Public Competition Assessment

10 December 2008

Commonwealth Bank of Australia - proposed acquisition of BankWest and St Andrew's Australia

A Introduction

1. On 10 December 2008, the Australian Competition and Consumer Commission (**ACCC**) announced its decision not to oppose the proposed acquisition of Bank of Western Australia Ltd and St Andrew's Australia Pty Ltd by Commonwealth Bank of Australia (**proposed acquisition**). The ACCC was of the view that the proposed acquisition would not be likely to have the effect of substantially lessening competition in any relevant market, in contravention of section 50 of the *Trade Practices Act 1974* (the **Act**).

2. The ACCC formed its view on the proposed acquisition on the basis of the information provided by the merger 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 acquisition, subject to confidentiality considerations.

B Public competition assessment

3. 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:

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

4. This Public Competition Assessment has been issued because the proposed acquisition is considered to raise issues of interest to the public.

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

6. 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.

7. Many of the ACCC's decisions will involve consideration of both non-confidential and confidential information provided by the merger 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. While the ACCC aims to provide an appropriately detailed explanation of the basis for the ACCC decision, where this is not possible, maintaining confidentiality will be the ACCC's paramount concern, and accordingly a Public Competition Assessment may not definitively explain all issues and the ACCC's analysis of such issues.

C The parties

The acquirer – Commonwealth Bank of Australia (CBA)

8. CBA is the largest retail bank in Australia by market capitalisation, valued at approximately $42 billion. CBA's principal business activities include:

   - *personal banking*: transaction, saving/term products, home loans, personal loans, credit cards and hybrid personal loans;
   - *business banking*: small to medium enterprise (SME) banking services, agribusiness, lending and deposit products, equipment finance and merchant acquiring services;
   - *corporate and institutional banking*: includes the provision of a range of financial services to corporate and institutional customers;
   - *wealth management*: through its Colonial First State and First Choice brands, the provision of funds management;
   - *insurance*: through its CommInsure brand, the provision of a range of insurance products; and
   - *stockbroking*: through its CommSec brand, the provision of online-discount stockbroking services.

9. CBA operates the largest branch and ATM network throughout Australia.

The target – Bank of Western Australia Ltd (BankWest)

10. BankWest is an Australian retail bank primarily based in Western Australia. Since 2003, BankWest has been a wholly-owned subsidiary of HBOS Australia, which is wholly owned by HBOS plc (**HBOS**). It is one of HBOS Australia's four businesses.

11. BankWest's parent company, HBOS, is a major UK-based bank providing retail, business and corporate banking, insurance and investment services.

12. BankWest's principal business activities include:

    - *personal banking*: transaction accounts, saving/term products, credit cards, home loans and personal loans; and
    - *business and corporate banking*: SME banking services, agribusiness, and corporate banking.

13. BankWest operates a large branch and ATM network in Western Australia and has recently undertaken significant branch and ATM expansion in New South Wales, Victoria and Queensland.

The target - St Andrew's Australia Pty Ltd (St Andrew's)

14. St Andrew's is a specialist provider of wealth management and insurance products. St Andrew's began operations in Australia in 1998 and is located in Western Australia, New South Wales, Victoria and Queensland. St Andrew's also distributes wealth management and insurance products through financial advisors, BankWest branches, telemarketing and online.

15. St Andrew's has more than $2 billion in funds under management.

D Industry background

16. For general industry background, the ACCC refers readers to the Public Competition Assessment released in relation to its 13 August 2008 decision not to oppose the acquisition of St George Bank Limited by Westpac Banking Corporation. This document is available on the ACCC's website at www.accc.gov.au/publiccompetitionassessments.

17. Other recent industry developments relevant to this assessment are discussed briefly below.

Credit crunch

18. Since July 2007, the credit crunch has had an impact on the competitive dynamic in banking markets. With the virtual closure of asset securitisation markets and the increased cost of wholesale funds since late 2007, many non-bank lenders who were reliant on wholesale markets for their funding have had to exit the Australian market.

