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TACIT VERSUS OVERT COLLUSION : IS THERE A “YALTA” ON THE FRENCH MOBILE PHONE MARKET ?

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ABSTRACT :

Tacit collusion amounting to mere “conscious parallelism”, without actual agreement, is not prohibited under Section 1 of the Sherman Act nor under Article 82 of the EC Treaty and it is unclear whether economists have any special expertise to distinguish between the two kinds of “agreements”. In this study, we try to develop an econometric methodology aimed at testing whether collusion is tacit or overt and to validate the recent decision of the French competition authorities finding all three French mobile phone operators guilty of collusion. More specifically, we test whether (as suspected) the three operators have entered a “Yalta” aiming at reducing competitive pressures on the market by discussing their market strategies and exchanging confidential information based on their customers’ files. Our econometric test is based on the following principles : in case of tacit collusion, the operators have at their disposal some pieces of information which are specific to them and that they do not share among each others. These specific pieces of information are introduced as random terms specific to each operator and each date affecting a parameter of demand in a model of vertical differentiation (a synthetic index of the level of phone services for the talk plans is thus build). As a result, the panel model associated with the game in prices encompasses a random coefficient which depends on the operator and on the date. Conversely, we show that in case of overt collusion, information sharing leads to a panel model with a random coefficient per date which is identical whatever the operator. In other words, the idiosyncratic part of the coefficient disappears. Moreover, the regressors differ according to the type of collusion considered. The distinction between the two types of collusion thus relies on a test between two non nested panel models.

JEL classification : C23, L13, L41

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