



Government of  
The Republic  
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Telecommunication &  
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Regulator

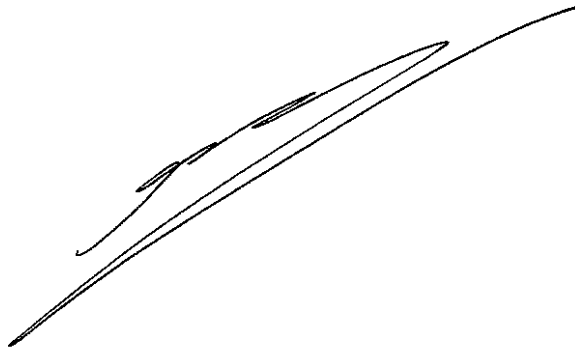
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## **TRR COMPETITION GUIDELINES**

**A GUIDELINE ISSUED BY THE OFFICE OF THE  
TELECOMMUNICATIONS AND RADIOCOMMUNICATIONS  
REGULATOR (TRR)**

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Contents

|          |  |           |
|----------|--|-----------|
| <b>1</b> | <b>Section 1 Purpose.....</b>  | <b>3</b>  |
| <b>2</b> | <b>Section 2 – The Market.....</b>   | <b>4</b>  |
|          | <b>Defining a relevant market.....</b>                                     | <b>4</b>  |
|          | <b>Assessing demand and supply side substitution .....</b>                 | <b>4</b>  |
|          | <b>Applying the SSNIP test in practice.....</b>                            | <b>5</b>  |
|          | <b>Product market - Demand-side Substitution.....</b>                      | <b>5</b>  |
|          | <b>Product market - Supply-side Substitution .....</b>                     | <b>6</b>  |
|          | <b>Geographic market.....</b>  | <b>7</b>  |
|          | <b>Other market dimensions.....</b>  | <b>7</b>  |
|          | <b>Bundled products .....</b>  | <b>7</b>  |
|          | <b>Markets for different customer groups .....</b>                         | <b>8</b>  |
| <b>3</b> | <b>Section 3 – Determination of Dominance.....</b>                         | <b>9</b>  |
|          | <b>Presumption of dominance.....</b>                                       | <b>9</b>  |
|          | <b>Bottleneck facilities.....</b>  | <b>9</b>  |
|          | <b>Assessing market power .....</b>  | <b>9</b>  |
|          | <b>Market share.....</b>   | <b>10</b> |
|          | <b>Other competitive constraints.....</b>                                  | <b>10</b> |
|          | <b>Existing competitors .....</b>  | <b>11</b> |
|          | <b>Barriers to entry and expansion .....</b>                               | <b>11</b> |
|          | <b>Countervailing Buyer power.....</b>                                     | <b>11</b> |
|          | <b>Possible forms of anti-competitive conduct .....</b>                    | <b>12</b> |
|          | <b>Substantially lessening competition .....</b>                           | <b>12</b> |
| <b>4</b> | <b>Section 4 - Types of behaviour which may be anti-competitive .....</b>  | <b>13</b> |
|          | <b>Anti-competitive horizontal agreements.....</b>                         | <b>13</b> |
|          | <b>Anti-competitive vertical agreements .....</b>                          | <b>13</b> |
| <b>5</b> | <b>Section 5 – Abuse of Dominance .....</b>                                | <b>15</b> |
|          | <b>Restriction of entry.....</b>   | <b>15</b> |
| <b>6</b> | <b>Price discrimination.....</b>   | <b>16</b> |
|          | <b>Predatory pricing .....</b>   | <b>16</b> |
|          | <b>Margin squeeze.....</b>   | <b>16</b> |
|          | <b>Tying and bundling. ....</b>  | <b>17</b> |
|          | <b>Section 6 - Pre-Approval of Certain Conduct .....</b>                   | <b>18</b> |
| <b>7</b> | <b>Section 7 - Transfer of Control.....</b>                                | <b>19</b> |
|          | <b>Basis of Review .....</b>   | <b>19</b> |
|          | <b>TRR Response .....</b>  | <b>20</b> |
| <b>8</b> | <b>Section 8 - The process for lodging and assessing a complaint .....</b> | <b>21</b> |
|          | <b>Submission .....</b>  | <b>21</b> |
|          | <b>Process for conducting investigations .....</b>                         | <b>22</b> |
|          | <b>Annex 1: Template for submitting to TRR.....</b>                        | <b>23</b> |

