MEDIA RELEASE

8 May 2019

ACCC opposes TPG-Vodafone merger

The ACCC has decided to oppose the proposed merger between TPG Telecom Limited (ASX: TPM) and Vodafone Hutchison Australia Pty Ltd (ASX:HTA).

Australia already has a very concentrated mobile services market, with the three network operators, Telstra, Optus and Vodafone, having over 87 per cent share. Similarly, the fixed broadband market is concentrated, with Telstra, TPG and Optus having approximately 85 per cent share.

“Broadband services are of critical importance to Australian consumers and businesses, across both fixed and mobile channels,” ACCC Chair Rod Sims said.

“Given the longer term industry trends, TPG has a commercial imperative to roll out its own mobile network giving it the flexibility to deliver both fixed and mobile services at competitive prices. It has previously stated this and invested accordingly.”

“Vodafone has likewise felt the need to enter the market for fixed broadband services. These moves by TPG and Vodafone are likely to improve competition and future market contestability,” Mr Sims said.

The ACCC considers that the proposed merger between TPG and Vodafone will reduce competition and contestability in this sector.

The ACCC has concluded, in particular, that the proposed merger between TPG and Vodafone is likely to substantially lessen competition in the supply of mobile services because the proposed merger would preclude TPG entering as the fourth mobile network operator in Australia.

“TPG is the best prospect Australia has for a new mobile network operator to enter the market, and this is likely the last chance we have for stronger competition in the supply of mobile services,” Mr Sims said.

“Wherever possible, market structures should be settled by the competitive process, not by a merger which results in a market structure that would be subject to little challenge in the future. This is particularly the case in concentrated sectors, such as mobile services in Australia.”

“TPG has a proven track record of disrupting the telecommunications sector and establishing itself as a successful competitor to the benefit of consumers. TPG is likely to be a vigorous and innovative supplier of mobile services in Australia, offering cheaper mobile plans with large data allowances, and competing strongly against incumbents Telstra, Optus and Vodafone,” Mr Sims said.

TPG started rolling out a mobile network using Huawei equipment in 2017 but in January 2019 announced it was ceasing that rollout as a result of the Federal Government’s 5G security guidance.

“TPG has the capability and commercial incentive to resolve the technical and commercial challenges it is facing, as it already has in other markets. TPG already has mobile spectrum, an extensive fibre transmission network which is essential for a mobile network, a large customer base and well-established telecommunications brands,” Mr Sims said.

“TPG is also facing reducing margins in fixed home broadband due to the NBN rollout. Further, there is the growing take-up of mobile broadband services in place of fixed home broadband services which is expected to increase especially after the rollout of 5G technology.”

“After thorough examination, we have concluded that, if this proposed merger does not proceed, there is a real chance TPG will roll out a mobile network,” Mr Sims said.

Industry incumbents have also referred to TPG as a formidable potential competitor in mobile and market commentary has supported the view that prices would fall with TPG’s entry as a new mobile network operator, delivering substantial benefits to consumers.

Background

TPG provides telecommunications services, including:

- retail fixed broadband services to consumers, small business (SMEs), government, and enterprises on legacy networks, the National Broadband Network and its own fibre-to-the-basement network
- retail mobile services as a Mobile Virtual Network Operator (MVNO). MVNOs acquire wholesale end-to-end mobile services from mobile network operators and re-sell the mobile service under their own brands
- 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 has approximately 430,000 mobile subscribers. In April 2017, TPG announced that it had successfully bid for 2 x 10 MHz of 700 MHz spectrum at a price of $1.26 billion and that it intended to become a Mobile Network Operator, including a $600 million investment to deploy equipment.

In January 2019, TPG announced that it had ceased the planned rollout of its mobile network, referring to the impact of the Australian Government’s 5G security guidance released on 23 August 2018.

Vodafone is the third largest telecommunications provider in Australia. Vodafone owns and operates its own 3G and 4G mobile network, which reaches nearly 97 per cent of the Australian population. Vodafone’s mobile customer base in Australia is about 6 million subscribers.

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

In 2017, Vodafone commenced supply of fixed broadband services through its NBN offering to customers in Sydney, Canberra, Melbourne, Perth, Brisbane, Geelong, Newcastle and Wollongong. As at 31 December 2018, it had 33,000 subscribers.

In December 2018, TPG and Vodafone acquired 60 MHz of spectrum in metropolitan areas and up to 40 MHz of spectrum in regional areas in the 3.6 GHz band auction pursuant to a joint venture to hold and licence spectrum between the parties. The joint venture is ongoing and will not terminate if the proposed merger does not proceed.

Media enquiries: 1300 138 917
Email: media@accc.gov.au
accc.gov.au/media