

Commsday Summit keynote

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Introduction

Good morning, it's great to be here at another Commsday event.

I would like to start by acknowledging and giving thanks to the traditional owners of the land on which we are holding today's event: the Gadigal people of the Eora Nation, and their elders past and present.

I would also like to thank Grahame and the Commsday team for inviting me to speak today and for their continued advocacy of our industry.

This year marks my 8th anniversary since arriving in Australia to become CEO of Vodafone Australia – which of course is now TPG Telecom.

For an industry claiming to thrive on change and innovation, it is interesting to consider just how much of our operating landscape has remained the same.

In 2014, Telstra dominated the market, Optus was fighting hard to defend its corner, and a new high-speed mobile service – 4G – had launched as a step-change in experience and mobile speeds driving an exponential increase of videos viewed on mobile.

Eight years on and there is a slight case of déjà vu.

Telstra remains on top, Optus is still a little punchy, and a new high-speed mobile service – 5G – has launched as a step-change in experience and speed for consumers and businesses alike.

But there is one defining difference in the landscape today - TPG Telecom.

The TPG of 2014 was an up-and-coming fixed-line phone and internet business commencing its ambitious run of acquisitions.

And Vodafone, a pure mobile player, trying to recover from recent customer losses and focused on growing its mobile business.

While both were doing well and punching above their weight, they lacked the financial scale and breadth of services to take them to the next level.

Fast forward to today and the strategic alignment of these entities has been forged into one of the nation's largest full-service telcos.

TPG Telecom is currently the second biggest fixed line service provider and third in mobile, with a combined fixed and mobile customer base of more than 7 million customers, and some of the best brands in mobile and fixed broadband.

And soon, we will be stronger, bigger, better and providing greater choice and competition for even more Australians.

Pending regulatory approval, our recently announced network sharing deal with Telstra will mean regional customers will be able to enjoy the TPG Telecom mobile network experience across the country.

For me, the most exciting part is what these new foundations for growth and opportunity promise for our customers:

The opportunity to better serve our existing customers, with a converged suite of telco products and services across the mobile and fixed domains.

The opportunity to make a difference for our enterprise, business and government customers with faster connectivity and innovations in 5G, IoT and mobile private networks. To help them become more competitive at home and abroad.

The opportunity to show customers that when it comes to telco services, TPG Telecom is the credible, trusted force for competition and choice in Australia.

While we embrace the change and opportunity this merger has presented us – we also recognise the customer experience and our commercial outlook remains heavily influenced by a challenging operating environment.

While industry moves at breakneck speed to deliver new connectivity innovations, the forward-looking regulatory and policy agenda remains anchored in the past.

On the eve of an election, our industry must take the opportunity to reset the telco policy framework.

If we are to create the right environment for continued investment and innovation, we should be stepping forward and making our voices heard.

According to a recent AMTA report, the telco industry invested 65.8 percent of total industry value, or approximately \$19.5 billion from 2019 to 2020, back into the economy.

These investments meant the nation stayed connected and the economy kept running, throughout the worst pandemic in more than a hundred years.

The connectivity we provide has enabled the nation's shift to new ways of hybrid working, it's led to an acceleration in the digitisation of the economy, and it's provided the critical infrastructure other industries such as streaming, gaming and entertainment have relied, thrived and enjoyed a free-ride upon.

But while our investment and regulatory costs increase year-on-year, growth in industry revenue has not kept pace.

The fact is, our industry is subjected to a level of scrutiny that slows us down, increases our costs, and ultimately impacts how we deliver greater value and greater service to our customers.

In an economic environment where inflation and the cost of living is on the rise, we remain one of the most competitive industries I can think of. Where customers get more from their service while prices stay relatively the same.

To put this into context, recent ABS data shows inflation surged to a two-decade high of 5.1 per cent over the year to March 2022.

And while the price of petrol, food, gas, water and beer continued to rise - the cost of telco equipment and services fell 1.1 per cent.

Without exaggeration, in many cases it is cheaper to use your mobile phone for one month, than to park for one hour in the Sydney CBD.



As an industry, we want to remain competitive. But to do so we need to have the right regulatory and policy settings to thrive.

With this year's election campaign heavily informed by promises of investment and infrastructure for regional Australia, we know the government and Opposition have digital connectivity on their minds.

Commitments to improving connectivity in peri-urban and regional areas through co-investment programs deserve to be applauded.

Such programs play an important role in extending connectivity to places that need it most and will help achieve the ambition to make Australia a top ten data and digital economy by 2030.

Yet a lack of business readiness for change and a failure to reform the policy regime will detrimentally affect the Australian market.