## 1 Section 1 Purpose

- 1.1 This document sets out the procedures which TRR will follow in reviewing the competitive conditions within any market in the telecommunications sector. It provides guidance on how TRR will implement Part 5 of the Telecommunications and Radiocommunications Regulation Act No. 30 of 2009 (the “Act”). It should be noted though that these guidelines do not legally bind TRR.
- 1.2 While TRR would anticipate following the principles outlined here, there may also be differences in how individual cases or allegations of anti-competitive behaviour are assessed and TRR reserves the right to consider other factors not listed in these guidelines. All decisions will be made on a case-by-case basis, taking into account the specific facts presented.
- 1.3 The guidelines consist of:
  - Section 2 - the approach to defining the relevant product market for purposes of Section 20 of the Act;
  - Section 3 - how TRR will assess dominance for purposes of Section 21 of the Act;
  - Section 4 – a description of anti-competitive behaviour under Section 22 of the Act;
  - Section 5 – a description of abuse of dominance under Section 23 of the Act;
  - Section 6 – the circumstances under which TRR will provide pre-approval for purposes of Section 24 of the Act;
  - Section 7 – TRR practice with respect to a transfer of control under Section 25 of the Act; and
  - Section 8 - the process by which licensees should lodge a complaint with TRR regarding anti-competitive behaviour, together with how TRR will proceed.

## 2 Section 2 – The Relevant Market

### Defining a relevant market

- 2.1 In any competition assessment the first issue to be resolved is the definition of the relevant product and geographic market.
- 2.2 The relevant market for a good or service includes all goods or services that are considered to be close substitutes. These goods or services therefore compete directly with each other and the potential demand- or supply-side substitutions between them constraints their prices.
- 2.3 The purpose of the market definition exercise is, therefore, to define the boundaries of the market within which TRR will make its decisions under Part 5. Importantly, depending on the competition issue at hand, the market definition process can lead to different results. For instance, the relevant market can be defined differently when analysing dominance (current and past behaviour) than when analysing a proposed merger (likely future behaviour).
- 2.4 This Section describes the standard process which will be applied by TRR to any case where it is required to consider market definition. It then considers how TRR will implement these procedures in practice, taking into account the fact that the test is more of a conceptual framework than a pre-defined set of rigid rules.

### Assessing demand and supply- side substitution

- 2.5 The focus for the delineation of relevant markets is upon the goods or services that are close substitutes in the eyes of buyers (i.e. demand-side substitution), and those providers who produce, or could easily switch to produce, those goods or services (i.e. supply-side substitution).
- 2.6 The standard approach taken by competition authorities to defining a market is to apply the “hypothetical monopolist” or “SSNIP”<sup>1</sup> test. This test defines a group of products which are such close substitutes as to be considered part of the same market. The approach is to assume that the products are supplied by a “hypothetical monopolist”. If it is profitable for this monopolist to maintain a “small but significant, non-transitory increase in the prices” (SSNIP) of those products then the market has been defined. The justification is that if this price rise can be maintained without a decline in profitability, then further demand-side or supply-side substitution away from the monopolist’s products must be reasonably insignificant.
- 2.7 Formally, under this test, a market is defined as,  
“a product or group of products and a geographic area in which it is produced or sold such that a hypothetical profit-maximizing firm, not subject to price regulation, that was the only present and future producer or seller of those products in that area

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<sup>1</sup> “SSNIP” stands for “small but significant, non-transitory increase in price.”

likely would impose at least a small but significant and non-transitory increase in price, assuming that the terms of sale of all other products are held constant.”<sup>2</sup>

- 2.8 For the purposes of applying the SSNIP test, a small but significant price increase is normally interpreted to mean an increase of between 5 and 10% above the prevailing price level. “Non-transitory” is normally assumed to mean that the price rise will last for approximately one or two years.

### **Applying the SSNIP test in practice**

- 2.9 The SSNIP test in an iterative process. Usually the following question is posed: if there were one supplier (the hypothetical monopolist) of a product or set of products under consideration, would the hypothetical monopolist be able to profitably raise prices or otherwise worsen its offer, by a small but significant amount over a certain period?
- 2.10 If the response to the question is negative; that is, the hypothetical monopolist would not be able to sustain this increase because a sufficient amount of customers will switch to an alternative product or alternative suppliers in other geographic areas, then the closest substitutes are added to the product group. The procedure is repeated again until a set of product is found such that the hypothetical monopolist would be able to maintain the price increase over a one to two year period. This set of products would constitute the relevant product market.
- 2.11 It is not necessary that all consumers or suppliers be encouraged to switch to substitutes, but enough marginal consumers or suppliers for the price change not to be profitable (i.e., maintained). The theoretical starting price for the SSNIP test would be generally the prevailing price. However, if due to lack of sufficient competition, the prevailing price is substantially distorted, TRR can use other starting price for the SSNIP test. The substitution analysis would then be done based on that price.
- 2.12 Below we explain in more detail the issues that TRR will take into account in defining the relevant market. We start by considering the product market and how the extent of demand-side and then supply-side substitution could be assessed. We then look at how the geographic market would be defined.