19. Other market players, including smaller authorised deposit-taking institutions (ADIs) with low deposit bases, have had to withdraw from lending in some areas or to some customers.

Australian Government Guarantees

20. In response to the credit crunch, the Australian Government introduced two guarantees – (1) a guarantee on retail deposits; and (2) a wholesale funding guarantee for the debt issues of ADIs.

21. The retail deposit guarantee was announced and came into effect on 12 October 2008. At the time of the announcement, the guarantee was not capped and was set to apply to all retail bank deposits. It was later clarified by the Australian Government that the guarantee would apply to all ADIs, including foreign banks with operations in Australia.

22. In addition, after following advice from the RBA, APRA, Treasury and ASIC, the Australian Government introduced a cap on the guarantee of $1 million. Depositors with amounts greater than $1 million can pay a fee to access the guarantee.

23. The guarantee on retail deposits operates for three years and is available for deposits with ADIs which are regulated by APRA. The Australian Government has also announced that other institutions can apply for ADI status so that their depositors can access the guarantee, if they are willing to meet the associated prudential requirements.

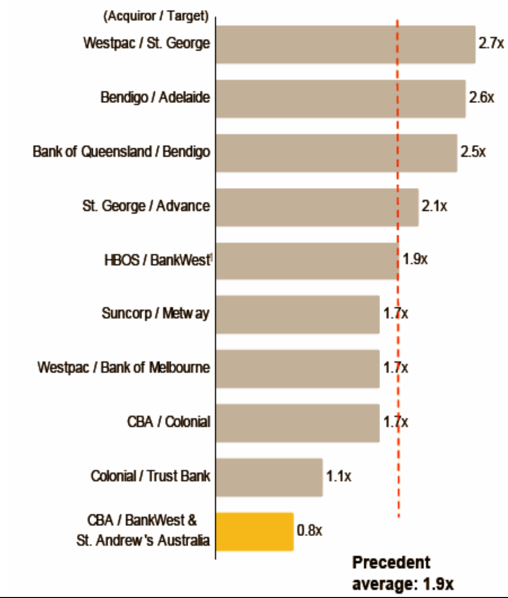
24. The wholesale funding guarantee, which came into effect on 28 November 2008, relates to the issuing of senior unsecured debt instruments — including short-term liabilities (e.g. bank bills and certificates of deposit) and long-term liabilities (e.g. bonds and notes). The guarantee applies to eligible ADIs that register for the scheme. However, for foreign bank branches, such as BankWest, the guarantee only applies in respect of their short term wholesale funding raised from Australian residents with maturities up to the end of 2009.

E Background to the proposed acquisition

25. On 8 October 2008, CBA announced its proposal to acquire BankWest and St Andrew's from HBOS. At the time of announcement, HBOS was experiencing considerable funding pressures despite its announced sale to Lloyds TSB Group plc (Lloyds) (see below). HBOS stated that the transaction would result in an immediate and substantial funding benefit.

26. CBA's offer for the BankWest business is low in the context of the price to book ratios of other Australian banking acquisitions (figure 1).

Figure 1 **Price-to-book values for Australian banking acquisitions**



Source: CBA Investor Pack, 8 October 2008.

Proposed acquisition of HBOS by Lloyds

27. Lloyds, a leading UK-based bank, announced a proposal to acquire HBOS in mid September 2008. The sale was negotiated in the context of the sharp worsening of global financial markets, when the position of HBOS became increasingly vulnerable in terms of share price and funding.

28. On 19 November 2008, Lloyds' shareholders voted in favour of the proposed acquisition. HBOS' shareholders will vote on 12 December 2008. If granted shareholder approval, the acquisition is likely to complete in January 2009. As part of a package of measures introduced by the UK Government to assist financial institutions, the UK Government will acquire a 40% stake of the merged firm.

