

The dubious consolidation economics of Frontier Economics

In its report 'Assessing the case for in-country mobile consolidation', prepared for the GSMA, Frontier Economics claimed "...**that there is no evidence that prices increased following the merger**" in Austria

According to Frontier's dubious methodology **unit prices fall even when consumers are asked to pay more Euros every month to purchase the same amount of goods**

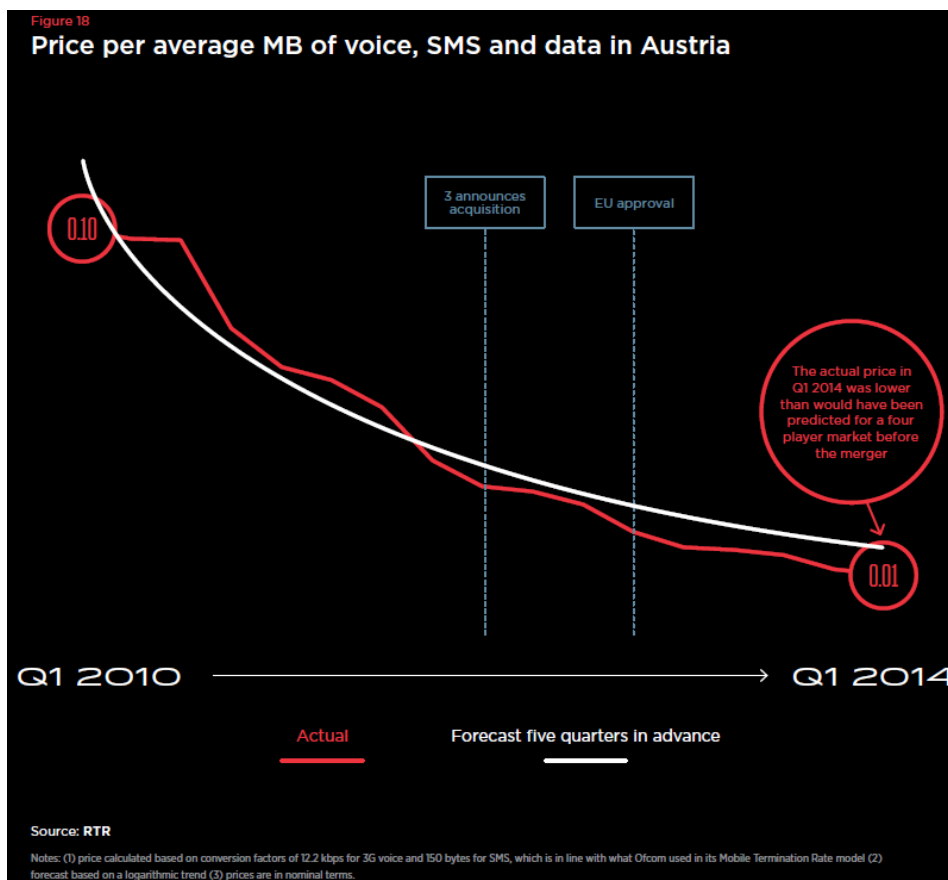
The fact is that before the merger, in December 2012, Austrian consumers paid €11 to purchase a smartphone plan with at least 1,000 minutes/SMS and 2 gigabytes. By February 2015 the price has doubled to €22.

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In February 2015 GSMA published a report¹ prepared by Frontier Economics Limited titled 'Assessing the case for in-country mobile consolidation'. Frontier Economics Limited, hereinafter referred to as Frontier made a number of claims in relation to 4 to 3 consolidation in mobile markets such as "Investment is a key driver of consumer outcomes in mobile and can be affected positively by consolidation" and "Competition authorities' approach may overstate post-merger price increases".

In this flash report we put under the microscope Frontier's claim "...**we set out the empirical evidence from Austria and show that there is no evidence that prices increased following the merger**" and the dubious methodology behind it.

Exhibit 1: Actual and predicted (absent of the merger) mobile unit prices in Austria between Q1 2010 and Q1 2014 calculated in accordance with Frontier's methodology



Source: Assessing the case for in-country mobile consolidation, a report prepared for the GSMA by Frontier Economics Limited

¹ <http://www.gsma.com/publicpolicy/wp-content/uploads/2015/02/Assessing-the-case-for-in-country-mobile-consolidation-in-emerging-markets-report.pdf>