Australian Competition & Consumer Commission

Public Competition Assessment

19 September 2011

Experian Australia Credit Services Pty Ltd – proposed joint venture

Introduction

1. On 3 August 2011 the Australian Competition and Consumer Commission (**ACCC**) announced its decision not to oppose the acquisitions by Australia New Zealand Banking Group Ltd, Citigroup Pty Ltd, Commonwealth Bank of Australia, GE Capital Finance Pty Ltd, National Australia Investment Capital Ltd and Westpac Banking Corporation (collectively the **Investors**) of minority shareholdings in Experian Australia Credit Services Pty Ltd, via the establishment of a joint venture with QAS Pty Ltd (a subsidiary of **Experian plc**) (the **proposed joint venture**).

2. The ACCC decided that the Investors' proposed acquisitions would be unlikely to have the effect of substantially lessening competition in the national market for credit reporting services or any market for lending products and services in contravention of section 50 of the *Competition and Consumer Act 2010* (the **Act**).

3. The ACCC made its decision on the basis of the information provided by the joint venture parties and information arising from its market inquiries. This Public Competition Assessment outlines the basis on which the ACCC has reached its decision on the proposed joint venture, subject to confidentiality considerations.

Public Competition Assessment

4. To provide an enhanced level of transparency and procedural fairness in its decision making process, the ACCC issues a Public Competition Assessment for all transaction proposals where:

   - an acquisition is opposed;
   - an acquisition is subject to enforceable undertakings;
   - the parties seek such disclosure; or
   - an acquisition is not opposed but raises important issues that the ACCC considers should be made public.

5. This Public Competition Assessment has been issued because the formation of the proposed joint venture is considered to raise issues of interest to the public.

6. By issuing Public Competition Assessments, the ACCC aims to provide the public with a better understanding of its analysis of various markets and the associated merger and competition issues. It also alerts the public to circumstances where the ACCC's assessment of the competition conditions in particular markets is changing, or likely to change.

7. Each Public Competition Assessment is specific to the particular transaction under review by the ACCC. While some transaction proposals may involve the same or related markets, it should not be assumed that the analysis and decision outlined in one Public Competition Assessment will be conclusive of the ACCC's view in respect of other transaction proposals, as each matter will be considered on its own merits.

8. Public Competition Assessments outline the ACCC's principal reasons for forming views on a proposed acquisition at the time the decision was made. As such Public Competition Assessments may not definitively identify and explain all issues that the ACCC considers arise from a proposed acquisition. Further, the ACCC's decisions generally involve consideration of both non-confidential and confidential information provided by the parties and market participants. In order to maintain the confidentiality of particular information, Public Competition Assessments do not contain any confidential information or its sources.

The parties

Experian

9. QAS Pty Ltd (**Experian**) is a wholly-owned Australian subsidiary of Experian plc, a global provider of credit reporting services listed on the London Stock Exchange and headquartered in Dublin, Ireland. For the year ended 21 March 2011, Experian plc's total revenue was approximately $4.23 billion.

10. Experian operates three business divisions in Australia:

    - Experian Decision Analytics;
    - Experian Marketing Solutions; and
    - Global Product Development.

11. Experian plc operates consumer credit reporting agencies in 15 countries and commercial credit reporting agencies in 12 countries. Experian plc does not offer consumer or commercial credit reporting services in Australia.

The Investors

12. The Investors are:

    - Australia New Zealand Banking Group Ltd (ANZ);
    - Citigroup Pty Ltd (Citigroup);
    - Commonwealth Bank of Australia (CBA);

- GE Capital Finance Pty Ltd (GE Capital);
- National Australia Investment Capital Ltd (NAB); and
- Westpac Banking Corporation (Westpac).

13. The Investors each offer a wide range of financial services and products at retail, wholesale and commercial levels. The Investors are the largest providers of credit information to credit reporting agencies and the largest purchasers of credit reporting products and services from credit reporting agencies.

The proposed joint venture

14. The proposed joint venture intends to provide credit reporting services, including consumer and commercial credit reporting services, to financial institutions, credit unions and other credit providers.