F Timing

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

Date	Event
20 Oct 2008	ACCC commenced its review under the Merger Review Process Guidelines. Market inquiries commenced.
22 Oct 2008	ACCC requested further information from Commonwealth Bank of Australia. ACCC timeline suspended.
10 Nov 2008	Closing date for submissions from interested parties.
11 Nov 2008	ACCC received further information from Commonwealth Bank of Australia. ACCC timeline recommenced.
10 Dec 2008	Announcement of ACCC's decision.

G Market inquiries

30. The ACCC conducted extensive market inquiries in relation to the proposed acquisition. A range of interested parties provided responses including competitors, industry and consumer associations, mortgage brokers and interested third parties.

31. The ACCC sent an 'open letter' to banking customers in Western Australia as part of its inquiry process welcoming customers' views on the proposed acquisition. The focus of the letter was on whether BankWest was considered to be a particularly vigorous competitor in terms of price and/or service. Over 50 responses from personal banking customers were received.

32. The ACCC also held discussions and requested information from a range of parties regarding the likely future of BankWest if the acquisition did not proceed. These included the merger parties, HBOS and Lloyds, Australian regulators and other potential buyers of the BankWest business.

H The ACCC's merger assessment process – the 'with and without' test

33. Section 50 of the Act prohibits an acquisition if it would be likely to have the effect of substantially lessening competition in a market.

34. In assessing a merger pursuant to section 50 of the Act, the ACCC must consider the effects of the transaction by comparing the likely future state of competition if the transaction proceeds (the "with" or "factual" position) to the likely future state of competition if the transaction does not proceed (the "without" or "counterfactual" position).

35. This with or without test is crucial to the ACCC's assessment of this matter. The ACCC has received compelling evidence to suggest that the competitive constraint provided by BankWest without the transaction is likely to be different from the constraint they previously provided. This is explored in detail in section J below.

I Market definition

36. The ACCC considered a number of relevant markets under each of the key product areas where the activities of the parties overlapped, in particular, personal banking, business banking, wealth management and insurance.

Retail (personal and business) banking

37. The market definitions adopted by the ACCC for the purposes of assessing this matter are summarised in table 1.

Table 1 **Retail banking markets**

Product dimension	*Geographic dimension*	*Functional characteristics*
Personal banking markets		
Transaction accounts	Local but price and service competition is predominantly national	Provide day-to-day deposit and payment functionality in the form of cheque books, debit cards, BPay, internet and phone banking.
Saving/term products	National	Savings instrument with a focus on growth in the capital value of the deposited funds.
Credit cards	National	Short-term unsecured lending product for individual consumers.
Home loans	National	Mortgage lending to individuals for the purpose of acquiring residential property.
Personal loans	National	Lending to individuals for the purpose of purchasing large personal consumption items.
Business banking markets		
SME banking	Local but price and service competition is predominantly national	A 'cluster' of banking products encompassing credit products, transaction/cash facilities, merchant acquiring services and banking advice.
Agribusiness banking	Local but price and service competition is predominantly national	A 'cluster' of banking products for agricultural businesses with a central element being specialised lending products including very long-term credit instruments.

38. The ACCC has considered the geographic dimension of competition for each of the retail banking markets based on:

- the importance of a physical presence (branch and ATM networks) in consumer choice of provider; and

- the geographic scope of decision making of financial institutions in terms of their product range, prices and service levels.

39. The ACCC considers that there are several banking products for which a physical presence is a key determinant of consumer choice — namely transaction accounts, SME and agribusiness banking. Market inquiries suggested that consumers take account of the physical presence of providers — the presence of a branch in a convenient location and the extent of the ATM network — in choosing between financial institutions for these products. This was also supported by market survey data provided to the ACCC in its consideration of this matter and in its assessment of the Westpac-St George merger.

40. In contrast, the evidence provided to the ACCC suggests that a physical presence is not an important determinant of consumer choice for other retail banking products — namely, saving/term products, credit cards, home loans and personal loans.