### **Product market - Demand-side Substitution**

- 2.13 Assessing demand side substitution entails determining a set of products that can be reasonably regarded by the consumer as substitutes.

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<sup>2</sup> US Department of Justice and Federal Trade Commission. “Commentary on the Horizontal Merger Guidelines” March 2006. Page 5.

- 2.14 Key issues to consider are how long it would take customers to respond a price change and the extent of switching costs. One to two years would be an appropriate period over which to assess consumers' behaviour. If it takes consumers too long to react or switching costs are too high, then the level of demand side substitution will be more limited. Consequently, the loss of demand may not be sufficient to make the price rise unprofitable.
- 2.15 TRR will assess, on a case by case basis, the evidence available in order to make an informed judgment regarding the likely boundaries of the relevant market. Factors that TRR may consider to analyse demand side substitution include:
- a) the historic and potential future behaviour of buyers in order to identify any potential substitution.
  - b) the functionality and characteristics of the products, in order to assess how likely it is that consumers will view them as substitutes.
  - c) customer surveys.
  - d) product price levels over time.
  - e) price correlations, to identify simultaneous price movements that are not due to cost changes or general inflation (on the basis that if goods A & B are substitutes, then an increase in the price of good A will lead to an increase in demand for good B. This in turn will increase the price of good B).
  - f) switching costs associated with switching consumption between products.
  - g) the views of market players, including, if available, commercial strategies of the market participants (for example, internal documentation providing evidence of the products which they believe to be substitutes for their own product).
  - h) own-price elasticities, which measure the sensitivity of demand for a product or service to changes in its own price.
  - i) cross-price elasticities between products or services, which measure the sensitivity of demand for a product or service to changes in the price of the other.

### **Product market - Supply-side Substitution**

- 2.16 In order for supply-side substitution to pose a competitive constraint, it must be shown that the suppliers would be able to switch production to the relevant products within a short period of time, without incurring significant costs, in response to small and permanent changes in relative prices. Under these circumstances the additional supply that can be put into the market would constrain the behaviour of the suppliers.
- 2.17 Note that if a product has been included within the market as a result of evidence of demand-side substitution then evidence of supply-side substitution towards this product is not necessary. In considering the supply-side, the aim is to determine if there are any additional substitute products which should form part of the market.
- 2.18 Supply-side substitution is unlikely to pose a constraint on the pricing of a hypothetical monopolist when it involves significant changes to existing assets, substantial additional investments, or strategic decisions involving long implementation delays.

### **Geographic market**

- 2.19 Conceptually, the definition of geographic markets involves an assessment of the extent to which competitive conditions are appreciably different across geographic areas. TRR will assume that a market is national unless proven otherwise. The burden of proof lies with the person requesting a decision under Part 5 by TRR.
- 2.20 Similar to the relevant product market analysis, the relevant geographic market is defined by reference to competitive constraints. Generally, demand side substitution will be the determinant factor.
- 2.21 Assessing demand substitution in a relevant geographic market requires assessing the degree by which consumers can readily switch their supplier of the relevant product to suppliers in other geographic areas.
- 2.22 The SSNIP test can be applied to define the relevant geographic market as it is applied to define the relevant product market. Initially a narrow geographic market is considered. The usual question is posed as to whether a hypothetical monopolist supplier in the specified area would be able to maintain a SSNIP. If the answer is no, because a significant amount of customers will switch to suppliers outside the area, the hypothetical geographic market is widened and the analysis repeated.

### **Other market dimensions**

- 2.23 As well as considering the limits of the market on the basis of the relevant products and geographic area, there are some other dimensions which may need to be taken into account. Where relevant, TRR will give consideration to the following issues.

### **Bundled products**

- 2.24 In some situations, products are sold together in a “bundle” and therefore the issue arises as to whether the bundle could be considered a product in its own right for the purpose of defining the market. This will depend on potential consumer reaction to an increase in price and whether they would switch to consuming the products separately. When determining if a bundle is a relevant product market, TRR will consider the following factors:
- a) The potential extent of substitution between the bundle and buying the stand-alone products or services within the bundle following a 5 – 10% increase in the bundle’s price. The greater the degree of substitution, the less likely that the bundle should be considered to form a separate market.
  - b) Whether there are economies of scope in producing the bundle which mean that suppliers can provide the bundle more cheaply than the separate products or services. In this case the bundle is more likely to be considered to represent a market in its own right.

**Markets for different customer groups**

2.25 Another issue that typically arises when defining relevant markets in the telecommunications sector is the degree to which services provided to residential and business customers may form separate markets. This usually is based on the supplier's ability to differentiate products and prices between different customer groups.