15. The proposed joint venture is to have the following shareholder structure:

    - Experian 76 per cent; and
    - the Investors 4 per cent each.

16. The proposed joint venture's Shareholders' Agreement provides Experian with the right to appoint four Directors to the Board of the proposed joint venture. The Investors have the right to collectively appoint one Director.

17. In addition, Experian has the right under the Shareholders' Agreement to appoint the Managing Director and General Manager of the proposed joint venture and control day-to-day operations.

18. While the ACCC's review of this matter did not extend to approval or otherwise of the behavioural aspects of the proposed joint venture, the ACCC noted that the proposed joint venture will operate in accordance with a Shareholders' Agreement which:

    - does not provide that the Investors will have preferential pricing, access or terms in respect of the proposed joint venture's products and/or services simply by virtue of their Investor status;
    - imposes no restrictions on the Investors purchasing products and/or services from a competing credit reporting agency to the proposed joint venture;
    - imposes no restrictions on the Investors providing credit data to a competing credit reporting agency;
    - has no requirement that the Investors acquire credit reporting services from the proposed joint venture;

- places certain restrictions on the Investors relating to taking a majority shareholding in, becoming a partner in, or becoming a consultant to, a competing credit reporting agency for a period of four years from the launch of proposed joint venture, subject to various exceptions designed to permit the Investors to engage in their ordinary existing business activities; and

- does not permit the Investors access to credit data provided to the proposed joint venture by other Investors or credit data provided by other credit reporting service providers (or other sources), other than as a customer in the ordinary course of business.

Industry background

19. In broad terms, credit reporting involves the collection of consumer and business credit risk information from a range of public and private sources and on-selling this information, usually as credit reports, to credit providers/lenders that are seeking to determine the credit worthiness of an individual or business.

20. The provision of credit reports, particularly consumer reports, is often a highly automated process where within matter of seconds of a credit provider making an enquiry with an agency a report on the respective individual/business is sent back. Credit reports will tend to note a 'credit score,' which is designed to give the credit provider an indication of the individual/business' ability to repay a line of credit.

21. Credit reporting agencies, or bureaus as they are also known, obtain their credit information (which is then used to compile the credit reports) from a variety of public and private sources. In this Public Competition Assessment the term 'credit information' refers to the following:

    - financial information supplied to the credit reporting agency on a regular basis, in particular, instances of default (default/credit data);

    - credit enquiry information, generated when consumers or businesses make enquiries or applications for credit and a credit check is performed by the credit reporting agency (enquiries data);

    - public records such as debt records and bankruptcy records held by a court; and

    - other information publicly available from government departments or agencies.

22. Government sources of credit information, such as ASIC and the Land Title Offices, generally charge agencies for the provision of this information. However, in almost all cases credit providers furnish this information to agencies free of charge.

Comprehensive reporting

23. The *Privacy Act 1988* (Cth) (the **Privacy Act**) prescribes the types of personal information that can be supplied by credit providers and collected by credit reporting agencies. The permitted categories of credit information are currently limited to the following:

    - identification data (e.g. name, date of birth, driver's licence number);
    - enquiries data (e.g. where a credit provider has sought a report from the credit reporting agency in connection with assessing an individual's application for credit); and
    - negative default data (e.g. accounts 60 days past due, public records of bankruptcies).

24. The Commonwealth Government is currently considering amendments to the Privacy Act to enable credit reporting agencies to collect comprehensive, or positive, credit information. The Senate Standing Committee on Finance and Public Administration is currently considering the Exposure Draft of the *Australian Privacy Amendment Legislation – Credit Reporting*, which proposes that the following positive information would be able to be provided to credit reporting agencies by credit providers:

    - the type of each active account held by a customer;
    - the date of opening of each account;
    - the date of closing of an account;
    - account limits over a two year period; and
    - credit repayment history over a two year period.