41. The ACCC notes there is strong evidence to suggest that price competition in retail banking product markets is almost always national. Market inquiries indicated that most financial institutions manufacture, distribute, market and price products on a national basis. The merger parties provided comprehensive information about their internal processes for developing products and setting prices that provided further support for this.

42. However, in this matter CBA provided some limited examples of varying prices at a state level.

43. Other aspects of the merger parties' service provision, including staffing levels, marketing and branch opening hours, are also centrally determined. In the case of staffing levels, these are set according to a formula based on historic levels of customer demand. Competition for these aspects of the service offering is therefore also national.

44. A more detailed discussion around the relevant product and geographic dimensions of these markets can been found in the ACCC's Public Competition Assessment released in relation to its decision not to oppose the acquisition of St George Bank Limited by Westpac Banking Corporation.

Wealth management and insurance

45. The ACCC did not consider it necessary to reach a definitive view on the appropriate market definition for wealth management and insurance products because it was considered that the proposed acquisition was not likely to raise competition concerns regardless of the market definition adopted.

J Competition analysis

Impact of the proposed acquisition on national retail banking markets

46. It was found that the proposed acquisition would result in the aggregation of the retail banking assets of BankWest and CBA in several national retail banking markets — saving/term products, home loans, credit cards and personal loans.

47. Table 2 illustrates that BankWest holds a modest share in each of the relevant markets.

Table 2 **National market shares (%)**[1]

	Deposit/term products	Home loans	Personal loans	Credit cards
CBA	26.9	18.8	11.6	16.9
Bank West	3.9	2.8	3.9	2.0
Merged entity	30.8	21.6	15.5	18.9

[1] The market share figures are derived from a number of sources. The ACCC considers these figures to be the best estimates available for the purposes of this assessment.

48. However, a number of parties put to the ACCC, that despite BankWest's relatively small presence in these markets, it has played an important role in driving national price competition and innovation. The ACCC has therefore investigated BankWest's role as a vigorous and effective competitor in national retail banking markets.

Has BankWest been a vigorous and effective competitor?

49. Many market participants commented on BankWest's role as a vigorous and effective competitor in retail banking markets. In 2006, BankWest announced a plan to open 160 branches in the eastern states of Australia over a period of 4 years. BankWest also began an aggressive roll out of ATMs outside of Western Australia, including an agreement to supply and operate ATMs in 7-11 stores.

50. Consistent with its strategy of building a national presence, BankWest was targeting growth in its market share across retail banking products. For certain banking products considered to be 'key acquisition priorities', BankWest aimed to offer market leading prices to attract new customers. The ACCC understands that BankWest has offered the market leading prices for transaction accounts (discussed separately below), saving/term products and home loans for most of this year.

51. BankWest's product offering has also been innovative — for example, its 'RateTracker' home loan offers an interest rate set at 1% less than the average of the standard variable rates of the big four banks for the first two years. Similarly, with its service offering, BankWest pioneered open plan layouts for its branches with 'mobile service pods' rather than teller bays and zones for kids including toys and DVDs. BankWest has also adopted extended trading hours, including Thursday night and weekend trading, at many of its branches.

52. In recognition of both its aggressive pricing and innovative product offerings, BankWest has been well recognised in industry awards particularly for its home loan and savings products. BankWest has also been successful in growing its presence in these markets, attracting a share of new and switching customers considerably above its existing market share.

53. The ACCC has also received evidence of competitors responding directly to BankWest's pricing decisions and service model.

54. On the basis of BankWest's pricing behaviour, service model and east coast expansion strategy, the ACCC considers that BankWest has been a vigorous and effective competitor, particularly in the saving/term products and home loan markets.

55. However, as set out in section H, the ACCC must consider the competitive effects of the transaction by comparing the likely future state of competition if the transaction proceeds to the counterfactual — the likely future state of competition if the transaction does not proceed.