### 3 Section 3 – Determination of Dominance

#### Presumption of dominance

- 3.1 Section 21 of the Act gives TRR the right to characterize a service provider as dominant within a particular market if:
- a) its gross revenues from that market constitute 40% or more of the total gross revenues of all service providers in that market (“Bright-line Test”) OR
  - b) the service provider (i) enjoys a position of economic strength or controls a bottleneck facility in the relevant market AND (ii) such strength or control affords the service provider the power to behave to an appreciable extent independently or competitors, customers, end users or potential competitors in that market (“Market Power”).
- 3.2 When exercising its right to define a service provider as dominant, TRR shall use the Bright-line Test unless that service provider can demonstrate that the Bright-line Test should not apply in the specific circumstances because it does not have market power in the relevant market facilities or does not have Market Power in the relevant market. In addition, TRR reserves the right to determine that a service provider is dominant if it does not meet the Bright Line Test but TRR determines that it has Market Power.

#### Bottleneck facilities

- 3.3 Section 2(1) in Part 1 of the Act defines bottleneck facilities as a “facility essential for the production of telecommunications services, which, for technical reasons or due to economies of scope and scale, and the presence of sunk costs, cannot practicably be duplicated by a would-be competitor.” This language establishes a fairly low standard for a finding, because it weighs economic difficulties and inconvenience in duplicating facilities as an alternative to technical reasons of duplication.

#### Assessing market power

- 3.4 The main factors TRR would typically consider for assessing Market Power are:
- a) the market shares of individual service providers;
  - b) having ownership or controlling access to a bottleneck facility;
  - c) other competitive constraints, such as high barriers to entry, large capacity relative to total market demand, existence of significant network effects, economies of scale and or economies of scope, and the degree of any countervailing buyer power; and
  - d) evidence on behaviour and performance.

### **Market share**

- 3.5 The market shares of individual service providers can provide an indication of the potential likely extent of any market power. For example, all other things remaining the same, a service provider with significant market share may be more able to set prices above the competitive level than a service provider with relatively lower market shares.
- 3.6 Market shares may be calculated based on revenue or quantities. The most appropriate measure depends on the type of product and it is likely that bulk wholesale products (such as wholesale minutes) will be best considered on the basis of quantity sold. Meanwhile, differentiated retail products (such as mobile phones) will be best considered on the basis of share of market revenues.
- 3.7 It is important to consider market share developments over time, given that a persistently high market share makes it more likely that service provider has market power. Similarly, a persistently low market share is more suggestive of a lack of market power. Relative market shares can also be important. For example, a high market share may be more indicative of market power if all of the competitors' market shares are very low. Other patterns in market share data can be insightful. If market shares have been consistently volatile, this might indicate constant innovation which suggests that competition is effective. Also if recent entrants with low market shares have subsequently grown rapidly and attained relatively high market shares, this might indicate that barriers to expansion are low. This again suggests that competition is occurring in the market.

### **Other competitive constraints**

- 3.8 Assessing Market Power is not just about market share. TRR will also consider these other indicators:
  - a) constraints from existing competitors;
  - b) constraints from potential competition (barriers to entry and expansion); and
  - c) Countervailing buyer power

### **Existing competitors**

- 3.9 If price competition is fierce, high market shares may not be a cause for concern. For example in an oligopolistic market, although there are few competitors, competition can be very effective. This could be assessed by reviewing the evolution of prices of all of the suppliers over time. In addition, consideration should be given to the suppliers' costs and hence whether prices are being pushed towards a competitive level.

### **Barriers to entry and expansion**

- 3.10 There are different kinds of barriers to entry including but not limited to, legal barriers, economies of scale and scope, network effects, and access to essential or unique resources. A barrier to entry is a restriction on a person attempting to enter a market in which it does not yet have a presence, which does not apply to those service providers already operating in the market. These restrictions could include set up costs or legal requirements. The lower these restrictions are, the more likely the threat of competition and consequently the lower the likelihood of there being market power.
- 3.11 TRR will assess the restrictions and costs of entering the market from potential entrants and the cost of increasing the volume of services already provided by existing service providers. Similarly, TRR will assess the costs and restrictions to increase the capacity by existing service providers.

### **Countervailing Buyer power**

- 3.12 Countervailing buyer power refers to the ability of buyers to limit the ability of sellers to exercise market power. If sufficient countervailing buyer power exists, it can help to offset the market power of the sellers.
- 3.13 In assessing countervailing buyer power, TRR will consider the evidence of buyers and sellers having to negotiate. Countervailing buyer power is not an absolute concept but refers to the relative strength of the buyer in negotiations with prospective sellers. The extent of buyer power therefore relates to the degree of bargaining power that buyers have over the price, quality, or terms of supply of a product or service.

