



Swiss experience: the *non*-merger of Orange and Sunrise

BEREC Workshop on Oligopoly Analysis and Regulation

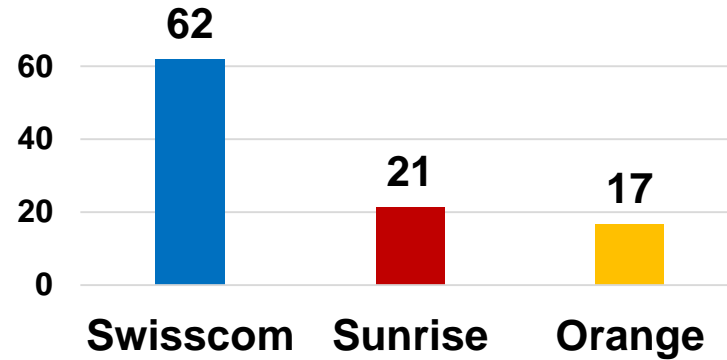
Bern, 25 February 2015

Marc Furrer, President ComCom

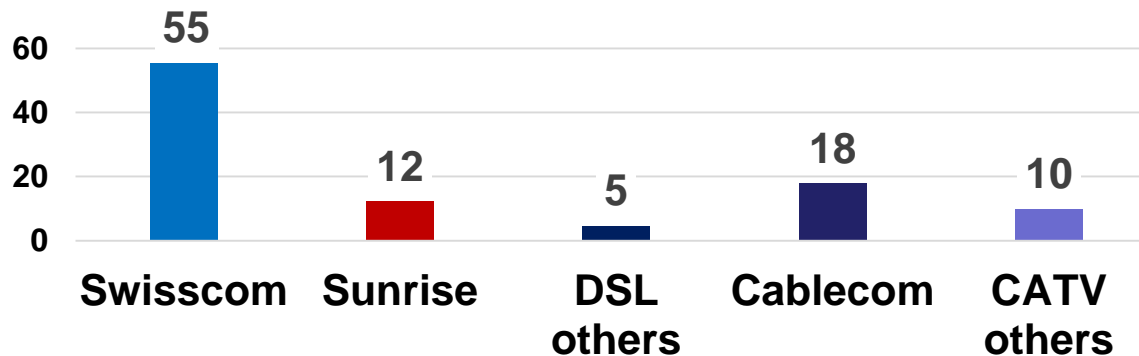


Market situation before merger attempt between Orange and Sunrise

Mobile market shares 2010



Broadband market shares 2010



⇒ Strong market positions of Swisscom



Competition situation (in 2010)

Mobile market:

- **One big and two small mobile operators**
(only some very small resellers)
- **Swisscom is the innovation leader in Switzerland!**
- **Orange and Sunrise are offering lower prices,**
 - ⇒ but too small for fierce competition
 - ⇒ but very high investments in nationwide high quality mobile networks

Handicaps of Swisscom's most important competitors:

- **Orange:** no fix network; high investments,
but low economies of scale
- **Sunrise:** integrated telecommunications provider, high investments
but quite small and therefore low economies of scale
- **Cablecom:** no mobile network



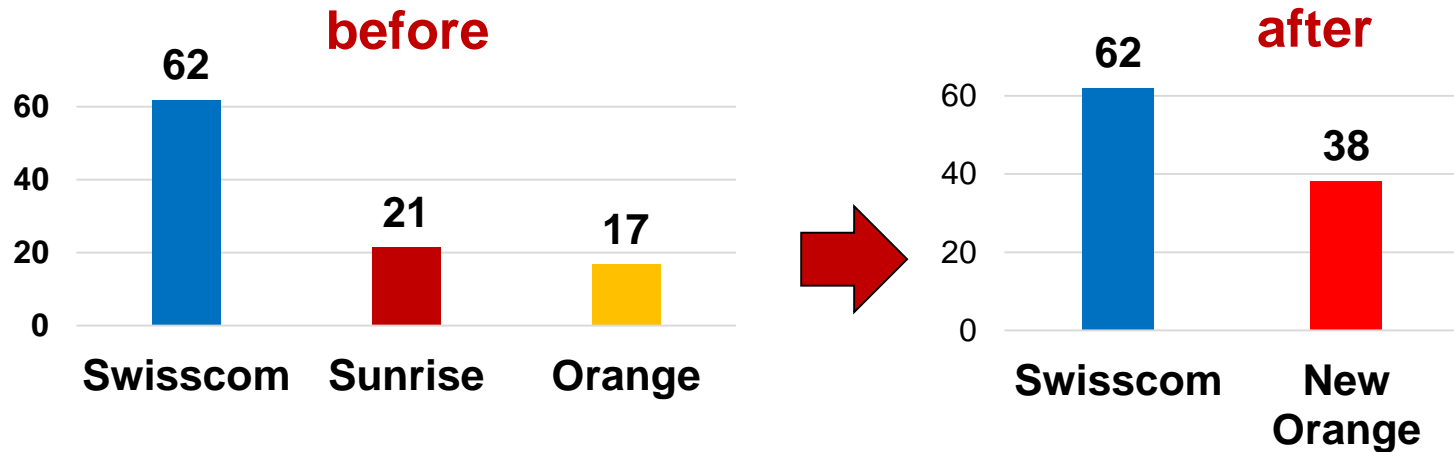
The proposed acquisition & merger

- 1) **Acquisition** of Swiss telecom operator **Sunrise** by **Orange/France Télécom**
- 2) **Merger** of Orange Switzerland and Sunrise



Direct consequences of the merger

Mobile market



Broadband/telephony market

⇒ No immediate effect on market shares in other markets
(as Orange has no fixed network)

⇒ **But promising:**
Global player Orange/France Télécom behind NewOrange



Pros of the merger

NewOrange would benefit from:

- Better cost structure (only one mobile network) and economies of scale
- Much bigger customer base
- Global player Orange/France Télécom as parent company (R&D, knowhow, lower equipment costs, products etc.)

⇒ **Customer would profit from these synergies**

Two strong integrated telecommunications providers:

- **Swisscom**
- **NewOrange** (after Merger with Sunrise)

CATV operator(s) with MVNO:

- Biggest CATV operator Cablecom could become third „quadruple player“

⇒ **Three equally strong integrated provider could foster competition**



Cons of the merger

- ⇒ **Less player in mobile market, only two mobile networks**

- ⇒ Mainly focussing on mobile market the **Competition Commission** banned the merger, because:
 - competition would be reduced as there would be just two mobile operators left (fear of "*collective market dominance*")
 - market entry of a new mobile operator was considered to be "very unlikely".



After the “non-merger”

Competition situation blocked

- ⇒ The only comparable competitor is “upc cablecom” (but without a mobile license)
- ⇒ The two mobile competitors are too small for challenging Swisscom

Missed opportunity for establishing a strong third competitor in the Swiss market

**→ Competition is not about numbers,
it is about individual power of the players**