

10 June 2016

Ms P Sullivan
Assistant Secretary
Spectrum Branch
Department of Communications and Arts
Pauline.sullivan@communications.gov.au

Dear Ms Sullivan

Unsold 700 MHz Spectrum

I refer to your letter to David Teoh inviting submissions in relation to a proposed Ministerial Direction for the sale by negotiation with Vodafone Hutchinson Australia of 700MHz spectrum (the “**Proposed Direction**”).

TPG is a prospective purchaser of the remaining 2 x 15MHz of 700 MHz spectrum. We had no knowledge about the Proposed Direction when we first contacted the department about TPG buying the 700MHz spectrum on 18 March 2016. On 30 March, I advised the Department that TPG would like to purchase all of the remaining 700 MHz spectrum. We remain a prospective purchaser and I trust that the genuineness of our interest is self-evident based on our significant investments in both the Digital Dividend Auction and the 1800Mhz Auction.

TPG has a strong track record of producing positive outcomes for consumers of telecommunications services in Australia, particularly in the important area of price. TPG’s innovative products and business processes, combined with strong cost control and low overheads, have brought very high value, low cost plans to the broadband corporate and residential markets. TPG believes that there is good scope for it to bring a similar dynamic to the mobile market.

TPG believes that the Government’s policy settings have not operated to encourage new entrants into the market for mobile services.

The competition limits and auction rules set for the 1800MHz spectrum auction meant that it was very difficult for a new entrant like TPG to be able to secure sufficient spectrum to support the rollout of new competitive mobile infrastructure. Large existing providers were able to protect their market positions and thus limit a new entrant from establishing a reasonable spectrum foothold.

The Singapore regulator, the Infocomm Development Authority (IDA), has recently set aside spectrum specifically to encourage a fourth entrant in that market. The IDA has offered a substantial discount on the reserve price that will apply for a fourth entrant compared to an incumbent and has established regulatory settings to assist the new entrant.

TPG submits that the Government should similarly set policies that will encourage a fourth entrant into the mobile market for the benefit of Australian consumers.

In particular, TPG submits that:

- a. Given more than one potentially interested party, the market for the remaining 700MHz spectrum should be tested by an auction process.
- b. Telstra should not be permitted to bid in any auction for more of the 700MHz spectrum. Telstra is already spectacularly dominant in the mobile market and in the telecommunications industry more generally. Furthermore, it bid up to its maximum competition limit in the Digital Dividend Auction.
- c. Given the limited remaining spectrum, Optus should not be permitted to bid in any auction for any additional 700 MHz spectrum. Optus had the ability to be able to take up to its competition limit in the Digital Dividend Auction and it took as much as it wanted. Any move now from Optus to secure more 700MHz spectrum should be understood as a protectionist move to limit TPG's ability to enter the mobile market.

Thank you for considering our submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Moffatt', with a stylized flourish at the end.

TONY MOFFATT
General Counsel
TPG Telecom Group