22 February 2022

The Manager

Market Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

Office of the Company Secretary

Level 41
242 Exhibition Street
MELBOURNE VIC 3000
AUSTRALIA

General Enquiries 03 8647 4838
Facsimile 03 9650 0989
companysecretary@team.telstra.com

Investor Relations
Tel: 1800 880 679
investor.relations@team.telstra.com

ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra network sharing agreement, 21 February 2022 – Transcript

In accordance with the Listing Rules, I attach a market release, for release to the market.

Authorised for lodgement by:

Sue Laver
Company Secretary

Nathan Burley: Good morning everyone. Welcome to this Telstra call to discuss the landmark Network Share Agreement we've signed with TPG Telecom. My name's Nathan Burley, Head of Investor Relations. Now I respectfully acknowledge that I am joining today from the lands of the Kulin nation, and on behalf of Telstra I would like to acknowledge and pay my respects to the traditional custodians of Country throughout Australia, and recognise their continued connection to land, waters and cultures. We pay our respects to their Elders past, present and emerging.

Now on the call today are Telstra's CEO Andy Penn, CFO Vicki Brady, and Group Executive Networks and IT Nikos Katinakis. Our CEO Andy Penn will take you through today's announcement and then we will be taking questions from analysts and investors and then media. I'll hand over to Andy. Andy.

Andrew Penn: Thanks very much, Nathan, and welcome everybody. Thank you for joining us, particularly at short notice on a Monday morning. But, as Nathan said, it's a pretty exciting day with a very significant ground breaking network deal that we're announcing this morning with TPG, which will deliver between $1.6 and $1.8 billion of revenue to Telstra over the next 10 years, as well as a significant enhancement to our spectrum position and our mobile and fixed wireless service offering in regional and rural Australia.

In an industry which is subject to regulation such as telecommunications and where so many of the decisions and outcomes on technology and spectrum are crucial, while short term tactical decisions are important, it's really the long term strategic ones like this, and innovative industry arrangements, that ultimately drive the long term capital efficiency and long term value for the operators and for customers; and that's exactly what we're doing today.

The deal itself comprises a 10-year regional Multi-Operator Core Network – or MOCN commercial arrangement as we describe it – which provides TPG Telecom's group with – their subscribers with 4G and 5G services within a defined coverage zone – which I'll come to in a second – across what we would describe as regional and sort of the urban fringe areas. The defined coverage zone covers a ring around core metro and inner regional populations that, in a ring if you like, is about 80 percent population coverage, and it covers that area from 80 percent population coverage to around just over 98 percent population coverage.

Under the deal, TPG Telecom will access around 3,700 of our Telstra network assets, increasing their current 4G coverage from about 96 percent where they are currently – they're about 96 percent – to more than 98 percent of the population. And this is essentially the same network that we provide regionally today for our MVNOs and Belong.

So maybe if I just go through this in a little bit more detail in terms of if you think about our mobile coverage today – just to get the various zones clear in your minds – our various coverage today, it can broadly be broken down into three zones. The first zone where more than 80 percent of metro and inner regional Australians reside today. In this zone, both Telstra and TPG will continue to maintain their own network assets operating completely independently.

The second zone is what we're describing as the 'defined coverage zone' – and that's the one that is subject to the agreement we've announced today – is for services that cover from 80 percent of the population to 98 percent of the population. And as I mentioned, within this zone TPG already have infrastructure and they already have coverage to 96 percent of the population with 4G. They also had a 3G agreement with Optus which I believe provides them with 3G coverage additional to the 96 percent; so they already have a lot of coverage in this area. And it's this zone that we're offering the MOCN services to TPG, and that will mean that TPG will decommission its existing infrastructure within this zone. And as I mentioned, Belong and our MVNOs have already been operating in this zone for a good number of years.

The third zone is where the last couple of percent of the population of Australia live, and it covers an additional one million square kilometres of landmass, and this is where Telstra will continue to maintain its network in differentiation in this zone, and will continue to be the only operator to provide services in this particular area.

So we'll also, through this arrangement, gain access to TPG's spectrum across 4G and 5G, which will allow us to grow our network and increase capacity to offer high quality, innovative wireless services as data-driven demand continues to escalate. This spectrum will also deliver capital investment savings and these will more than offset any additional capex to accommodate the TPG customers.