25. The proposed amendments have broadly been welcomed by both credit reporting agencies and credit providers. The Committee on Finance and Public Administration is forecast to report on the exposure draft by 30 September 2011. Industry participants generally anticipate that comprehensive reporting may commence in the second half of 2012.

26. Overseas experience indicates that the introduction of comprehensive reporting results in a significant expansion in industry size as credit providers acquire more products and services from credit reporting agencies due to the greater predictive value provided by the new types of available credit information.

ACCC timeframe

27. The following table outlines the timeline of key events in this matter.

Date	Event
06-May-2011	ACCC commenced review under the Merger Review Process Guidelines.
20-May-2011	ACCC requested further information from the joint venture partners. ACCC timeline suspended.
27-May-2011	Closing date for submissions from interested parties.
27-May-2011	ACCC received further information from the joint venture partners. ACCC timeline recommenced.
02-Jun-2011	ACCC requested further information from the joint venture partners. ACCC timeline suspended.
08-Jun-2011	ACCC received further information from the joint venture partners. ACCC timeline recommenced.
14-Jun-2011	ACCC requested further information from the joint venture partners. Former proposed date for announcement of ACCC's findings of 30 June 2011 amended to allow for further information to be provided by the joint venture partners.
21-Jun-2011	ACCC received further information from the joint venture partners. ACCC timeline recommenced.
29-Jun-2011	ACCC requested further information from the joint venture partners. ACCC timeline suspended.
12-Jul-2011	ACCC received further information from the joint venture partners. ACCC timeline recommenced.
03-Aug-2011	Announcement of the ACCC's findings.

Market inquiries

28. In addition to seeking submissions at the outset of its review, the ACCC conducted extensive market inquiries with a range of industry participants, including incumbent credit reporting agencies, credit providers, industry bodies and government authorities. In particular, the ACCC engaged with smaller lenders on the potential impact of the proposed joint venture in the markets for lending products and services.

With/without test

29. When undertaking an assessment pursuant to section 50 of the Act, the ACCC must consider the likely effects of a proposed transaction by comparing the likely competitive environment if the transaction proceeds (the “with” position) to the likely competitive environment if the transaction does not proceed (the “without” position).

30. The ACCC considered that the likely competitive environment were the proposed joint venture to not proceed would be largely similar to the current situation, with Veda Advantage (Veda) operating as the major provider of credit reporting services.

31. The ACCC examined in detail whether, in the absence of the proposed joint venture, and therefore without the financial institutions' equity participation, Experian plc would still establish a credit reporting agency in Australia in the foreseeable future. The ACCC found that this would be highly unlikely in light of its review of the parties' internal documents and based on Experian plc's experience overseas.

32. Market inquiries indicated that obtaining a necessary critical mass of credit information to establish a viable and competitive database appears to be the most significant barrier faced by a new entrant to the credit reporting services industry. However, the ACCC considered that the Investors' shareholdings would provide an incentive for the Investors to support the proposed joint venture and enable it to overcome this barrier through:

- supplying credit information to the proposed joint venture in a timely manner and usable format;
- investing in the necessary IT infrastructure and other administrative systems to facilitate the transfer of credit information and the receipt of credit reporting agency products and services; and
- mitigating the risk that customers could use Experian's entry to secure better prices and services from incumbents without making the necessary investments to use the new credit reporting agency.

33. Some interested parties submitted that Experian could have addressed the above issues through bilateral arrangements, such as credit information supply or minimum purchase agreements. The ACCC considered that Experian would have been highly unlikely to have viewed bilateral arrangements with industry participants as providing a satisfactory basis upon which to enter, given its past experiences in other jurisdictions. For example, in one case, Experian's entry was used by customers as pricing leverage with incumbent agencies while customers failed to follow through on commitments to provide credit information to the new agency.

Market definition

34. The ACCC considered the relevant markets for the purposes of examining proposed joint venture to be:

- a national market for credit reporting services; and
- various market(s) for lending products/services.

Credit reporting services

35. The ACCC took the view that there is a national market for the provision of credit reporting services. The ACCC considered that this market is distinct from the provision of credit, involving the collection of credit information from a variety of sources and the delivery of consolidated credit reports to credit providers.