Why risk poor performance due to poor policy and an aversion to the need for genuine reform? Why slow growth and the associated benefits of attracting talent, investment and innovation to our shores?

Connecting consumers and businesses to the benefits of 5G will only be possible if we create the right conditions for greater competition and continued investment in telco infrastructure.

Which brings me to address the need for our industry to rethink how we work together. To build a sustainable industry that continues to create both value today and in the future.

As cities become smarter, industries automate, and we continue to use our mobile and broadband connections to work, play and stay productive, reliance on connectivity will soar in the coming decades.

But in an industry where costs are going up and revenues remain flat, it is essential we invest in ways that will deliver sustainable returns.

At TPG Telecom, we know this better than most.

We overcame the most disruptive equipment ban in Australian telecommunications history to roll out a brand new, smarter 5G network.

This was of course a huge challenge for us. Yet it also provided a unique opportunity to build a new network, and indeed, our best ever network that now reaches more than 90 per cent of the population across Australia's largest cities and metro centres with 5G.

We did this by being smarter about how and where we invested.

For example, we tore up the book on how mobile networks were rolled out in Australia.

In a world first, we worked with our fantastic partners Vecta Labs and Site Pro1 to pre-assemble antennas, radio equipment and cabling onto prefabricated steel frames, using locally made steel and manufacturing based in NSW.

By basing manufacturing here in Sydney and innovating the production process, we were able to relieve supply chain dependencies, reduce time on site and make the process safer and greener.

This innovation accelerated our 5G rollout, which has expanded to around more than 1,300 sites.

We will continue to accelerate our rollout in 2022 and are well on our way to having 2,000 5G sites by the end of this year.

While this production method helped us build the fastest growing 5G network in Australia's largest city centres, it's not the only way we are extending our reach across the country.

I believe there are a few options to boost coverage and reach in regional Australia:

You can do it on your own and make huge investments duplicating infrastructure into areas where you are unlikely to get a return.

You can try and get a roaming arrangement, which will usually give customers a limited service based on a standard setting from the roaming provider.

Or, as we have advocated for years, you can pool assets and spectrum through network sharing agreements.



Clearly, this last option is the one we think makes most sense for us and our customers.

We already share antennas across metropolitan sites with Optus under our joint venture.

And as previously mentioned, we recently signed a ground-breaking network sharing deal with Telstra in regional Australia.

This multi-operator core network deal – which remains subject to regulatory approval – will provide regional mobile customers with more choice than ever before.

Under the agreement, TPG Telecom’s family of brands will gain access to Telstra’s 4G mobile network across 3,700 regional sites, boosting our mobile network coverage to 98.8 per cent of Australia’s population.

And, as 5G is rolled out, TPG will also gain access to the 5G network within this regional coverage area.

This will make us a real choice for the more than four million customers in the regional coverage zones and millions more in the cities who need quality mobile coverage when they travel to the country.

This agreement resets the competitive environment for mobile services in Australia.

It also serves as an example of how we can share costs and assets across industry to bring coverage benefits to customers at a fraction of the cost of duplicating infrastructure.

Of course, there has been a very small number of industry voices who don’t share our optimism or enthusiasm for the future benefits that network sharing will bring to Australian mobile.

While this is disappointing, it is not unexpected.

To suggest the entry of TPG Telecom’s family of brands, our wholesale customers and our MVNO partners into new regional markets, is somehow going to “distort markets and hurt competition”, is inaccurate and inappropriate.

To me, more companies competing hard to gain customers is the definition of pro-competition. To make this regional sharing arrangement work - through its Vodafone, iiNet, TPG and felix brands - TPG Telecom will need to offer better value and innovation to the more than 4 million consumers and businesses in regional Australia, and the millions of others in urban areas we know will join, once we have a high quality regional mobile network.

Network sharing in other parts of the world is common practise - particularly in countries with large geographic reach and relatively low population density.

Canada, New Zealand and many European countries including the UK, France, Italy, Sweden and my home country Spain, all have examples of active network sharing.

Sharing happens because it makes economic sense and allows us to pass those benefits to customers.

In fact, last year Oxford University released a research paper proving our position.

The paper, titled “To share or not to share? The impact of mobile network sharing for consumers and operators” – assessed the impact of mobile network sharing in Europe during the 2000-2019 period, looking at 140 mobile operators in 29 countries.

It assessed the full array of network sharing deals - including passive, active and roaming agreements – and settled on a clear conclusion: network sharing generated significant benefits for operators and consumers, including lower prices and improved network coverage and quality.

This was mainly driven by cost reductions, higher returns on investment and, more importantly, increased competition.

For millions of European consumers, this has meant lower prices for services and increases in network coverage and quality.

