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"Credible number 3" born from Vodafone/Hutchison merger

The merger of Vodafone and Hutchison is set to create a "credible number 3" mobile operator which may actually be second-placed in terms of 3G market share, according to analysts.

With Vodafone and the 3 Mobile parent announcing a 50:50 joint venture yesterday, the new company, VHA, has been described as a true number-three competitor – as opposed to distant numbers three and four—with nearly \$4 billion in annual sales.

According to the most recent data available from analyst firm Telsyte, the combined Voda/Hutchison vehicle may actually overtake Optus as number two operator in terms of 3G market share. Its most recent data shows Telstra holding 48% 3G market share and Optus 21%, Vodafone accounts for 11% and Hutchison 20% – making the combined market share a second placed 31% of the total.

Of the total mobile market, one in four users will belong to the new entity: Voda's 17% market share and Hutchison's 8% bring VHA 25% of the market, compared to Telstra's 41% and Optus's 30%. Vodafone and Hutchison were both keen to emphasise the new market power of the combined company at its announcement. "We believe this merger will drive a more competitive offering in the Australian marketplace for all consumers.

For customers it really means improved quality network coverage, a wider range of products and services and scope for more innovation in the future," said Hutchison CEO Nigel Dews – who is set to become CEO of VHA.

But Vodafone, with higher market share and more solid financial foundations locally, has denied the merger is a way of exiting the Australian market. Speaking with CommsDay, Vodafone's Asia-Pacific CEO Nick Read said the deal will create a marriage of equals. "It's a 50-50 JV, the board composition is equal on both sides, voting rights equal on both sides, it's going to be a real merger of two companies taking the strengths from both," he said.

Vodafone CFO Dave Boorman will become CFO of VHA, while current Vodafone CEO Russell Hewitt will become a non-executive Director of VHA. Read will become VHA's chairman.

VHA will actually create a patchwork of network coverage which utilises the assets of all four mobile operators. While Vodafone and Optus share a joint venture for 2100MHz 3G coverage in metro areas, 3 Mobile has a similar agreement with Telstra as well as roaming arrangements onto the Next G network in regional and rural areas.

"Both joint ventures remain in place," Hutchison's Dews told CommsDay. He said that the roaming agreement with Telstra is still set to be implemented next quarter even as Vodafone pursues its own delayed 3G build to 95% of the population, meaning the Telstra deal could be abandoned once Vodafone's coverage hits its target (currently at 63% 3G coverage). "We'll have both options," Dews said.

As well as creating greater coverage with the combined networks, VHA will also now control

Subscriber shares of Australian mobile operators (Telsyte, FY08 nos)

	Consumer %	Business %	3G %	Total Market
Telstra	39	54	48	41
Optus	30	29	21	30
Vodafone	18	11	11	17
Three	7	4	20	8
Others (MVNOs)	6	2	n/a	4

more spectrum – bringing the company on par with rivals. “It’s a stack of spectrum assets that gets us more to parity with the massive stack of spectrum assets that an Optus or a Telstra has,” said Dews.

VHA will have a combined customer base of 6 million, over 50% pre-paid. While Vodafone will be the predominant brand used in future marketing, VHA maintains rights to the 3 Mobile brand.

As part of the merger, Vodafone will receive a deferred payment of \$500 million from VHA, and will receive an annual brand licensing fee from VHA of 1% of service revenues. Operating expense and capex synergies are expected to be worth more than \$2 billion.

VHA will have “well over” over 400 distribution points of presence, with the details of future shopfront plans to come as the merger is completed. Vodafone’s Crazy John’s brand is also set to be continued. The companies would not comment on how many jobs may be culled in the merge.

Luke Coleman

AAPT: Voda/3 merger positive for market, customers

The merger of Vodafone Australia with 3 Mobile was “inevitable” but a positive move for industry and consumers alike, according to AAPT CEO Paul Broad. The telco, which enjoys strong relationship with both mobile carriers, is keen to see what new opportunities may arise from the pairing.

“We see the marriage as being very powerful for the industry; three players in an aggressive market will only benefit the consumers,” Broad told CommsDay. “I think it was an inevitable move, and a positive move... it gives much wider coverage, it allows 3G mobile access to a much wider bunch of customers, and I think it gives an opportunity in backhaul of building our relationships with both.”

AAPT has a stake in Hutchison through its parent Telecom New Zealand, while also maintaining a relationship with Vodafone via its wholesale arm. In recent months, AAPT has been providing a key component of Vodafone’s “Business One” fixed-mobile convergence package alongside Cisco and Research in Motion, supplying ADSL2+ services to the mix.

Saying that early signs were positive for the success of Business One, Broad was not yet sure whether the merger would mean additional takeup, coverage or services for the offering but remained optimistic. “We haven’t gone into that sort of detail, we don’t know the nature of the agreements... there’re obviously other relationships that 3 has which would probably exclude us,” he said. “But we think over time we can offer up a competitive product, we can offer up competitive deals, we offer the coverage to deliver the things we’ve promised... I think we’ll have an opportunity.”

Petroc Wilton

Bushfires wreak havoc on telecoms networks, staff

Combined efforts are being forged by the federal and state governments as well as operators to restore telecommunications services in areas ravaged by bushfires. Devastating fires across Victoria have left thousands of lines destroyed along with exchanges and mobile base stations, leading the Federal Government to work closely with carriers in a rush to restore connectivity.

“I am informed that despite the ferocity of the fires, emergency communications were not impacted,” communications minister Stephen Conroy told the Senate. “Unfortunately the same cannot be said for other communications infrastructure and while providers continue to evaluate the impact, it is clear that substantial damage has been done.” Both the government and the Department of Broadband, Communications, and the Digital Economy are liaising with operators.

Telstra CEO Sol Trujillo said “thousands” of phone lines were down, and CommsDay understands almost 90 exchanges have been impacted by fires. “Telstra’s technical teams are working as quickly as possible to repair network assets and to restore connections and services,” he said.

Optus has workers establishing generators and temporary base stations to restore mobile services. While numerous mobile sites have been restored, 16 remain affected in the Kinglake, Marysville to Alexandra area and Gippsland. A satellite cell was being established in Alexandra, expected to be operational by late yesterday evening.

Vodafone told CommsDay 19 sites have been affected in SE Victoria due to fire damage, with workers in motion to complete repairs.

In a double-hit of disasters, Telstra has also relocated more than 60 technicians to north Queen-