36. The ACCC noted that credit reporting agencies of the scope and size intended by the proposed joint venture offer a broad range of commercial, consumer and ancillary credit reporting services to credit providers. For example, Veda and Dun & Bradstreet (D&B), the two significant credit reporting agencies in Australia, offer consumer, commercial and ancillary credit reporting services to a wide range of credit providers.

37. The ACCC understands that an agency that has established the IT infrastructure, systems and relationships with a wide range of credit providers would generally be in a position to offer commercial, consumer and ancillary credit reporting services.

38. The ACCC also noted that the provision of these commercial, consumer and ancillary credit reporting services generally occurs on a national basis.

Lending products and services

39. One of the issues considered by the ACCC in relation to this matter was the ability and incentive of the Investors to use their position in the proposed joint venture to provide a competitive advantage in relation to their lending activities. Accordingly, the ACCC considered that markets for a range of lending products and services (such as credit cards, car loans, home loans, small business loans etc) may be relevant markets for the purposes of assessing the proposed joint venture.

40. As the ACCC ultimately concluded that the proposed joint venture was unlikely to substantially lessen competition irrespective of the market definition adopted, it was not necessary to form a concluded view as to the product and geographic scope of markets for various lending products and services.

Competition analysis

Credit reporting services

41. In undertaking its review of the proposed joint venture, the ACCC considered the potential impact of the proposed joint venture on the state of competition in the national market for the provision of credit reporting services.

42. The ACCC's public review found that the market for credit reporting services is currently dominated to a large extent by Veda, especially in relation to consumer credit reporting, and that there is one other significant provider, D&B, which has a relatively small market share. Further, it appears that this lack of competition is reflected in pricing levels that are high in comparison to comparable overseas markets.

43. The ACCC formed the view that the entry of the proposed joint venture would increase the number of significant credit reporting agencies from two to three and in doing so increase competition in a market that is currently highly concentrated. As a consequence of the increased competition, the ACCC considered that prices for credit reporting products/services would likely fall.

44. Notwithstanding the above, the ACCC explored in detail the potential for the proposed joint venture to substantially lessen competition in the national market for credit reporting services through:

- the potential for the proposed joint venture to raise barriers to entry and reduce the likelihood of entry;
- the potential for the proposed joint venture to lead to the foreclosure of rival credit reporting agencies' access to credit information;
- the potential for the proposed joint venture to lead to the foreclosure of rival credit reporting agencies' access to customers/distribution; and
- the potential for the proposed joint venture to discriminate against customers other than the Investors.

Barriers to entry and likelihood of entry

45. The ACCC considered that the restrictions under the Shareholders' Agreement on the Investors in some cases sponsoring new competitors to the proposed joint venture, and the perceived relationship between the Investors and the proposed joint venture, may constitute a strategic barrier to entry in the market for credit reporting services. In particular, a prospective new entrant may consider their ability to obtain the necessary credit information from the individual Investors would be impeded by virtue of the Investors' participation in the proposed joint venture.

46. However, the ACCC found that barriers to entry already appear to be high and are likely to remain high, with or without the proposed joint venture. The ACCC considered that it would be the introduction of a third agency, rather than the Investors' shareholdings, that would limit the scope for any further new entry.

47. Information provided by market participants indicated that one of the most significant barriers to entry to the market is the likely time that it would take to establish a historical database of the breadth and size to offer products and services that would be competitive with the incumbents.

48. Market inquiries suggested that the introduction of comprehensive reporting is likely to result in a temporary reduction in the asymmetry between incumbents and potential entrants in this regard. All credit reporting agencies established at the time or shortly after the introduction of comprehensive reporting would likely be able to collect the same comprehensive credit information at the same time, assuming the necessary arrangements are in place with credit providers.

49. However, the ACCC considered that barriers would likely increase again as the agencies that are established at the time of the introduction of comprehensive reporting develop historical databases that contain this more predictive credit information.