56. Despite the role BankWest has previously played in driving retail banking competition, the ACCC has received compelling evidence from a range of parties to suggest that BankWest will not be in a position to continue to compete aggressively or act as a price leader under the counterfactual.

Will BankWest continue to compete aggressively in the absence of the acquisition?

57. The ACCC's view on the counterfactual was informed by discussions with a range of parties, including APRA and the RBA; BankWest and HBOS Australia; HBOS and Lloyds, as well as other parties initially approached to acquire the HBOS Australia assets.

58. Based on the information from these sources, the ACCC has formed the view that the relevant counterfactual in this case is that HBOS/Lloyds would continue to operate the BankWest business in the short to medium term. However, it was found that BankWest's operating model would change considerably under this scenario.

59. The financial situation and risk appetite of HBOS (or a merged Lloyds/HBOS with 40% UK Government ownership) is such that these companies would no longer continue to grow the BankWest business. Not only would this likely see a cessation of the bank's east coast expansion plan, but also the aggressive pricing targeted at growing market share.

60. HBOS Australia and BankWest provided submissions and internal documents that support this view of the bank's likely strategy should it continue to be owned by HBOS. The RBA and APRA also indicated that they did not consider that BankWest would be in a position to provide strong and sustainable competition going forward.

61. The ACCC has investigated the possibility that another buyer might acquire the BankWest assets. Any buyer would need to be in a position not only to raise the purchase price but to repay the approximately than $16 billion in intra-group loans from HBOS.

62. Following inquiries with financial regulators, BankWest's parent company, Australian and overseas banks (including all of those initially approached by HBOS advisors in relation to the sale) and other consortia who may have had an interest in acquiring BankWest, the ACCC concluded that an alternative buyer for BankWest is unlikely in the current funding environment.

63. However, even if another buyer were to acquire BankWest, the ACCC took the view that it is not clear that an alternative buyer would have continued to pursue the aggressive growth strategy adopted by HBOS. The rapid expansion being pursued by HBOS with the BankWest business (160 branches over 4 years), was unprecedented in Australian banking.

64. Information provided by HBOS Australia suggested that the BankWest growth strategy was a function of the parent's business model and its search for ongoing expansion opportunities. It was able to underwrite this growth because:

- the Australian operations are only a small part of its total business (approximately 5%); and
- it was able to offer BankWest access to low cost wholesale funding through its AA credit rating.

65. The ACCC considered that it is unlikely that any new buyer would be willing and able to offer to underwrite such growth going forward, particularly in the absence of a significant improvement in the global funding environment.

66. Given a counterfactual under which BankWest will continue to operate as an independent player but will no longer be the competitive force it once was, the ACCC considered the proposed acquisition was unlikely to substantially lessen competition in the relevant national retail banking markets (including home loans and saving/term products). Given BankWest's relatively modest market share in these markets, and the number of other significant competitors, the ACCC found that it was unlikely that the acquisition of such a small competitor, no longer offering market leading prices, would substantially lessen competition.

67. The ACCC notes that its views regarding the counterfactual are specific to the facts of this particular acquisition. The financial situation of BankWest's UK parent, and the associated changes it is likely to make to BankWest's operating model in the absence of the transaction, have strongly informed the ACCC's conclusions.

68. The ACCC will closely analyse the competition implications of any further proposed acquisitions of regional banks.

Impact of the proposed acquisition on other retail banking markets

Transaction accounts

69. As noted in section I, transaction account markets were considered as local because a physical (branch and/or ATM) presence is still an important determinant of consumer choice of provider.

70. However, it was found that most of the key aspects of the service provision, including product manufacture, price, opening hours and staffing levels, are determined centrally by banks in response to national (or at the narrowest, state) rather than local competitive conditions.

71. The key aspect of local competition relates to the availability of a branch presence. Therefore the ACCC considered the effect of the acquisition in each local market in terms of consumer choice, as well as whether the acquisition would impact on price and service at a national or state-wide level, which would have a flow on effect to every local market in which CBA and/or BankWest is a competitor.

