

MEDIA RELEASE

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Commission recommends prohibition of Mobile Telephone Networks (Pty) Ltd (MTN) and Telkom SA SOC Limited (Telkom) merger

The Commission has recommended to the Competition Tribunal (Tribunal) to prohibit the large merger whereby MTN intends to acquire certain of the Radio Access Network assets (RAN) of Telkom.

MTN is a wholly owned subsidiary of the MTN Group Limited (MTN Group), a Johannesburg Stock Exchange listed company. The primary target firm are certain of the RAN assets owned by Telkom. Telkom is primarily a telecommunications services provider. BCX is primarily active as an Information Communication Technology service provider.

The Commission found that the proposed merger raises anti-competitive effects in that MTN will be able to gain significant additional spectrum from Telkom. With this spectrum concentration, MTN would be able to gain a significant competitive and time advantage, offering a superior network and services that cannot be matched by rivals.

The merger would also dampen potential competition in the wholesale markets that could potentially be exerted by Telkom independently competing against MTN and other rivals.

In relation to the mobile retail markets, the Commission found that the merger would effectively limit the ability of Telkom to grow and independently compete against MTN and others. This is particularly so in the mobile data markets where future competition is likely to take place.

Furthermore, the Commission found that the proposed merger is likely to entrench the duopoly position, particularly if the effect on Cell C and Telkom is taken into account. Such a resultant duopoly market structure is unlikely to serve customers well, particularly when considering that it is the smaller mobile operators that lower prices before the larger operators, MTN and Vodacom.

The Commission invited the merging parties to provide conditions which may address the concerns raised. However, the proffered remedies did not fully address the key concerns arising from the merger.

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