50. The ACCC also found that any other overseas credit reporting agency considering taking advantage of the temporary lowering of the barriers would have already been known to market participants in light of the significant lead times needed to establish a credit reporting agency. Market inquiries indicated that there is currently no significant overseas credit reporting service provider considering entry to Australia.

51. Market inquiries and information reviewed by the ACCC strongly suggested that the likelihood of entry following the introduction of the proposed joint venture is small due to the market already having obtained a critical mass of agencies. In particular, this industry feedback suggested that there are economies of scale associated with the provision of credit reporting services such that a market the size of Australia is only likely to be able to support two to three significant credit reporting agencies, even with the anticipated market growth associated with comprehensive reporting. The ACCC noted that the United States and the United Kingdom have three significant credit reporting agencies, while Canada has only two significant agencies.

Foreclosure of rival credit reporting agencies' access to credit information

52. The ACCC's market inquiries indicated that credit information sourced from banks and other credit providers is a key input to the operation of a credit reporting agency, and its timely, accurate, complete and ongoing provision is critical to the competitiveness of such agencies. Further, industry feedback strongly suggested that in addition to being key providers of credit information by virtue of the very significant proportion of data provision accounted for by the Investors individually and collectively, the ongoing provision of credit information by the Investors would be especially valuable in the context of comprehensive reporting.

53. The ACCC's review found that such is the value and quantity of credit information held and produced by the Investors that were they to cease supplying credit information or in some manner supply less complete credit information to the incumbent agencies, then over time these agencies would not be able to offer competitive products comparable to the proposed joint venture.

54. The ACCC noted that the proposed joint venture arrangements do not expressly restrict the Investors from providing credit information to rival credit reporting agencies. However, the ACCC's review inquired as to whether the Investors would have significant economic or commercial incentives arising from vertical integration with a credit reporting agency that may lead to foreclosure of rival credit reporting agencies' access to credit information, and how this may affect competition for the wider supply of credit reporting services. Specifically, the issues which the ACCC considered included whether the Investors may have incentives to supply credit information to the proposed joint venture but to not supply such information to rival credit reporting agencies, or not to supply credit information in a timely, accurate or complete manner, or to provide it in another manner that diminishes its value or limits the ability of rival credit reporting agencies to compete effectively.

55. The ACCC recognised that the proposed joint venture would introduce a new supplier of credit reporting services into the national market for credit reporting services. The ACCC considered that the Investors are sponsoring the market entry of a new supplier in the context of significant dissatisfaction among some customers regarding current competition and pricing levels for credit reporting services in Australia.

56. Further, the ACCC formed the view that the Investors are also motivated to sponsor Experian due to its parent company's international experience in comprehensive reporting environments and their expectation that Experian is likely to bring significant expertise to the Australian industry that would be advantageous in the shift to comprehensive reporting, and ultimately assist them to reduce bad debt expenses.

57. The ACCC determined that the principal incentive of each of the Investors in sponsoring new entry, and in their ongoing provision of credit information to credit reporting agencies, is to secure greater competition for credit reporting services in Australia, rather than to replace one dominant provider with another by withdrawing or restricting their provision of credit information to incumbent credit reporting agencies in a manner that would undermine incumbents' databases and limit competition.

58. The ACCC's assessment in this regard was assisted by its review of the proposed joint venture parties' internal documents.

59. The ACCC therefore formed the view that the proposed joint venture was unlikely to result in foreclosure of rival credit reporting agencies' access to credit information. As a consequence, the ACCC considered that customers would possess an ability to effectively bypass the proposed joint venture, such that the proposed joint venture is unlikely to substantially lessen competition in this regard.

Foreclosure of rival credit reporting agencies' access to customers and distribution

60. The ACCC noted that the proposed joint venture arrangements do not require the Investors to acquire any minimum volume of credit reporting services from the proposed joint venture and do not provide for the Investors to receive preferential terms and/or pricing other than as a customer in the ordinary course of the proposed joint venture's operations.