Over the last three years we have seen major spectrum auctions that determine the holdings of important 5G spectrum in low band, mid band and high bands; and you will all remember the 3.6 gigahertz spectrum auction two or three years ago, the low band spectrum auction at the end of last year and then the high band spectrum auction I think was probably about a year ago now. The important thing to remember with spectrum is those licences – once those auctions are determined – are basically set for a long period of time; at least the next decade. And it is only through arrangements like this that we can actually further enhance our spectrum position which is available for our customers in this critical technology.

So what it means, the spectrum element of this is very, very significant for Telstra and it will mean that all customers will continue to experience Australia's best and fastest network across the country in combined 4[G] and 5G speeds.

In particular the spectrum agreement will ensure that regional and rural customers will now experience faster speeds in more locations on their mobiles, and it will give us the potential to offer more fixed wireless services across regional rural Australia. And with more people moving to regional areas as a result of COVID, congestion in some areas has increased in recent times, and so this additional spectrum will also ensure that customers experience significantly reduced congestion at busy times.

Under the MOCN arrangement, Telstra will share our RAN network – our radio access network – for 4G and subsequently 5G services. For the 5G services, subject to an incremental commercial aspect over and above that for 4G, and 5G will only be available after six months of it being rolled out in the defined coverage zone.

However, to be clear, both carriers will continue to operate their core network technology; so in other words – just to clarify this – in other words, where we're providing network there's the radios – effectively the antennas which are distributed across mobile towers, and that is what we're providing access to – but then there's actually the core – what we call the core operating system of the network which is where you register services and where a lot of the differentiating functionality – things like network slicing and quality of service functionality reside. Both TPG and Telstra will maintain their own cores, and this will just be them sharing our radios in the defined zone that I've already described.

We, in addition, will also get access to deploy infrastructure on up to 169 TPG Telecom existing mobile sites, improving coverage to TPG and Telstra customers in the zone. And the non-exclusive agreement includes an option for TPG Telecom to request two contract extensions of five years each.

From our point of view, the deal provides significant value to shareholders and customers, and it's a continuation of our strategy to maximise the utilisation and monetisation of our assets, similar to monetising our passive infrastructure; it allows Telstra to have an innovative way of monetising some of our active infrastructure in areas where population coverage is much smaller and more challenging in terms of returns and further investment where there are already many competitors.

Our network has been, and always will continue to be, the best network in the country; we're committed to that. And the structure of this deal ensures that we continue to differentiate in network leadership for our customers in coverage and service. We can do that because we will maintain our one million square kilometre competitor advantage in mobile coverage where no other operators have invested.

Mobile coverage is often talked about in population coverage as we have today, however many of us know that it's also the square kilometres of coverage when you travel between towns and cities that also matters; and that's the fabric of our network. It's critical for customers living and working in those areas; it provides security and safety when travelling long distances on major roads and it's only available for our customers travelling through or working or living in those areas.

In fact, the RTIRC review – which was the regional telecommunications review, which is a triennial review which was recently completed – and indeed previous versions of this review continue to highlight the criticality of connectivity in regional Australia, and the importance of finding ways the industry to better leverage infrastructure for support, increased coverage and capacity for customers.

In addition therefore to the significant financial benefits and enhanced spectrum position for Telstra, this deal also represents an innovative way to respond to this while maintaining our network differentiation.

The deal which is subject to ACCC approval will realise more value from Telstra's network infrastructure for shareholders, while making a very significant contribution to Telstra's wholesale mobile revenues. With that, thank you for indulging me – for letting me take you through it, because it's quite a complex deal and there's a lot in there, and a lot of economic drivers in there for Telstra, and great access to some really interesting spectrum and a number of different other benefits. But with that, let me now open for questions. And as Nathan said, we've got Vicki, who you all know well, who's with us and then Nikos Katinakis, who is the Head of Networks and IT, who can help with the technical aspects of the deal. So with that, Nathan, I will hand back to you.

Nathan Burley: Thanks, Andy. So just a reminder, if you want to ask a question it's star one, or star two to cancel. So we will go to our first question now which is from Eric Choi from Barronjoey. Go ahead, Eric.

