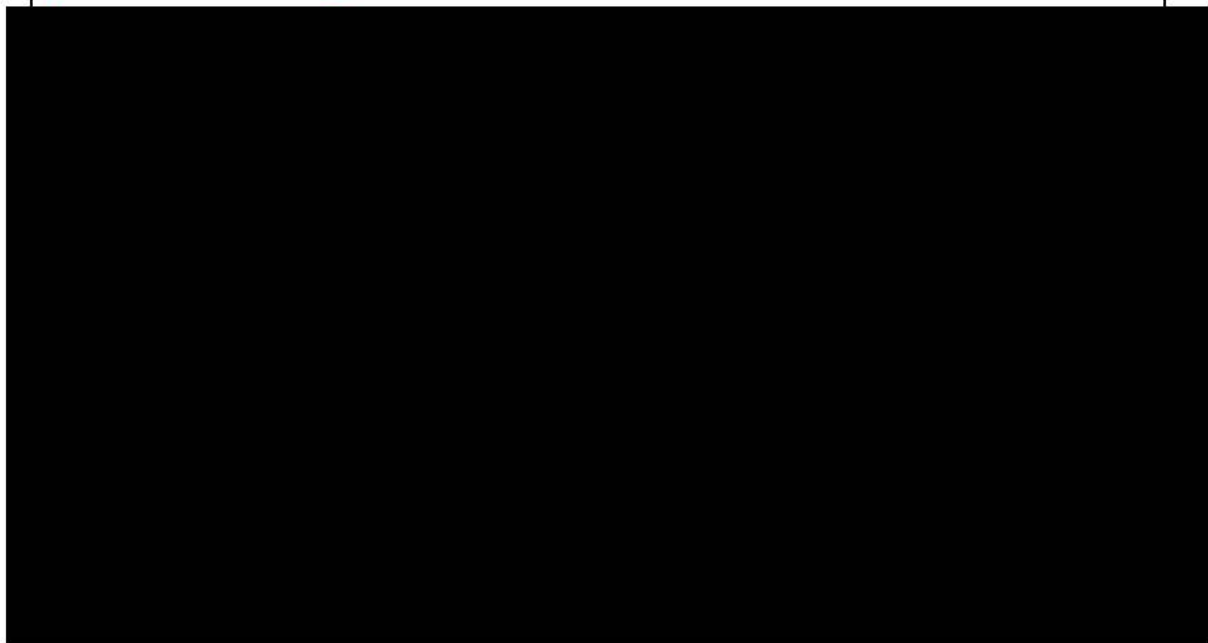
27 To forecast the number of congested sites with the Proposed Transaction the expected additional spectrum leased from TPG, and an estimate of the additional traffic expected to be generated by TPG customers was incorporated in the model.

28 Figure 15 was generated from MOCN.3000.0004.0057, by adjusting the bounds and units parameters of the chart as follows:

Parameters	Settings
Bounds	
Minimum	1 March 2022
Maximum	1 August 2023
Units	
Major	3 Months

Figure 1: Forecast number of Telstra congested sites, March 2022 – August 2023

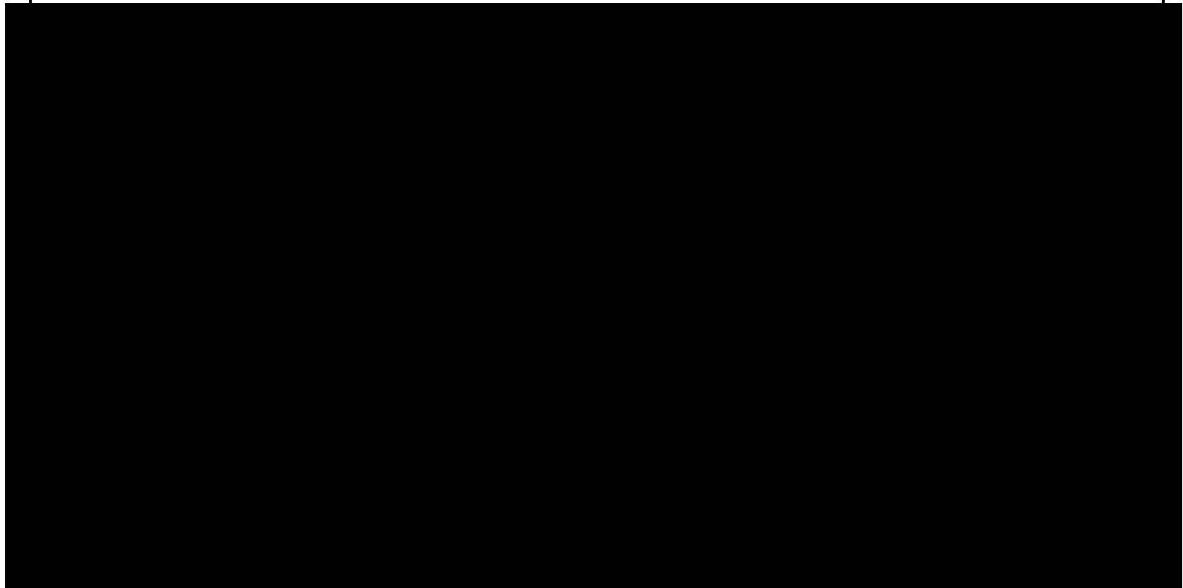
[Confidential to Telstra]