61. However, the ACCC's review enquired as to whether the Investors may have economic or commercial incentives to acquire services from the proposed joint venture in a manner that would lead to foreclosure of rival credit reporting agencies' access to customers and distribution. Specifically, the ACCC considered whether the Investors may have incentives to purchase all, or almost all, of their credit reporting services from the proposed joint venture and whether alternative credit reporting agencies would potentially have sufficient actual or potential remaining customers to make their services viable.

62. The ACCC recognised that the Investors are the largest consumers of credit reporting services. They therefore have strong incentives to foster competition among their suppliers, rather than to utilise the proposed joint venture to the exclusion or near exclusion of rival credit reporting agencies. The ACCC considered that these incentives are significant in comparison to the commercial gains to the Investors from maximising the financial returns on their relatively small investments in the proposed joint venture. Accordingly, incumbent agencies would be in a position to compete against the proposed joint venture to offer the most commercially attractive product and price offering to the Investors. The ACCC's assessment in this regard was informed by its review of the proposed joint venture parties' internal documents.

63. The ACCC also noted that non-Investor customers collectively represent a significant proportion of demand in Australia and incumbent credit reporting agencies can continue to compete for their custom. The ACCC's market inquiries also indicated that the size of the market for credit reporting services would likely expand significantly following the introduction of comprehensive reporting, creating opportunities for incumbents and the proposed joint venture to compete vigorously and obtain market share.

64. Finally, the ACCC considered that to the extent that incumbents such as Veda and D&B are likely to lose market share to the proposed joint venture, it will be attributable to competitive dynamics associated with the introduction of a new supplier to the relevant market, which is sponsored by the main customers and widely expected to lead to lower prices, rather than the result of the Investors' minority interests in the proposed joint venture.

65. Accordingly, the ACCC formed the view that the proposed joint venture is unlikely to substantially lessen competition through foreclosing rival credit reporting agencies' access to customers and distribution.

Discrimination against customers other than the Investors

66. While customers of credit reporting agencies are likely to receive varying prices and discounts depending on their purchasing volumes, the ACCC considered that it is unlikely that the proposed joint venture would discriminate against non-Investor customers through limiting or refusing supply or supplying on discriminatory terms, such as pricing or service, merely by virtue of them not being shareholders in the proposed joint venture.

67. Non-Investor customers collectively account for a significant proportion of demand for credit reporting services. Such attempted discrimination against these customers would not be in the interests of the proposed joint venture since it would result in lost sales and profits. Customers would have the ability to bypass the proposed joint venture and source credit reporting services from incumbent agencies that, as discussed above, would not be foreclosed from access to credit information or distribution as a result of the Investors' equity participation in the proposed joint venture. Accordingly, non-Investor customers could respond to attempted discrimination by directing their custom to an alternative supplier/s.

68. The ACCC also considered that such attempted discrimination would undermine the proposed joint venture's ability to build and maintain a complete and reliable credit information database. Smaller credit providers are likely to possess customer information with significant predictive value in respect of the risk of default by an individual or business, and it would be contrary to the interests of the proposed joint venture to jeopardise or forego the provision of this credit information by relatively small, non-Investor customers through a strategy of discrimination. While the Investors may account for a greater proportion of credit information in a comprehensive reporting environment, the credit information of non-Investor customers would remain an important input to the proposed joint venture's database.

69. Accordingly, the ACCC concluded that any attempted discrimination by the proposed joint venture against non-Investors, merely as a consequence of them not being shareholders in the proposed joint venture, would not be in the interests of the proposed joint venture.

Conclusion –national market for the provision of credit reporting services

70. For the reasons outlined above, the ACCC considered that the proposed joint venture would be unlikely to result in a substantial lessening of competition in the national market for the provision of credit reporting services. Rather, the entry of the proposed joint venture appears likely to increase competition, leading to lower prices and greater product innovation, in a market currently dominated by one provider.

71. The ACCC formed the view that the structure of the proposed joint venture and the incentives faced by the Investors are such that it would be highly unlikely to foreclose rival agencies' access to credit information, customers and distribution. Further, the ACCC concluded it appears unlikely that the proposed joint venture would discriminate against non-Investor customers.