Eric Choi: Morning team. Three from me. First one, I guess the natural reaction is are you guys giving TPG a leg up? So my first question is how many more subs do you think TPG wins as a result of this deal versus the counterfactual where they did a deal with Optus instead? Second question, on the $1.6 to $1.8 billion of revenues, is all of this new, and if it is all new and at high margin, should we be thinking that's a sort of one cent uplift to EPS; and if that's the case, why haven't we reconsidered our T25 targets? And then third question on industry pricing, I guess your population coverage will remain at 99.4 [percent] but Vodafone goes up to Optus at 98.8 [percent]; I'd be interested if you thought this gives Vodafone a justification to up their prices? But if you don't want to comment, if you can just comment on whether you think you can hold your own pricing premium. Thanks very much.

Andrew Penn: Yes, look, thanks very much, Eric. I'll make a few comments and then see if Vicki has anything to add. And obviously it's not really appropriate – and I know you're not really asking me to – to comment on Voda or Optus' plans, so I'll try and sort of step through some comments and be as helpful as I possibly can be. From our point of view, as you know we've been consistently adding new customers for years – even though the last two years when COVID has meant population growth has stalled – and also the other dynamic is TPG already has quite comprehensive coverage – quite a lot of coverage in this area – up to 96 percent of the population – so this gets them to 98.8 [percent]. And they also have an arrangement with Optus, as I understand, on 3G which gives them coverage beyond the 96 percent as well.

The other point as I've highlighted is there are already many competitors in this area, so our MVNOs have operated in this area, Belong operates in this area, I believe Optus' MVNOs operate in this area as well. And I think the other consideration is that we already have very considerable ground presence across the region; we have stores, we have field techs, we have Telstra business centres, regional advisers etc, so there's a lot more than just purely the network. So it's hard to comment on exactly what the industry dynamic will be, but we think this is an innovative way of basically leveraging more value from our infrastructure whilst preserving our network leadership, but also responding to some of the critical demands around providing connectivity to regional rural Australians, particularly with the increased spectrum that we get we'll be able to reduce congestion and increase coverage and speed.

So that's probably as much as I can say, or would say, without – as I say – trying to speculate on how people will respond and pricing thing, but that – Vicki, do you want to talk about the question around are revenues incremental and also why we didn't factor any upside into our T25 target; which I think is the other part of Eric's question.

Vicki Brady: Yes, absolutely. Thanks, Andy. And thanks, Eric, for those questions. Just to be really clear, in terms of – yes, this deal obviously delivers incremental revenue as a deal; which we will report in our wholesale mobile revenues. As Andy just spoke about, of course we thought about various scenarios how things could play out. But as Andy said, there is already extensive competition out to 98.8 percent population coverage. So we have factored in and thought about various scenarios but still would expect a large, large part of this to be incremental revenue. A couple of comments then. Obviously – well not obviously – but it doesn't ramp up immediately to the average revenue that you might be thinking about under the 10-year deal; it starts at a sizeable amount and just as we get to the end of T25 is likely at that average run rate, we would expect if you look at the 10-year average.

In terms of T25, we've got very ambitious financial ambitions included in T25 and so we see this deal as absolutely contributing to us achieving those ambitions. And then beyond T25, obviously delivering long term growth for Telstra as well. So, Eric, that's the way we've been thinking about it. So, Nathan, back to you.

Nathan Burley: Thanks, Vicki. Thanks, Eric. Our next question is from Tom Beadle from UBS. Tom.

Tom Beadle: Hi guys. Thanks for the opportunity to ask questions. I guess the first one, just around capex savings firstly, like you're obviously able to utilise TPG's spectrum rather than having to upgrade your network, just to quantify that if possible please. And secondly, again just trying to understand the financial implications; just I guess where they're flowing to. So firstly, what's Amplitel's obligations under this agreement – if there are any – are there any benefits that flow to Amplitel? And then I guess I'm also trying to work out where the benefits might go to say InfraCo Fixed via the use of fibre backhaul, for example, or within mobile with that active infrastructure. So, yes, if you could just give us any guide as to where those benefits flow, that would be great. Thanks.

