

Final report corrigendum

Further to the publication of the Mobile telecom sector inquiry final report on 14 March 2016, two typographical errors have been identified with regard to the counterfactual scenarios discussed in the Appendix (p. 42, Table 13 and accompanying text).

On page 42, we have discussed the individual effects of the H3G/Orange and TA/Yesss! mergers relative to a baseline scenario where both mergers are blocked and relative to observed prices.

In the updated version, we have included only the price changes relative to the scenario where both mergers are blocked and distinguished between unilateral and coordinated effects.

This change has been incorporated into the text of the mobile telecom sector inquiry final report that is now available on the BWB website.

13 November 2017

Old version (14 March 2016)

“Alternative counterfactual scenarios. As further scenarios, we consider what would have happened if only one of the two mergers would have been cleared.

Table 1: Alternative counterfactuals.

merger effect	price^a	price^b	consumer surplus
H3G/Orange/Yesss! <i>cleared</i> ^c TA/Yesss! <i>blocked</i>	9.21%	6.27%	EUR -99.3mn
H3G/Orange (w/o Yesss!) <i>cleared</i> TA/Yesss! <i>blocked</i>	11.09%	4.47%	EUR -123.2mn
H3G/Orange <i>blocked</i> TA/Yesss! <i>cleared</i>	11.46%	4.12%	EUR -121.4mn
H3G/Orange <i>blocked</i> ^d TA/Yesss! <i>blocked</i>	14.22%	-	EUR -158.6mn

Price effect in 12/2014 (model 2/I). a) Change relative to observed prices (both mergers cleared).

b) Change relative to baseline counterfactual scenario (both mergers blocked). c) Scenario considered in the TA/Yesss! merger (Zulehner et al 2012). d) Baseline counterfactual scenario.

Recall that price increases are computed as $\% \Delta p_t = 100 \times (p_t^{obs} - p_t^{sim}) / p_t^{sim}$. The price increase of clearing one merger relative to the baseline counterfactual scenario where both mergers are blocked is given by

$$\% \Delta p_t^{alt} = \frac{p_t^{alt} - p_t^{base}}{p_t^{base}} \times 100,$$

where p_t^{base} is the price in the baseline counterfactual scenario and p_t^{alt} is the price in the alternative counterfactual scenario.

In the baseline scenario, observed prices were 14.22% higher than simulated prices. The scenario where H3G/Orange/Yesss! is cleared and TA/Yesss! is blocked was the counterfactual considered in the TA/Yesss! merger. Observed prices were 9.21% higher than simulated prices in this scenario. Relative to blocking both mergers, the price increase from clearing H3G/Orange/Yesss! was 6.27%.

In the scenario where H3G/Orange is blocked and TA/Yesss! is cleared, observed prices were 11.46% higher than simulated prices. Relative to blocking both mergers, the price increase from clearing TA/Yesss! was 4.12%.

These alternative scenarios suggest that the combined effects of the H3G/Orange and TA/Yesss! mergers were considerably larger than the effect of one merger in isolation. Thus, our findings suggest that simultaneous mergers on the same market should be considered jointly.”

Updated Version (13 November 2017)

“Alternative counterfactual scenarios. In order to disentangle the price effects of both mergers, we simulate the price effects of both mergers separately. Table 13 summarizes the results for a logarithmic cost trend (model 2/I).

If only H3G/Orange had been cleared and TA/Yesss! had been blocked, the subscriber-weighted average unilateral price increase from clearing H3G/Orange would have been 4.59% (4% in the pre-paid segment). If H3G/Orange had been blocked and TA/Yesss! had been cleared, the average unilateral price increase would have been only 2.48% (10.54% in the pre-paid segment).

Table 2: Alternative counterfactual scenarios.

counterfactual - both mergers blocked	unilateral effects (conduct=0)	coordinated effects (conduct=0.1463)
H3G/Orange cleared, TA/Yesss! cleared	5.79%	14.22%
H3G/Orange cleared, TA/Yesss! blocked	4.59%	12.90%
H3G/Orange blocked, TA/Yesss! cleared	2.48%	10.61%

Price effect in 12/2014 (model 2/I).

The unilateral price increase from clearing both mergers would have been 5.79% (10.73% in the pre-paid segment). Assuming a conduct parameter of zero pre-merger and a conduct parameter of 0.1463 post-merger, the simulated post-merger price in December 2014 matches the counterfactual price increase of 14.22%, as reported in Table 7. This exercise suggests that the observed price effects might to a large extent be due to coordinated effects.

Continuing this exercise to the counterfactual scenarios, we compute that a conduct parameter of 0.1463 would have led to a price increase of 12.90% if only H3G/Orange had been cleared and to a price increase of 10.61% if only TA/Yesss! had been cleared.”