#### 4 Section 4 - Types of behaviour which may be anti-competitive

- 4.1 This section of the Guidelines considers the various potential forms of anti-competitive conduct which could result in a breach of Section 22 of the Act. It sets out the elements required to establish a breach of Section 22 and outlines how TRR intends to deal with any complaints it receives, including the information it would require to be provided as part of any complaint.
- 4.2 Section 22 of the Act prohibits any service provider, not just one designated as dominant, from engaging in anti-competitive practices in a telecommunications market. Section 22(1) prohibits conduct “which has the purpose or effect, or is likely to have the effect, of substantially lessening competition in a telecommunications market”. Section 22(2) lists conduct which is *per se* anti-competitive, unless the service provider can demonstrate that the conduct does NOT substantially lessen competition.

#### Substantially lessening competition

- 4.3 In assessing whether any conduct constitutes substantial lessening of competition, TRR will consider the following:
- a) Impact of the conduct on existing competitors in the identified markets;
  - b) Definition of the relevant market or markets;
  - c) Impact of the conduct on further market entry;
  - d) Impact of the conduct on consumers, including the availability and pricing of products and services.
- 4.4 TRR will look for a degree of interference with competition which results in identifiable harm to competitors or consumers. In addition, it will apply the following further considerations:
- a) a trivial or de minimis degree of lessening of competition will not be acted on by TRR;
  - b) TRR will take into account the degree of market power of the service provider;
  - c) generally speaking, a smaller degree of interference or harm resulting from the conduct of a service provider with a large degree of market power (including service providers found to be in a dominant position) may be found to constitute substantial lessening of competition;
  - d) similarly, it will generally require a larger degree of interference or harm to find substantial lessening of competition where the conduct is engaged in by a service provider with a very small degree of market power.

### **Types of agreements which may be anti-competitive**

- 4.5 This section describes the types of behaviour which Section 22(2) defines as anti-competitive. It requires an agreement, whether written or oral, between a service provider and any other person.<sup>3</sup>
- 4.6 Among the agreements and practices that are subject to Section 22(2) are:

#### **Anti-competitive horizontal agreements**

- 4.7 Horizontal agreements are those entered between two or more suppliers that are at the same level in the market. This means that usually these agreements are between competitors or potential competitors.
- 4.8 There are various types of horizontal agreements that TRR would consider subject to section 22(2) including agreements which directly or indirectly fix prices or quantities supplied, share or divide up markets, limit or control production or investment, or exchange price information. Price fixing involves agreements that:
- a) Fix prices or a component of a price such as a discount;
  - b) Set percentages above which prices are not to be increased;
  - c) Establish a range within which prices must be maintained;
  - d) Agree not to charge less than any other price on the market.
- 4.9 Market sharing agreements involves parties agreeing to share or divide market according to geographic location, type of customer, or agreeing not to enter a market.
- 4.10 Anti-competitive exchange of price information involves an exchange for the purpose of coordinating prices to be charged to consumers. This could involve information on final prices, discounts, or other terms of trade.
- 4.11 Agreements to fix quantities involve those aimed at limiting supply or output for example by fixing quotas.
- 4.12 Bid rigging agreements, pursuant to which a service provider and another person manipulate the prices or conditions in what should otherwise be a competitive tender process;

#### **Anti-competitive vertical agreements**

- 4.13 Vertical agreements are those entered between two or more companies operating at different levels in the market. That is, the product of one supplier is an input in the production process of the other supplier.
- 4.14 There are several types of vertical agreements TRR would consider subject to 22(2), including:

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<sup>3</sup> "Person" means any other service provider, any individual, corporation, partnership, cooperative or other legal entity.

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TRR Competition Guidelines

- a) Resale price maintenance agreements that impose a minimum, maximum or recommended resale price between a supplier and the distributor or reseller and
  - b) Exclusive dealing agreements, pursuant to which a service provider enters into an agreement with another party for the supply of products or services on an exclusive basis, and where that exclusivity has or may have the effect of substantially lessening competition in related communications markets.
- 4.15 TRR may also review any other agreement entered into by a service provider, such as a joint venture or similar collaboration agreement, to determine whether that agreement has the purpose or effect of substantially lessening competition.

## 5 Section 5 – Abuse of Dominance

### Restriction of entry

- 5.1 TRR notes that when considering potential abuse of a dominant position, it is essential, but often difficult, to distinguish between aggressive competitive and anti-competitive behaviour (for example, whether significant price reductions constitute anti-competitive behaviour or a pro-competitive response to changing market conditions). Section 23 requires operators dominant in a relevant market not to engage in behaviour which would:
- a) restrict the entry of any person into any telecommunications market; or
  - b) prevent or deter any person from engaging in competition with a dominant service provider in any telecommunications market; or
  - c) eliminate or remove any person from that or any other telecommunications market.
- 5.2 Section 23(2) lists conduct which is per se an abuse of dominance unless it can be demonstrated that the conduct does not:
- a) restrict the entry of any person into any telecommunications market; or
  - b) prevent or deter any person from engaging in competition with a dominant service provider in any telecommunications market; or
  - c) eliminate or remove any person from that or any other telecommunications market
- 5.3 This list does not prevent TRR investigating or stakeholders submitting complaints about potential breaches of Section 23(1) through other forms of anti-competitive behaviour.