- 29 I enclose a copy of MOCN.3000.0004.0057 at **Annexure BS1**.
- 30 I have reviewed Figure 15, which contains Telstra’s forecast of the number of congested Telstra sites from March 2022 to August 2023. Having regard to the manner by which it was prepared (as described above), Figure 15 depicts the expected congestion levels with and without the Proposed Transaction using the model, growth assumptions and internal congestion benchmarks used by Telstra in its the ordinary course of business to target investments to manage congestion.
- 31 In preparing Figure 1 of the Ihaia LOI, I used the same modelling as used for Figure 15 of the Application. To prepare Figure 1, I adjusted the bounds and units parameters of the chart as follows:

Parameters	Settings
Bounds	
Minimum	1 June 2022
Maximum	30 June 2030
Units	
Major	12 Months

Figure 2: Estimated congested sectors [Confidential to Telstra]



- 32 I have reviewed Figure 1 of the Ihaia LOI, which contains Telstra's forecast of the number of congested Telstra sites from June 2022 to June 2030. Having regard to the manner by which it was prepared (as described above), Figure 15 depicts the expected congestion levels with and without the Proposed Transaction, using the model, growth assumptions and internal congestion benchmarks that Telstra uses in the ordinary course of business to target investments to manage congestion.
- 33 In preparing paragraph 12 of the Ihaia LOI, I drew on the same data, information and knowledge from the relevant Telstra subject matter expert as set out in paragraph 25 above, with the addition of the estimated number of users in the MOCN area. Paragraph 12 of the Ihaia LIO was generated from MOCN.3000.0004.0057, which is enclosed at **Annexure BS1**. The June 2024 figure has been rounded down to avoid false precision.
- 34 In preparing paragraphs 270 of the Application and paragraph 13 of the Ihaia LOI, Telstra drew on data, information and knowledge from a Telstra subject matter expert (Brent Bogatzke) and external data sources, including measured Ookla Speedtest data to model the likely impact of the Proposed Transaction (increased spectrum bandwidth) on service speeds. Ookla Speedtest uses crowdsourced speed test data collected from a large volume of individual speed tests undertaken by customers across various geographic areas. The internal and external data sources used in this modelling are used by Telstra in its ordinary course of business.
- 35 The model used a combination of measured Ookla Speedtest data and maximum attainable speed predictions from Telstra's dynamic service qualification tool (**DSQ**) to:

- (a) identify the proportional contribution each frequency band has made towards the aggregate speeds for users in general (median) and the top 10% / worst 10% of customers which was aligned to match measured Ookla Speedtest data;
- (b) calibrate Telstra's service qualification tool to reflect real user equipment (device) capabilities that are evidenced in Ookla Speedtest data; and
- (c) calculate the predicted uplift in user experience across each frequency band as well as overall for the current mix of device capabilities.

36 DSQ is a customer facing tool which provides users with a Maximum Attainable Speed Range at the point of sale. This tool is used by Telstra in its ordinary course of business. DSQ provides the capability to model and predict the experience of a user for a given location in the Telstra mobile network. For the purposes of this analysis the tool was used to calculate, for each Ookla Speedtest result, the speed that a given frequency band contributed to the overall speed result and therefore what the expected uplift to those speeds would be if the spectrum available was increased to the amount that Telstra will have available to it in the MOCN footprint area following the Proposed Transaction.

37 I have reviewed paragraphs 270 of the Application and paragraph 13 of the Ihaia LIO. Having regard to the manner by which these figures were prepared (as described in paragraphs 23 to 28 above), these paragraphs describe the expected congestion levels with and without the Proposed Transaction, using the model, growth assumptions and internal congestion benchmarks that Telstra uses in the ordinary course of business to target investments to manage congestion.

38 In preparing paragraph 14 of the Ihaia LIO, I drew on data, information and knowledge from Telstra subject matter expert Anthony Petersen with respect to Telstra's new site build projections to June 2031. The data was generated by a model of Telstra's mobile network which is maintained in Excel and Visual Basic for Applications which is referred to internally as the "micro model". This is a model that is used in Telstra's ordinary course of business, for example in capex forecasting, estimating the cost impact of a new proposal and the impact of spectrum deployments. The projections in paragraph 14 are forward-looking and therefore exclude FY22 where the Proposed Transaction could have no impact. Paragraph 14 of the Ihaia LIO was generated from MOCN.3000.0004.0057, which is enclosed at **Annexure BS1**.

39 I have reviewed paragraph 14 of the Ihaia LIO. Based on the approach described in paragraph 38 above, paragraph 14 of the Ihaia LIO is an accurate reflection of Telstra's anticipated new site build projections from July 2022 to June 2031 with and without the Proposed Transaction.

E ASSESSMENT OF THE PROPOSED TRANSACTION

40 In my role as Principal, Economic Modelling, N&IT, [Confidential to Telstra] [REDACTED]
[REDACTED]
[REDACTED]

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

42 As described in paragraph 177 of the application, [Confidential to Telstra] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

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

(a) [REDACTED]
[REDACTED]
[REDACTED]

(b) [REDACTED]
[REDACTED]

(c) [REDACTED]
[REDACTED]
[REDACTED]

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

(a) [REDACTED]

(b) [REDACTED]

(c) [REDACTED]

Signed on behalf of Telstra Corporation Limited by



Signature of Bart-Jan Sweers

Date: 12 August 2022