Likely effects on the national elements of decision making for transaction accounts

72. BankWest prices its transaction accounts nationally. BankWest's 'Hero' and 'Zero' products have been the national price leaders in this market over the last year. However, as outlined at paragraph 57 above, under the counterfactual BankWest is unlikely to continue to offer market leading products because HBOS will not be in a position to continue to finance its expansion strategy.

73. BankWest is a relatively small player in terms of its national presence, with a 3.2% share of deposits. Therefore, the ACCC found that the proposed acquisition by CBA was unlikely to have a significant effect on banks national prices or service levels for transaction accounts compared to the counterfactual.

Potential for Western Australia-specific price increases

74. As noted at paragraph 41, CBA has submitted some examples to the ACCC of revisions to product prices on a state basis, including waiving transaction account fees for their Western Australian consumers (if their account is linked to a CBA savings account). CBA acknowledged this was in response to the competitive threat posed by BankWest.

75. Given this demonstrated willingness to vary the price for this product at a state level, the ACCC therefore explored the possibility that the proposed acquisition may result in:

    - CBA winding back this Western Australia-specific discount; and
    - CBA increasing transaction account prices in Western Australia above national prices.

76. The proposed acquisition will see the aggregation of the two largest providers of transaction accounts in Western Australia — CBA with 23% (by value of deposits) and BankWest with 24%. The only other significant competitors are the other 'big four' banks — ANZ with 14%, NAB with 11% and Westpac/St George 15% (table 2).

77. By share of branches, the aggregation is less significant with the merged entity representing 27% Western Australian branches post-acquisition, with Westpac/St George, ANZ and NAB with 15%, 15% and 10% respectively (table 3).

Table 3 **Transaction accounts – Western Australia (%)**[2]

	Western Australia		
	Deposits	**Branches**	**ATMs**
CBA	**22.5**	**11.9**	**19.7**
Bank West	**23.5**	**13.5**	**18.5**
Merged entity	**46.0**	**25.4**	**38.1**
ANZ	**14.3**	**13.2**	**22.6**
NAB	**11.9**	**11.3**	**10.3**
WBC / St George	**15.1**	**18.1**	**16.7**
Bendigo / Adelaide	**2.6**	**6.0**	**3.1**
Elders	**< 1**	**15.6**	**-**
Rabobank	**< 1**	**1.4**	**-**
Other institutions	**~ 10.0**	**9.0**	**9.1**
TOTAL	**100.0**	**100.0**	**100.0**

78. While the discount offered by CBA for its Western Australian transaction account customers is likely to be removed, the ACCC considered this would occur even in the absence of the transaction. As discussed above, under the counterfactual, BankWest is unlikely to continue to act as a price leader in this market and therefore CBA's competitive response would also be wound back.

79. The ACCC considered whether CBA would be likely to increase prices in Western Australia *above* the national price. Despite what will be a more concentrated market in Western Australia than in other states post-acquisition, three significant competitors will remain for transaction accounts that would be likely to constrain CBA's ability and incentive to significantly and sustainably increase prices.

80. In particular, the ACCC noted that both ANZ and Westpac have a branch network that is as comprehensive as those of the two merger parties.

81. Further, the ACCC noted CBA is currently the dominant provider of transaction accounts in Tasmania (38% of deposits, nearest competitor 13%) and Victoria (33% of deposits, nearest competitor 16%) but it has never introduced differential fees and charges in these states.

82. The ACCC considered that the reputational effects from charging higher prices in one state may be a strong disincentive from doing so.

83. The ACCC did not consider that the aggregation arising from the proposed acquisition was likely to be sufficient to give CBA the ability and incentive to institute a significant and sustainable increase in its in price for its Western Australian transaction account customers.

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[2] The market share figures are derived from a number of sources. The ACCC considers these figures to be the best estimates available for the purposes of this assessment.