### Refusal to supply

- 5.4 A “refusal to supply” by a dominant service provider may be considered an abuse by TRR when it intends or results in the reduction in or elimination of competition or stifles the emergence of a new product. The concept of refusal to supply covers a wide range of practices, including a refusal to grant access to a bottleneck facility, or a refusal to provide information delaying, degrading, or preventing network interconnection.
- 5.5 Refusal to supply also includes offering trading conditions so unreasonable that they pose a threat of reducing or eliminating competition.
- 5.6 A refusal to supply is most likely to give rise to concerns when it is by a vertically integrated dominant service provider and (i) it relates to access to a bottleneck facility that other service providers need to compete effectively in a downstream market; (ii) the refusal is likely to lead to the elimination of effective competition in the downstream market; and (iii) the refusal is likely to lead to consumer harm.

- 5.7 A refusal by a dominant service provider to supply information generated by its network (e.g. calling line identification information) might be an abuse of a dominant position if, as a result of the refusal, services based on the availability of the information could be provided only by the dominant service provider. The refusal by a dominant service provider to supply technical information might also constitute an abuse, for example, when a dominant service provider refuses to inform a new entrant where it can interconnect with its network.

### **Price discrimination**

- 5.8 Price discrimination can involve charging different prices to other service providers for interconnection or products for which no cost difference exists. This however, is not to say a dominance service provider must treat all customers equally or should standardize all its charges.
- 5.9 Differential pricing by a dominant service provider may be efficient and justified. A vertically integrated service provider would be expected not to discriminate against independent wholesale customers (other licensees) in favor of their own downstream operations.

### **Predatory pricing**

- 5.10 Predation occurs where a dominant service provider deliberately incurs short-term losses or foregoes profits in the short term so as to foreclose (or be likely to foreclose) a competitor (or a potential competitor), with a view to strengthening or maintaining its market power, thereby causing consumer harm.
- 5.11 TRR will intervene if there is evidence that a dominant service provider has deliberately incurred losses in the short term or foregone profits in order to foreclose one or more of its actual or potential competitors and, as a result, the dominant service provider would be able to maintain or strengthen its market power to the detriment of consumers.
- 5.12 In economic terms, for a predatory strategy to be profitable, the dominant service provider should recoup its losses when it raises its prices. Therefore the existence of high barriers to entry is a necessary condition, otherwise rising prices would attract new entry and predation would be unprofitable.
- 5.13 When assessing whether prices are below cost, TRR will compare the average variable cost to the product price. If the price is lower than the average variable cost, this would be a strong indication of predatory pricing.

### **Margin squeeze**

- 5.14 Margin squeeze may occur when a vertically integrated service provider is dominant in the supply of an input to a downstream market in which it also operates. The vertically integrated service provider could harm competition by setting a low or negative margin between the price it charges for the input in the upstream market and the price it charges in the downstream market. If a downstream competitor who purchases the input is forced to exit the market or is unable to compete effectively, then margin squeeze may have occurred.



- 5.15 For a finding of margin squeeze, TRR will consider evidence as to whether:
- a) the service provider holds a position of dominance upstream;
  - b) the upstream input is bottleneck facility required by downstream competitors;
  - c) returns from the downstream operations are unprofitable (for example because of excessive wholesale prices and/or predatory retail prices); and
  - d) the practice harms or has the potential to harm consumers.

**Tying and bundling.**

- 5.16 Tying and bundling are common practices which can lead to better offerings to customers in cost effective ways. However, in some circumstances tying and bundling may constitute an abuse of dominance when a dominant service provider attempts to leverage its market power from one market to a related, but distinct, market.
- 5.17 ‘Tying’ refers to the practice of a dominant service provider requiring those customers who wish to purchase one product (the tying product) to purchase an ancillary product (the tied product) from it as well.
- 5.18 Bundling occurs when a dominant service provider only offers its products (which must be in a market where the service provider is dominant) in bundles with ancillary products which are not intrinsically linked to the main product (The tying in product).
- 5.19 The following conditions need to be satisfied for TRR to impose sanctions on a dominant service provider in relation to tying and bundling of services and products:
- c) The service provider is dominant in a tying market, and the tying and the tied products are distinct products, and
  - d) The practice must be likely to result in anti-competitive foreclosure.
- 5.20 Whether products are “distinct products” will depend on customer demand. Products will be considered to be distinct in cases where customer demand means that, in the absence of tying or bundling, both the tying and the tied products could be produced or supplied on a stand-alone basis.

