

## Strengthening trans-Tasman economic relations

Response by Telstra Corporation Limited to the Productivity Commissions' Joint Study  
Discussion Draft (September 2012).

18 October 2012

## 1. Introduction

Telstra has previously made two submissions to the joint study being conducted by the Australian and New Zealand Productivity Commissions (“the PCs”) on strengthening trans-Tasman economic relations (subs. 48 and 56).<sup>1</sup>

Telstra has reviewed the Discussion Draft issued by the PCs in September and thanks the PCs for their interest in telecommunications services expressed in the Discussion Draft.

In this brief response Telstra wishes to note a factual clarification and to address Question 4.3 (which specifically deals with telecommunications services) by reference to Telstra’s previous submissions.

## 2. Changes in trans-Tasman investment in telecommunications services providers

Telstra notes that Table 3.1 on page 75 of the Discussion Draft refers to the ownership of TelstraClear which operates in New Zealand, and to Telecom NZ’s ownership of AAPT which operates in Australia. Telstra suggests that this table should be updated in the final report to reflect the proposed exit of Telstra from the TelstraClear business, and the rationalisation of Telecom NZ’s Australian interests in recent years:

- Telstra noted its proposed sale of TelstraClear to Vodafone in its second submission to the joint study (Telstra, sub. 56, page 3 and footnote 2). The New Zealand Commerce Commission is scheduled to provide its decision in its review of that transaction on 23 October 2012,<sup>2</sup> hence by the time that the final report is prepared the outcome should be known.
- Telecom NZ sold AAPT’s Australian consumer business to iiNet in September 2010,<sup>3</sup> and AAPT is now focused on services to businesses and wholesale customers. Earlier in 2010 Telecom had sold its minority interests in iiNet and Macquarie Corporate Telecommunications.

The relevance of these developments is that the lengthy period of direct trans-Tasman competition between Telstra and Telecom NZ in all market segments in each other’s incumbent territories, is now ending. Given that other operators from third countries continue to successfully do business in Australia and New Zealand (for example, SingTel and Vodafone), the reduction in trans-Tasman investment and competition may be merely coincidental. However, in Telstra’s view it does beg the question as to whether the existence of a SEM or greater harmonisation of the trans-Tasman telecommunications market may have led to a different outcome for the investments made by Telstra and Telecom NZ in each others’ markets, respectively.

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<sup>1</sup> Telstra Corporation Limited and TelstraClear Limited, 31 May 2012, available at: <http://transtasman-review.pc.gov.au/sites/default/files/sub048-transtasman-review.pdf>; and Telstra Corporation Limited, 10 August 2012, available at <http://transtasman-review.pc.gov.au/sites/default/files/sub056-transtasman-review.pdf>

<sup>2</sup> Commerce Commission Clearances Register, <http://www.comcom.govt.nz/clearances-register/detail/760>, accessed on 17 October 2012.

<sup>3</sup> Media release, “Telecom confirms sale of AAPT Consumer Division”, 1 October 2010, <http://www.aapt.com.au/aapt/media-centre/our-news/2010/telecom-confirms-sale-aapt-consumer-division>.

### 3. Reply to Question 4.3 in the Discussion Draft

Question 4.3 in the Discussion Draft asks, “*What deficiencies in telecommunications regulation or differences between New Zealand and Australia impede further trans-Tasman integration? How significant are these costs or impediments and how might they be reduced?*”

Telstra noted in its second submission (sub. 56) that one significant area where differences between Australia and NZ may emerge unless an effort was made to ensure harmonisation, is in respect of common technical standards across the access services for NBN Co in Australia and the Local Fibre Companies (LFCs) in New Zealand. Telstra also pointed out in its second submission several other opportunities for coordination to take advantage of the current level of alignment in the fibre access network builds taking place on both sides of the Tasman. In its first submission in conjunction with TelstraClear (sub. 48) Telstra provided the example of pragmatic trans-Tasman cooperation to develop a joint 700 MHz spectrum band plan which has now been adopted by the Asia-Pacific Telecommunity (APT) and by national administrations as far afield as Mexico.<sup>4</sup> Telstra’s view is that such pragmatic initiatives ought to be encouraged within the context of a CER work program, rather than relying only on the good fortune of occasional aligned interests and cooperative work by individuals in government and industry.

Telstra’s previous submissions have addressed Question 4.3 in part by providing several examples; however, to properly answer the question would require comprehensive research and consultation with telecommunications providers and other stakeholders on both sides of the Tasman. Telstra submits that the carrying out of such further work should be a recommendation of the PCs’ study.

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<sup>4</sup> Jonathan Watson, “Mexico adopts APT 700 MHz band plan”, *Policy Tracker*, 21 September 2012, <https://www.policytracker.com/headlines/mexico-adopts-apt-plan>, accessed 17 October 2012.