



MEDIA RELEASE

13 December 2018

Concerns about proposed merger between TPG and Vodafone

The ACCC has expressed preliminary competition concerns about the proposed merger between TPG Telecom (ASX: TPM) and Vodafone Hutchison Australia (a JV between Vodafone Group and Hutchison Telecommunications (Australia) (ASX:HTA)), and its potential impact on Australia's mobile and broadband markets.

The ACCC's concerns are detailed in a statement of issues published today.

TPG supplies retail fixed broadband and voice services, and is building its own mobile network in Australia. Vodafone owns and operates its own mobile network and has started supplying fixed broadband services on the National Broadband Network (NBN).

"Our preliminary view is that TPG is currently on track to become the fourth mobile network operator in Australia, and as such it's likely to be an aggressive competitor," ACCC Chair Rod Sims said.

"We therefore have preliminary concerns that removing TPG as a new independent competitor with its own network, in what is a concentrated market for mobile services, would be likely to result in a substantial lessening of competition. If TPG remains separate from Vodafone, it appears likely to need to continue to adopt an aggressive pricing strategy, offering cheap mobile plans with large data allowances."

"Our preliminary view is the merged TPG-Vodafone would not have the incentive to operate in the same way, and competition in the market would be reduced as a result. A mobile market with three major players rather than four is likely to lead to higher prices and less innovative plans for mobile customers," Mr Sims said.

The ACCC will also closely examine the likely impact of removing Vodafone as a competitor in the fixed broadband market.

"Although Vodafone is currently a relatively minor player in fixed broadband, we consider it may become an increasingly effective competitor because of its high level of brand recognition and existing retail mobile customer base," Mr Sims said.

The ACCC will, in addition, consider the longer-term impact of the proposed merger, given the likelihood of increased take-up of mobile broadband services in place of fixed home broadband services in the future, especially after the roll out of 5G technology.

"The ACCC is continuing to consider whether operators will need to offer both mobile and fixed broadband services in the longer-term to remain competitive, meaning that TPG and Vodafone will necessarily be closer competitors in the future," Mr Sims said.

The ACCC invites submissions from interested parties on the Statement of Issues [link] by 18 January 2019. The ACCC's final decision is scheduled for 28 March 2019.

Background

TPG provides telecommunications services, including:

- retail fixed broadband and voice services to consumers, small business (SMEs), government, enterprises and wholesale customers on legacy networks, the NBN and its own fibre-to-the-basement network
- retail mobile services
- wholesale services, such as transmission and NBN aggregation services, to other telecommunications service providers.

TPG's key retail brands are TPG, iiNet and Internode. TPG has approximately 1.9 million fixed broadband subscribers. TPG owns and operates its own voice, data and internet network infrastructure.

TPG supplies mobile services as a mobile virtual network operator (MVNO) and has approximately 421,000 mobile subscribers. In 2017, TPG announced plans to seek to become a Mobile Network Operator (MNO), including a \$600 million investment to deploy equipment at 2,000-2,500 sites plus small cell sites and \$1.26 billion in 700 MHz spectrum.

VHA is the third largest telecommunications provider in Australia. VHA owns and operates its own 3G and 4G mobile network, which reaches nearly 97 per cent of the Australian population. VHA's mobile customer base in Australia is approximately 5.98 million subscribers.

VHA also supplies wholesale mobile services to MVNOs for resale to retail customers under their own brands, including to TPG.

In 2017, VHA commenced supply of fixed broadband services through its NBN offering to customers in Sydney, Canberra, Melbourne, Perth, Brisbane, Geelong, Newcastle and Wollongong.

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