**6 Section 6 - Pre-Approval of Certain Conduct**

- 6.1 Certain conduct which falls within the scope of Sections 22 and 23 may actually not have an adverse effect on competition. Prior to engaging in any conduct prescribed by Section 22 or 23, a service provider may seek TRR approval of such conduct.
- 6.2 TRR will apply the analysis set forth in these Guidelines to determine whether the proposed agreement in the case of Section 22 or the proposed action by a dominant service provider in the case of Section 23 will not or is not likely to substantially lessen competition or otherwise inhibit competition in the relevant telecommunications market.
- 6.3 An approval by TRR of certain conduct under Section 24 of the Act must not be taken to amount to a contravention of any provision under Part 5 of the Act.

## 7 Section 7 - Transfer of Control

7.1 Pursuant to Section 25 of the Act, TRR must approve any transfer of control involving a service provider under the following circumstances:

- e) A dominant service provider or its affiliate acquires control of another service provider; or
- f) Another person acquires control of a dominant service provider or its affiliate; or
- g) The transfer of control results in a person, alone or with its affiliates, controlling a service provider which meets the Bright-line Test; or
- h) The transfer of control results in a person, alone or with its affiliates, having Market Power in a telecommunications market in Vanuatu.

7.2 The term *control* means the power to determine the actions of another person in any manner, whether directly through the ownership of shares or other securities or indirectly through an agreement or arrangement of any type. Evidence of control includes:

- a) Ownership of 50% or more of voting securities;
- b) The ability to elect a majority of the Board of Directors;
- c) A contractual agreement allowing direction of the management or policies

### Basis of Review

7.3 Where a proposed transaction involves any of the circumstances described in Section 25(1), the transaction will require prior notification and the approval of TRR. The service provider shall submit a written notification and request for approval, at least sixty (60) days prior to the completion date for the intended transaction, to be accompanied by at least the following information:

- i) the identification of all persons involved in the transaction, including buyers, sellers, their shareholders and affiliated companies, and any persons having a greater than 10% ownership interest in all such persons;
- j) a description of the nature of the proposed transaction and summary of its commercial terms;
- k) financial information on the persons involved in the proposed transaction, including their annual revenues from all telecommunications markets, identified by specific markets, the value of assets allocated to telecommunications services and copies of any recent annual or quarterly financial reports;
- l) a description of the telecommunications markets in which the persons involved in the proposed transaction operate; and
- m) a description of the effects of the transaction on the control of telecommunications networks, including any interconnection or access arrangements with other service providers.

7.4 TRR may request additional information regarding an application at any time.

**TRR Response**

- 7.5 Within 28 days of receipt of a fully completed application, including any additional information requested by TRR, TRR shall issue a notice initiating an inquiry or other public proceeding regarding the proposed transaction. Following such proceeding, TRR shall take one of the following actions:
- a) approve the proposed transaction without conditions;
  - b) approve the proposed transaction with such conditions as TRR determines are necessary to prevent or compensate for any substantial lessening of competition resulting from the transaction; or
  - c) deny approval of the proposed transaction.

## **8 Section 8 - The process for lodging and assessing a complaint**

8.1 This section of the Guidelines describes how parties can lodge complaints with TRR regarding potential breaches of Sections 22 and 23 of the Act. It also details how TRR will subsequently deal with such complaints. A template for the submission of complaints to TRR is provided in Annex 1. The procedures below also apply to requests for pre-approval pursuant to Section 24 of the Act.

### **Submission**

- 8.2 In order to enable TRR to identify those allegations that raise real concerns and so direct resources appropriately, sufficient evidence is required to support any alleged anti-competitive behaviour complaint made. A complaint must be specific and must cite the specific section or sections of the Act that form the basis for the complaint.
- 8.3 A complaint will not be accepted without all of the evidence required for TRR to properly assess it.
- 8.4 Complaints must be submitted by filling in a Complaint Form attached in the Appendix and emailed to [consult@trr.vu](mailto:consult@trr.vu) for the attention of the Telecom Regulator, P.O. Box 3547, Port Vila, Vanuatu.
- 8.5 The Complaint Form will be made available to the party or parties to which the complaint is against.
- 8.6 Unless submissions are marked “Confidential to TRR and party or parties concerned”, TRR reserves the right to make all submissions available to the public.
- 8.7 If a submission is marked “Confidential to TRR and party or parties concerned”, reasons should be given which TRR will evaluate. TRR may publish or refrain from publishing any document or submission, at its sole discretion.
- 8.8 Annex 1 provides a detailed Complaint Form Template for the information that should be submitted as part of any complaint. TRR will not accept a complaint unless it follows the template.
- 8.9 Unless specified, TRR will treat all information as non-confidential.
- 8.10 Where the complainant considers that any of the information provided might damage its commercial interests if it were to be disclosed, it should submit up to three separate documents:
- a) The first should be a “non-confidential” version of its submission;
  - b) The second “Confidential to TRR and party or parties concerned”, reasons should be given which TRR will evaluate.
  - c) the third should clearly identify the information for which confidential treatment is sought for TRR eyes only.
- 8.11 TRR reserves the right to judge whether such information should be treated confidentially. TRR will not be limited to the complaint as lodged but may expand the scope of the investigation if it determines that expansion is warranted by the facts.