Local markets - likely impact of the acquisition on consumer choice

84. With no variation in either the products, prices or key service dimensions (staffing levels and opening hours) occurring at a local level, the key dimension of local competition is the existence of a physical (branch and ATM) presence.

85. Banking industry market research obtained by the ACCC indicates that a common reason for switching transaction account providers is customer dissatisfaction with an existing account provider. Therefore, the availability of an alternative provider in a given local market is important for consumer welfare.

86. The ACCC has explored the impact of the acquisition on consumer choice based on the following local markets for transaction accounts:

- (at its widest) a metropolitan Perth transaction account market; and
- various local transaction account markets in regional and remote areas of Western Australia.

87. Minimal aggregation arises in local markets outside of Western Australia

88. The ACCC considered that on a Perth metropolitan-wide basis, consumers will retain a number of choices after the acquisition, including ANZ and Westpac both with a significant branch and ATM presence, and to a lesser extent, NAB and Bendigo. Even on an individual suburb level, in nearly every suburb where both BankWest and CBA have branches, each of the other big four banks also have branches. There is only one suburb, Kwinana, where no alternative competitor with a branch presence will remain. However, the ACCC notes that both ANZ and NAB have an ATM presence in Kwinana. In Rockingham, 9 kms (or a 15 minute drive) away, each of ANZ, NAB, Westpac and Bendigo has a branch and ATM presence.

89. In regional areas, in each of the towns where there is aggregation arising from the transaction, there is at least one other major financial institution with a branch and ATM presence.

SME and agribusiness markets

90. As for transaction account markets, the ACCC considered whether the acquisition may manifest in concerns for SME or agribusiness banking at either a national, state or local level.

91. The ACCC considered that concerns were unlikely to arise in terms of the national prices or service levels because BankWest has a relatively small share of SME and agribusiness customers on a national basis (2.6% and 3.3%, respectively).

92. In Western Australia, the merged entity will have around 27% by share of loans for business and agribusiness banking. Westpac, ANZ, NAB, Rabobank, and in the case of agribusiness banking, Elders, will all remain as significant competitors.

93. In each local market considered by the ACCC where merger parties overlap in terms of a business or agribusiness presence, a number of competitors offering specialised business banking services will remain post-acquisition.

Impact of the proposed acquisition on wealth management and insurance markets

94. CBA provides wealth management services under its CommSec, Colonial First State and First Choice brands. St Andrew’s is a relatively small specialist provider of wealth management services.

95. The operations of CBA and St Andrew’s in relation to the supply of investment, superannuation and retirement products, and the provision of financial advice. The ACCC found that St Andrew’s has a very small presence in each of the wealth management markets for which it overlaps with CBA, and accordingly took the view that the proposed acquisition is unlikely to raise competition concerns.

K Conclusion

96. The ACCC considers that BankWest has been a particularly vigorous and effective competitor in retail banking markets nationally, especially for transaction accounts, home loans and saving products. However, under the counterfactual it will not continue with its east coast expansion or continue to act as the aggressive competitor it was previously.

97. In the absence of the global financial crisis, and the funding difficulties faced by BankWest’s parent company, the ACCC’s conclusion may have been different. However, with BankWest no longer capable of competing as aggressively, the ACCC found that it is unlikely that the removal of BankWest as an independent competitor would result in a substantial lessening of competition, *relative to the counterfactual*.

98. In Western Australia, the proposed acquisition will significantly increase CBA’s market share, particularly for transaction accounts, but a number of other significant competitors remain. It is likely that the key aspects of the transaction account offer (product manufacture, price, staffing levels and opening hours) will continue to be determined nationally and therefore must reflect national rather than state or local competitive conditions.

99. While the acquisition will result in less consumer or business choice in the local markets where the branch presence of the two banks overlaps, in almost every local area there remains several other competitors with a physical presence in the same suburb, or at least in a major suburb nearby.

100. On the basis of the factors set out above, the ACCC formed the view that the proposed acquisition would be unlikely to result in a substantial lessening of competition in any of the relevant markets.