While this study did not include more recent 5G rollouts, its implications for the future are clear.



As each mobile generation requires additional capex with new equipment and spectrum, and as site expansion and densification continues as our population moves and needs better coverage, sharing of networks will take on even greater importance in the future.

In a country as large as Australia, this is the sustainable approach we need to improve infrastructure, service and reach, in an economically sensible, and speedy way.

But if we are to share our networks, invest, and implement genuine policy and legislative reform, then we must also address the NBN mammoth in the room.

With the NBN now built and fully operational, it is important we refocus on what this infrastructure was created for, and the role it will play in the future.

At its simplest, the NBN was established to right the competitive playing field of our telecom sector by improving retail access and dismantling the old-era monopoly pricing of fixed networks.

As the second largest retailer of NBN services, we will always be supportive of this role.

Yet, over the last decade, NBN has deviated from its lane of initial intent. The reason for this is clear: it has not managed to create a feasible pricing model to support its core purpose.

Because of this, we have seen it stray into competitive markets beyond its original remit. It has been protected from infrastructure-based competition, and failed to provide the cost certainty industry needs to create a sustainable and thriving broadband market.

While some of these changes have made sense and helped competition, the privileged protection NBN enjoys as the nation's monopoly wholesaler and its quest to recover the costs of its rollout, are detrimentally impacting industry sustainability.

Of course, we all appreciate NBN's need to make a return so it can continue to reinvest in its infrastructure.

But the need to generate returns must be achieved in collaboration with industry, not at its expense.

We deserve transparency, certainty and trust.

Unfortunately, we have not seen this via the ongoing Special Access Undertaking process.

I know we are not alone in saying we were very disappointed to see the SAU process hit by yet another delay and leaving the industry in pricing limbo.

Our position on NBN pricing has always been clear. It needs to be predictable. Retailers need to be able to plan and manage their costs and pass the benefits to the homes and businesses who rely on those services.

If the NBN's purpose is to provide universal broadband access – or in other words, access that is affordable and accessible for all Australians no matter their means or socioeconomic situation - then price certainty must be at the core of any pricing proposal.

NBN Co's commercial strategy and recovery of operating costs, should not rely upon arbitrary price increases for the same base product, year-on-year without any improvement. Doing so will only add to the cost-of-living pressures so many are already facing.

The convenience of withholding the SAU submission from public release until the day after the election result should also not go unnoticed.

It is time we started asking better questions of the NBN, the Government and our industry, and demanding more robust answers.



At TPG Telecom, we have responded to this continued uncertainty by throwing out the rule book and taking direct action.

Recently we achieved ACCC approval to establish a functional separation undertaking to meet the needs of our wholesale and retail subsidiaries.

The undertaking provides us with greater flexibility to expand our fixed line network footprint and compete in wholesale and retail markets.

The ACCC's approval is the regulatory certainty required to enable further investment into our existing FTTB and HFC networks, as well as any new superfast local access lines deployed by TPG, and allows us to grow our customer base on these assets.

The FSU highlights our ambitions to reshape the competitive landscape, to think and act differently and do what is required to achieve our long-term growth ambitions.

Every day our people continue to work incredibly hard to bring the benefits of connectivity to communities, homes and businesses all across this country.

Together, their dedication, innovation and vision is collapsing physical distances between the country and cities; making it easier than ever to connect friends and family; and enabling the large-scale work-from-home revolution.

They know what it takes to make a difference, and continue to build our reputation and place in market as an award-winning leader in service, quality and sustainability.

It is with great satisfaction our felix team was recently announced as the winner of the Canstar Blue Green Excellence Award for 2022 for its commitment to sustainability.

felix is the first telco brand in Australia to be powered by 100% renewable electricity, certified carbon neutral and plants one tree a month on behalf of every customer. To date, it has donated over 318,000 trees and is well on its way towards 1 million trees globally.

This important and valuable recognition for the work of our teams adds to our trifecta of wins across our Vodafone, TPG and iiNet brands in the Canstar Blue telco awards announced earlier this month.

I started today by reflecting how the telco operating landscape has remained much the same since I came to Australia. It doesn't have to be this way. Our industry has the capacity for great, exciting, continued change.

At TPG Telecom, we are proof of that.

Our speed of expansion, the scale of our networks and the benefits and customer choices we can now offer, is truly astounding.

We have invested and continue to grow.

We have increased the reach and capability of our fixed and mobile networks while exploring new ways to build and share assets and infrastructure.

And we are extending the reach of our mobile services to new geographies – to deliver greater competition and choice to consumers and businesses - through network sharing deals.

We provide better competition, and we won't be slowing down.

Thank you.

