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Vodafone-Hutchison promises prices won't rise

With the ACCC due soon to give the green, or red, light to the proposed merger between Vodafone and Hutchison Australia, the two companies have sought to allay concerns that the merger would result in higher prices for their customers.

Nigel Dews, CEO of 3 and proposed CEO of VHA (as the merged entity will be known) said: "We're happy to reassure our customers with a public commitment that if the merger proceeds as intended, no plan will be withdrawn from market for the next two years." He added: "During this time we will also be introducing new offers and services to appeal to new customers."

According to Dews, "VHA will be a stronger mobile operator that is better positioned to compete in the Australian telecommunications market. We plan to draw on the best offerings of Vodafone and 3 and will continue to provide innovative consumer and business services to the Australian market." Dews told shareholders at Hutchison Australia's AGM last week that he expects the ACCC to hand down its decision on 29 May on whether to permit the planned merger with Vodafone Australia to go ahead (ExD 20 May).

Industry observers, however, have argued that the greater competitive strength of the combined entity will enable it to be less aggressive on pricing than its forerunners. Research director and principal analyst, Warren Chaisatien, says it is hard to see how the rejigged competitive landscape will translate into more competitive prices for Australian mobile users. "When you look at Vodafone and Hutchison they have been the closest competitors on price," he told ExchangeDaily earlier this year. "Now there will be no compelling reason for them to cut prices and that is precisely the concern that the ACCC has."

Nor does he see the emergence of a new more powerful competitor spurring Optus to be more aggressive on price. "They have not proven to be price leaders...Overall when you look at Optus' strategy over the past 36 months, they have been very good at price

matching but not at prices leading. When Telstra bundled fixed line and home phone Optus went 'me too' and when Vodafone and Hutchison launched capped plans, Optus followed."

Following the two companies' promise not to raise prices, Chaisatien suggested it reflected a commitment they had been required to give the ACCC in order to secure its permission for the merger. "My reading is that the ACCC is very likely to approve the merger with the caveat that Vodafone and 3 maintain current pricing for two years. However after that, my guess is that they will become more expensive."

He added that the two year hiatus might well suite the two companies in that it will take them that long to get their house in order in terms of integrating IT systems, billing and network roaming arrangements. "I believe relations with their existing roaming partner - Vodafone with Optus and 3 with Telstra - will have to be severed ASAP and two years should give them time to get their house in order," Chaisatien said.

According to Telsyte, the merged entity will be number two in the 3G market with 29 percent (Telstra 48 percent, Optus 22 percent and MVNOs one percent) and number two in the mobile broadband market with 36 percent, well ahead of Optus (19 percent). Telstra will have 48 percent. Overall Telsyte puts VHA in third place with 25 percent (Telstra 41 percent Optus 31 percent) and lagging well behind Optus and Telstra in the business market (Telstra 54 percent, Optus 29 percent, VHA 15 percent and MVNOs two percent).

eServGlobal cuts revenue forecast and staff

eServGlobal (ASX: ESV), a provider of technology to support communication and payment services for service providers, has updated its guidance for the year to 30 June, 2009 slicing 15 percent off its January forecast for full year revenues.

The company says it now expects to report full year revenue in the range \$150m - \$155m, compared to a forecast in late January of more than \$180m (ExD 28 Jan). The company says this will represent "a