Andrew Penn: I might just ask Nikos maybe to respond to just how the capex and the spectrum sort of things interplay. We haven't disclosed in the financial materials, so in the revenues and all that sort of stuff and we'll just see what that is. I did mention in my speaking introduction that the benefit of the spectrum more than offsets any incremental capacity we would need to build from taking on board TPG's customers in terms of on to the network as we've estimated. And in fact, provides capex efficiencies in hundreds of millions beyond that, for us. But do you want to just sort of talk, Nikos, how that works on a sort of practical level just between the spectrum and the trade-off with investments and then we can come back to Amplitel and the other financial implications? But, Nikos.

Nikos Katinakis: Yes, happy to cover it. Hi Tom, and thanks for the question. I'll start by giving you some context. So as you know, we are shutting down the 3G network by 2024. That's utilising our 850[Mhz] spectrum and of course, as you can imagine, quite important for the regional ring that we're talking about. The other piece of spectrum that we have is the 700[Mhz] spectrum that's fully, fully utilised for 4G as we speak. So as we try to deploy 5G now, we're doing two things: one is squeeze a bit of 5G into our existing 850[Mhz] spectrum, and then as Andy mentioned in his opening remarks, we just acquired a chunk of 850[Mhz] spectrum that will really be fully available to us in 2024 onwards. So the available spectrum then that becomes free with TPG shutting down their regional network in that area, that we get access to now, as you can imagine that's extremely valuable for us because we can utilise that for relieving congestion for 4G in all these areas, and the application of the spectrum is immediate – so in other words we don't have to deploy gear, we don't have to go crazy with any incremental capital.

The other spectrum we can use for 5G, again immediately. As we deploy our own network it becomes a lot better, so not only makes us a lot more competitive, it makes us also a lot more able to serve the customers with a lot more capacity. So from a capex savings then, we are maintaining our capex guidance as it is; so we're not going to increase our capital for any of this, we are going to absorb the TPG capacity in that deployment. And we are going to be left with a tonne of extra capacity that we are going to use for our own subscribers. And delay and avoid any deployment of new gear until later in the deal when it's required. So that's where the savings are coming from.

Andrew Penn: Thanks, Nikos. Look I think there are some aspects of – that flows through to Amplitel but they're pretty minor. I think, in the scheme example transaction and – Vicki, and I think probably the other thing to say is that I think for now you should assume that the overwhelming majority of the benefit is in the commercials around this particular deal as regards to any additional longer term benefits to InfraCo, but I'm not – yes, I can't think of any. I mean Nikos or Vicki may want to comment on that.

Nikos Katinakis: Do you want me to cover the Amplitel arrangement?

Andrew Penn: No, I don't think you need to go into detail about that; it's really just are there any other long term opportunities on the leveraging the infrastructure further. I think, for now, let's just leave it, but I think by far the majority of it is in this arrangement and we can talk about our plans for InfraCo more broadly at a later time.

Nathan Burley: OK, we will go to the next question which is from Kane Hannan from Goldman Sachs. Kane.

Kane Hannan: Hi guys. Just three for me, please. Maybe just the revenue payments, can you talk about how they're structured; is this sort of a traditional MVNO model price per gigabyte or is it – will they basically have the infrastructure ownership economics in those areas? Secondly, just keen if you could talk about what you think your mobile market share is in those MOCN areas today; if there's any sense you can provide. And then finally, just in terms of the contract length and those five-year options to extend, is that at TPG's discretion or do you both have to agree to extend the contract at the end of the 10-year term? Cheers.

Andrew Penn: Just on the last point – sorry, Kane – the options to extend are at TPG's option but they're on the same terms and conditions. So if TPG wanted to change it, then it would mean that it would be subject to a right of veto essentially by Telstra. But if they're willing to extend on the same terms and conditions then they have the opportunity to extend. In relation to the commercial arrangements, Vicki I don't know how much more we want to say of the composition of the revenues, but suffice it to say there's a number of drivers of that revenue which have been obviously quite sort of incentives and economic alignment, but is there anything more we can say on that?

Vicki Brady: The only thing I'd add, Andy, is it is obviously an active sharing of infrastructure so it's not structured like an MVNO deal; it is structured like a sharing – active infrastructure sharing deal – so it has the dynamics you would expect in that type of deal versus an MVNO arrangement.