**Process for conducting investigations**

8.12 The procedures and timetable for considering a complaint is set out below. The timetable may require adjustment based on administrative resources.

- a) TRR will acknowledge in writing a submission from a complainant within five working days.
- b) TRR will then confirm that the complaint provides sufficient information to enable TRR to understand the nature of the complaint and whether the complaint alleges conduct that falls within Section 22 or 23 of the Act. TRR aims to complete this review within 10 working days of receipt of the complaint.
- c) If TRR decides to accept a complaint, it will send a copy of the non-confidential filing or “Confidential to TRR and party or parties concerned” received from complainant to the service provider whose conduct is the subject of the complaint and publish a notice on its website announcing the investigation.
- d) Other interested parties may request copies of the non-confidential version of the complaint.
- e) The Target party and other interested parties will have 28 working days in which to respond to the complaint or provide views on the complaint.
- f) At any time, TRR may request additional information from the complainant or the Target party and set reasonable deadlines for receiving such additional information.

8.13 Because of limited resources, TRR reserves the right to conduct and conclude investigations in order of priority based on an initial assessment of the relative importance of the complaint to consumers and service providers in Vanuatu. Subject to the preceding sentence, TRR will seek to conclude an investigation within a reasonable timeframe.

**Annex 1: Template for submitting to TRR**

Act submission should contain the following information:

**Section A - Preliminary information**

|    |   |  |
|----|---|--|
| 2  | Business name   |  |
| 3  | Address   |  |
| 4  | Contact person  |  |
| 5  | Telephone   |  |
| 6  | e-mail address  |  |
| 7  | Summary of complaint:   |  |
| 8  | Background;   |  |
| 9  | Undertakings concerned;   |  |
| 10 | Products/services;  |  |
| 11 | key dates;  |  |
| 12 | Alleged infringement;   |  |
| 13 | Harm done   |  |
| 14 | Relief sought.  |  |
| 15 | A brief explanation of the nature of your business and its scale (local, national, international, approximate turnover)   |  |
| 16 | Details of the target(s) of the complaint:  |  |
| 17 | Details of the relationship between the complainant and the undertaking subject to the complaint (such as whether the complainant is a customer or a competitor). |  |

**Section B - Legal basis for the complaint**

- 1 Specify the basis by which you believe that Section 22 or 23 of the Act has been breached, covering:
- 2 The relevant market in which the alleged breach occurred
- 3 The specific provision of Section 22 or 23 which form the basis of the alleged violation
- 4 A description of the nature of the alleged breach
- 5 A description of the effect of the alleged breach

**Section C - Details of the complaint**

- 6 An explanation of the reasons for the complaint.
- 7 The relevant market in which the breach was committed and the products and/or services concerned.
- 8 Details of the structure of supply and demand for the products/services concerned.
- 9 Relevant dates and incidents.
- 10 Details of any relevant contact within the target of the complaint.
- 11 A chronology of events (where appropriate)
- 12 How the complainant's business has been affected by the alleged activity.
- 13 Relief/remedy sought including details of the timing/urgency of the complaint with reasons.
- 14 Names of other industry members who can support the complaint.

**Section D - Factual evidence supporting the allegation**

- 15 This section must contain details of the factual evidence available to support the allegation made. The types of evidence you would supply will vary greatly depending on the nature of the complaint.
- 16 The evidence should support:
  - i. Market definition
  - ii. Market Power of the Target
  - iii. Allegedly anti-competitive conduct
  - iv. For example, if a complaint relates to margin squeeze by a service provider, the complainant should provide the following information:
  - v. The relevant market in which the Target is dominant
  - vi. The relevant upstream and downstream markets



- vii. The reasoning for the market definitions, including reference to barriers to entry and switching, evidence of substitution and views of third parties
- viii. Evidence on margin squeeze, including wholesale and retail prices and complainant's costs and efficiency of operations

**Section E - verification by an officer of the company**

17 The complaint or request for pre-approval must contain a statement from an officer of the complainant or requestor as follows:

- i. Declaration by an officer of the company:
- ii. The information provided in this submission is correct and complete to the best of my knowledge and belief.

Signed:

Position in the Company:

Date: