



Australian
Competition &
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Commission

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NEWS RELEASE

ACCC WILL NOT OPPOSE VOCUS COMMUNICATIONS' MOVE ON NEXTGEN

The Australian Competition and Consumer Commission has announced it will not oppose the proposed acquisition by Vocus Communications (ASX:VOC) (Vocus) of Nextgen Networks Group Pty Ltd and two development projects: the Australian Singapore Cable and the North West Cable System (together, Nextgen).

The ACCC found that the services supplied by Vocus and Nextgen were largely complementary. Where there was overlap, the ACCC considered the combined competitive constraint from other major wholesale suppliers, namely Telstra, Optus, and TPG, would likely be sufficient to limit any harm to competition.

The ACCC closely examined vertical integration issues in its assessment of the proposed acquisition.

“In assessing this potential transaction, we took into account that Nextgen is the only remaining significant supplier of wholesale transmission services that isn’t vertically integrated. This possible acquisition has come under close scrutiny due to that fact, as I have said in the past that it would,” ACCC Chairman Rod Sims said.

“What the ACCC really had to consider here was whether the acquisition has the potential to make it harder for smaller broadband providers to compete if they have to acquire wholesale services from competitors that are vertically integrated.”

Mr Sims said the market expressed very little concern over the proposed acquisition.

“There was very little concern raised by market participants. Small broadband providers say they are not generally reliant on Nextgen to be able to compete. In addition, excess capacity in the wholesale transmission market provides an incentive for providers of wholesale transmission to sell that capacity, even if they are vertically integrated,” Mr Sims said.

Post-acquisition, Vocus plans to expand its connection points to the NBN from 68 to 112 of a possible 121 nationwide NBN points of interconnect (POIs). This will provide additional wholesale options for smaller broadband providers at those POIs and will also offer access to a broader bundle of products.

“While this proposed acquisition did not raise concerns, the ACCC will continue to keep a close watch on competition in the telecommunications industry especially given recent consolidation and increased vertical integration. The four largest retail service providers (Telstra, Optus, TPG, and Vocus) supply over 90% of broadband services in Australia. Any future potential mergers or acquisitions that increase concentration can expect to receive close examination from the ACCC,” Mr Sims said.

Further information is available on the ACCC’s public register.

Notes to editors

Nextgen’s data centre business, Metronode, is not part of the proposed transaction.

Background

The ACCC announced in August 2016 that it will undertake [a market study into the Australian communications sector](#). The study will examine a wide range of issues concerning competition and efficiency including considering the effect of consolidation, structural changes, and emerging business models in the Australian communications sector.

Vocus is an Australian telecommunications company which supplies retail and wholesale services across Australia and New Zealand. Historically, Vocus has focused on the provision of services such as internet, ethernet, dark fibre, IP WAN, business communications systems, telephony, and cloud services to medium or large enterprises and government, but has also acted as a wholesaler to other telecommunications providers.

In February 2016, Vocus acquired the M2 Group (which includes Primus and Dodo) giving it a significant retail presence, particularly in residential broadband.

Nextgen is an Australian telecommunications company which focuses on the supply of transmission services to corporate and government customers and other service providers. It is one of the four major providers of wholesale transmission services, along with Telstra, Optus, and TPG.

Nextgen owns a national backhaul network of approximately 17,000km, connecting mainland capital cities, and major regional centres around Australia.

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MR 173/16

22 September 2016