Andrew Penn: Yes, thanks Vicki. And I think the last point on market share – I think it's probably fair to say that we do weigh up a little bit in regional – certainly when you get into the outer ring that I've talked about, which is not the subject of this – obviously we're the only operator that provides coverage today. Within this particular zone as we've already highlighted, TPG already there and obviously their brand's already there, all the MVNOs already there, Optus and their MVNOs are already there, Belong is there – so there's quite a bit of active competition. I don't actually have the market share number right in front of me at the moment. But I think the way to think about it is it takes TPG from around 96 percent to over 98 percent of the Australian population, which is whatever today – 26 million – so presumably another 5, 6, 700,000 people I would say. But that's the sort of dynamic that we're talking about, but I probably don't have anything else to add other than that, Kane.

Nathan Burley: OK, we will go to the next question then which is from Entcho Raykovski from Credit Suisse. Entcho.

Entcho Raykovski: Morning all. I've got two. So the first one is just in relation to the spectrum that you're getting access to, I'm interested in whether you would have had sufficient regional spectrum in those zone 2 areas in the absence of the agreement, and whether if – I mean if the agreement doesn't go ahead, obviously it's still subject to ACCC approval – whether that becomes an issue or whether it is – I appreciate Nikos' comments and whether it's more about future capex savings as a result. And just secondly, do you envisage any ACCC issues preventing the transaction from going ahead – I'm conscious that TPG's decommissioning over 700 sites as part of the agreement – so is that something that you think the ACCC might object to in reviewing the agreement? Thank you.

Andrew Penn: Thanks very much, Entcho. I always like to try and be [unintelligible 00:27:17] as possible with our responses but without speaking for other parties, because that always feels a bit rude and stepping over the line. So I think on the second part of the question with the ACCC, I would like to think that they would see this as net positive for the industry and so therefore would hope that they would be supportive, but we have to go through that process and they'll obviously do their own reviews and we'll be guided by that. But we don't foresee any particular area of concern, so let me put it that way. I don't know about the decommissioning of towers, the dynamic is in this particular defined coverage zone; it's starting to get – particularly on the outer edges of the areas where it is commercially more difficult and less viable to provide coverage – so if we can find more efficient ways of doing it but whilst continuing to maintain our network leadership and also leveraging value for Telstra from its infrastructure, that's a good thing to do.

And as long as customers are no worse off, and I think both TPG and our customers will actually be better off, so I can't see why they would be concerned; but that's a matter obviously for them and we'll respect the process they need to go through.

On the spectrum side, you're always – spectrum is a crucially important part of obviously the mix and we talked about it more or less at different times – partly as a function because the auctions only come round every so often – but as I mentioned in my opening remarks, we've had low band, mid band and high band auctions on critical 5G spectrum in the last two and a half to three years, and then the resulting outcomes of all of those are then subject to leases which go for 10 years and sometimes up to 20 years. And so where you land through those processes is pretty defining and important for the future.

Our current position is fine and we can make that work through a range of investments and aggregation and different sort of technologies, but there is no doubt that the additional spectrum is helpful in terms of enhancing experience, getting more immediate improvements – particularly around areas of congestion – and then to Nikos' point, some capex efficiency over the longer term. If I talk to a network engineer, more spectrum is always better than less; they always want more. And our engineers are salivating, as Nikos told me the other day, at the extra spectrum it provides.

And you might recall in the mid band in particular, Optus effectively was not able to bid in the mid band spectrum auction back two or three years ago because they already had a large holding of 3.6 gigahertz spectrum, which I believe I understand that they acquired many, many years ago before it was even understood it might be mid band.

So they found themselves in a fortunate position – which is good for them – but that meant that they started a process with an inherent structural advantage. So part of this actually equalises our position on the mid band, in particular, but it's important for things like speeds, not just actually in this donut but actually right the way across, particularly in the inner metro and inner areas as well. So, as I say, the spectrum arrangements they provide real capex efficiency, real economic value, but also continue to help us maintain our network differentiation as we bring together the combined design attributes of both the spectrum holdings that we have and these enhanced ones that we're going to get access to in our network engineering and design; so it is pretty important. Thanks, Nathan.

