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Prices may go up when 3/Vodafone merge

Dan Warne | 09 February 2009, 1:16 PM (2 hours 31 minutes ago.)

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The 3/Vodafone merger may result in higher mobile pricing across the industry, says a respected telco analyst.

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Warren Chaisatien, a telco analyst for Telsyte, says he has concerns that the merger between Vodafone and 3 could lead to reduced competition between mobile telcos, and potentially higher prices.

With Vodafone and Hutchison finding it difficult to grow market share on their own, Telsyte sees this merger as a "marriage of mutual interest" -- a positive move for both companies as it gives them a chance to become a "credible number 3", rather than a trailing number 3 and number 4, as has been the case since their inceptions.

However, "it remains to be seen whether the [benefits of the] synergy will be passed on to Australian mobile users in the form of more competition and better value offerings, as both Vodafone and Hutchison have traditionally been reliant on price differentiation strategies," Chaisatien said.

"This merger will clearly redefine Australia's mobile market from a positioning perspective, with Telstra occupying the high-end, Optus in the middle, and VHA at the bottom serving consumers".

Chaisatien said the bottom line was that the merger would be positive for the mobile industry, as it would create a "sustainable competitor in a highly saturated market", but not necessarily for consumers. "It is hard to see how this will lead to more competitive offerings for Australian mobile users," he said.

Chaisatien said based on actual market data for June 2008, the combined company -- VHA -- would serve one in four Australian mobile users, and 30% of all 3G customers.

The company would be relatively strong in the consumer segment with an estimated 25% market share, while staying a small player in the business segment with an estimated share of only 15%.

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