Lending products and services

72. The ACCC considered the potential for the proposed joint venture to substantially lessen competition in various markets for lending products and services.

73. In particular, the ACCC examined whether the Investors would have the ability and incentive to leverage their position and commercial importance to the proposed joint venture to pursue a strategy of targeting rival providers of lending products and services in an anti-competitive manner.

74. Some interested parties expressed concerns that the Investors, through the proposed joint venture, may undertake a strategy that would mitigate the potential benefits to smaller credit providers that would likely stem from the introduction of comprehensive reporting. Comprehensive reporting, through allowing the collection of more predictive credit information, may enable smaller lenders to compete more effectively in lending markets. Industry participants suggested that comprehensive reporting is likely to assist in reducing the information asymmetry between large lenders and small lenders, enabling relatively small credit providers to access comparative levels of information about an individual's credit worthiness.

75. As explored above, the ACCC considered that rival lenders would have options to bypass the proposed joint venture in the form of viable alternatives from rival agencies. As a consequence, the ACCC formed the view that the Investors would not have any increased ability to influence credit reporting agencies to discriminate against rival lenders.

76. Moreover, the ACCC considered that the structure and position of Experian in the proposed joint venture would make any attempt to undertake a strategy of discrimination highly unlikely to succeed. The structure of the proposed joint venture ensures that control and day-to-day operational management of the proposed joint venture rests with Experian through the composition of the Board, appointment of senior management and other rights held by Experian.

77. The ACCC's review identified that any attempt to impose discrimination in terms of the quality and/or timing of the provision of credit reports to rival lenders would involve increased costs and inefficiencies for the proposed joint venture. The supply of credit reports to customers is generally a highly automated process in which reports are provided very quickly through established IT systems. The provision of inferior reports, or their provision in a less timely manner, would generally involve additional or different processes, inefficiencies and increased costs to the proposed joint venture.

78. The ACCC formed the view that any benefit that the Investors may be able to direct towards the proposed joint venture, through higher sales or greater market share, would be highly unlikely to outweigh the costs of the discrimination strategy. In particular, the costs to the proposed joint venture would arise from lower sales to rival lenders, greater inefficiencies and higher costs, the potential to not receive credit information from rival lenders and international reputational damage to Experian plc.

79. Some interested parties drew the ACCC's attention to overseas markets for credit reporting services, such as Mexico, where there is a dominant agency owned or partly owned by significant financial institutions in that country. The ACCC considered that these overseas examples are not comparable to the entry of the proposed joint venture in Australia.

80. The ACCC formed the view that the examples in these jurisdictions are of significant financial institutions collectively owning outright, or the overwhelming majority of the relevant credit reporting agency. By contrast, the Investors would have minority shareholdings, whether individually or collectively, and would not have control over the proposed joint venture's business activities.

81. In addition, the ACCC noted that in the international examples cited by some interested parties there did not appear to be any significant empirical evidence concerning detrimental competitive outcomes in broader lending markets.

82. The ACCC also assessed whether the proposed joint venture would result in spill-over effects into other banking markets. The ACCC considered that it would be unlikely that the Investors' equity participation in the proposed joint venture would itself facilitate any coordination in other markets in which the Investors are competitors.

Conclusion – markets for lending products and services

83. The ACCC considered that the proposed joint venture would be highly unlikely to result in a substantial lessening of competition in any market for lending products and services. The ACCC concluded that rival lenders to the Investors are likely to benefit from the proposed joint venture's entry through lower prices and more innovative products, which would enable them to harness the competitive benefits from the introduction of comprehensive reporting. This conclusion is supported by the ACCC's review of the Investors' internal documents.

Conclusion

84. On the basis of the above the ACCC formed the view that the proposed joint venture would not be likely to result in a substantial lessening of competition in relation to the national market for the provision of credit reporting services or any market for the provision of lending products and services in contravention of section 50 of the Act.