Nathan Burley: Thanks, Andy. I'll just remind, if you want to ask a question it's star one. Media if you want to ask questions please register as well. Our next question is from Roger Samuel from Jefferies. Go ahead, Roger.

Roger Samuel: OK, morning guys. I've got three questions as well. The first one's just on the core network, you mentioned that each operator can still differentiate through their core networks, but from what I've read so far the core network of both Telstra and TPG come from Ericsson, so I'm just wondering how the two operators can really differentiate when you're buying from the same vendor? And the second question is on the spectrum – so you've got access to some of TPG's spectrum in regional areas; can you tell us whether it's for the low or mid band or for the high band, given that TPG doesn't really have a lot of spectrum in the mid band especially in the regional areas? And the third one is just on the ACCC, back in 2017 the ACCC declared that it's not necessary to declare domestic roaming; do you think that their position has changed and this may have driven you to sign an agreement with TPG? Thank you.

Andrew Penn: Yes. I will make some comments on the ACCC and then the other questions and then I'll go back to Nikos to talk about some of those technical points on the spectrum and the core. Look, with the ACCC, you're right, they – it was actually following the RTIRC review previous to this one which recommended that that be investigated. They did investigate it and I think – paraphrasing, but please go back and look at their actual published materials – but paraphrasing from my perspective, essentially what they said was that mandated domestic roaming would act as a potential disincentive for investment and therefore was not their preferred course or would not be the best outcome for customers; that they observed that there was a commercially viable market for commercial network sharing types of arrangements, and that was something that was important in their decision making.

And they also recommended a number of smaller, what I call more tactical recommendations around infrastructure sharing and open access around things like backhaul and tower sharing etc. And I think, as we've had many conversations obviously with the market previously, there is already in place a facilities access regime where all of the operators are obliged to make available their towers and some aspects of access to backhaul available to our competitors respectively, and there's a lot of competitors' equipment on our towers today and vice versa. And so that's been the dynamic, I think, with the ACCC. But, look, there's no doubt at the same time – as highlighted by the last RTIRC review – that the importance of connectivity capacity and bandwidth and speeds for regional and rural Australia has only increased; it hasn't gone down. It's actually got more important just because of the level of digital adoption, particularly through COVID, people moving into the regions etc. So that's what I would say on the ACCC.

On the other points, I think Nikos – I mean it's basically predominantly low band and mid band spectrum that it's access to in the sharing arrangement, and that will – as I say, bottom line is we will effectively pool their spectrum with ours and that will give us a big uplift in capacity, performance and experience in speeds across 4G and 5G. And then the other thing is on the core network, you're right, we do both source our core network from Ericsson, but it's in that core network that you can design differentiated services. But I might hand over to Nikos if you want to add anything on that spectrum point and the differentiation at the core.

Nikos Katinakis: Thank you, Andy. And thanks for the question. On the core sides, in order to create a service there are three components that come into play: one is the IT development, one is the way you configure not only the equipment from Ericsson but everything else around it – because it's not only the MS core or some like that, that forms a service – and finally, of course, their radio features, which typically don't get charged for them. So in other words, what the core and its importance is, is that that's where all the magic happens and it's – even though you have the same gear, that's where you create the new service. For example, even though we do have the same core, you look as to what's available in the market and you see network optimised services on our side but you won't find the same on the TPG side.

Now that doesn't mean that they can't create them – we always look around the globe and we borrow ideas from each other – but the ability to differentiate as to what you launch in the market and how you launch it and timing etc, is completely independent. Where, if I use an MVNO as an example, it's whatever the host carrier launches that the MVNO gets; there is no choice. So that's why it's so important. So in other words, the deal allows us to compete in the market with whatever services we want, without having any dependency on each other. On the spectrum side, you're quite right, the TPG spectrum holdings across the area – they're not always massive, but it's exactly what we need to maximise the utilisation of our equipment. So in other words, our benefit is that we can get to 100 – or as close to 100 megahertz blocks of mid band spectrum pretty much everywhere now; and that's what's important. So that's how we pool the spectrum and that's how we also avoid deploying any more gear because we don't need it. And back to you, Andy.

Nathan Burley: I think we've covered those questions so we'll go to, I think, our final analyst question, which is from Darren Leong from Macquarie. Darren.

Darren Leong: Morning guys. Thanks for the time. I might just go two quick ones. There's a few comments around capital intensity, so does the $3 billion per annum BAU still apply and do you need any additional capital to strengthen the towers; just given that it feels like there'll be a bit more equipment on them? And then the second one is there's obviously a lot of comments around it being wholesale revenues – I wouldn't have thought this would have been Amplitel's revenue; can you please clarify that and why it's one way or the other, please?

Andrew Penn: Yes, sure, and thanks very much, Darren. In relation to the capex, no – sorry, the answer is the $3 billion will still apply and no, we don't need to spend a lot of money strengthening the towers for more equipment because we don't need to put more equipment up there because this spectrum gives us the increased capacity, so actually it's a net benefit to capex over the longer term. So we will maintain it at approximately $3 billion sort of BAU capex.

And then on Amplitel, so Amplitel is looking at – or rather sort of owns our passive infrastructure, so that's effectively the physical tower, the site that it's on – the lease or the freehold – plus also the hut which is the mobile base station where actually all of the equipment is. This arrangement includes also the radio access layer which is some of the active equipment, and so therefore effectively what will happen is that we will receive the wholesale revenues from TPG for an active service and then there is already an existing agreement between Telstra and Amplitel which pays Amplitel for passive infrastructure basically; so that's how it sort of flows through.

Nathan Burley: Vicki, did you want to comment on …

Vicki Brady: Just the only thing I'd add, Darren, is if you think about the legal restructure. Under that, one of the entities is ServeCo or Telstra Limited; that's where our active infrastructure sits and that's why this revenue will sit in mobile wholesale revenue, and will roll up into our total mobile service revenue for Telstra. So just to be clear, it is an active sharing. As Andy just explained, those passive arrangements are already in place between Telstra and Amplitel. Thanks, Nathan.

Nathan Burley: Great. We have no more analyst questions so we will move to media; the next question is from David Swan from The Australian. David.

David Swan: Thanks guys. A couple of questions from me. Obviously discussions like this with your rivals are always quite complex and sensitive I suppose, can I have just some colour in terms of how something like this comes about in the first place, and how you'd categorise the negotiations between you two? And secondly, what's been the push from the consumer side for something like this; is it regional customers complaining about congestion or a lack of coverage – what are you seeing just from that consumer end?

Andrew Penn: Well I think, on the second part of the question, the main point I've got is RTIRC, which is basically when Telstra was privatised, at the time politically there was a commitment to basically do a triennial review on how regional telecommunications were performing. And that review's been done independently over the last number of years. And it basically has reported – it reported early last week, a committee headed by Luke Hartsuyker – and the government is yet to provide its response – but that report has a number of recommendations in it and, as you can imagine, there's always an interest in how coverage and capacity can be improved, and also where network sharing and other types of sort of more efficient use of infrastructure comes into that.

Of course the dilemma, Dave, is always that as individual competitors we compete on the basis of differentiation and so we need to find innovative ways to try and respond to that and the opportunities, but also maintain differentiation. And I think that Nikos talked a lot about the core and the distributive RAN network, and as technology advances we've been able to find innovative ways to do that today more than we've previously done, and it was really Nikos' innovation that really drove the thinking on this – as you say, obviously any discussions we have with other competitors need to be managed and governed very, very appropriately – which is exactly what we did – and therefore we separate teams and have different teams working on this so we preserve conflicts and integrities and all of that sort of stuff.

But I'd say that I think the relationships with the other side are very cordial and very constructive and very appropriate. But it was us, ultimately, that – Nikos ultimately came up with the original idea.

Nathan Burley: Thank you. We have no further questions so, Andy, I'll hand over to you if you have any final comments.

Andrew Penn: No, look I don't have any final comments. But, look, I know there's a lot to digest there and so – and I know that it was a sort of a relatively short notice briefing, so I just thank everybody for their involvement and their attendance, and we look forward to discussing it with you further over the coming periods of time. But obviously, the next step now is we need to go through a regulatory process and be respectful of that, and await the conclusions from the ACCC; which we hope will be supportive and constructive.

Nathan Burley: Great, thank you all.