19 April 2016: Overseas Mobile Telephony

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**The *Autorité de la concurrence* fines Altice/Numericable group for non-compliance
with some of the commitments linked to the divestiture of Outremer Telecom's mobile telephony business
made at the time of its acquisition of SFR.**

> Version française

Having observed the non-compliance by the Altice/Numericable group with several obligations related to the commitment to divest mobile phone activities of Outremer Telecom (Only) in La Réunion and in Mayotte, made at the time of its acquisition of SFR, the *Autorité de la concurrence* has decided to impose a fine of **15 million euros**.

The commitment made by the Altice/Numericable group to the divestiture of its Outremer Telecom mobile telephony in La Réunion and Mayotte

On 30 October 2014, the *Autorité de la concurrence* authorised the Altice/Numericable group to take exclusive control of SFR. In order to address the significant market power that Numericable and Altice would acquire in mobile telephony in the Indian Ocean (66% market shares in La Réunion, 90% in Mayotte), Altice and Numericable have committed to divesting their Outremer Telecom mobile telephony activities in La Réunion and Mayotte. In particular, Altice and Numericable made a commitment, in the run-up to divestiture, to maintain the viability, market value and competitiveness of this business[1]. They also made a commitment not to interfere with the management of the divested

concerns.

By increasing the price of Outremer Telecom's mobile telephone subscription prices in La Réunion and Mayotte, the Altice/Numericable group failed to respect its commitments

During the period in which these commitments applied, the mobile phone subscription rates, including some of those sold most widely such as Rife 2h and Next 2 Illimité, underwent significant increases of between +17 % and +60 %. These took place after the *Autorité*'s decision to grant conditional authorisation of Numericable's acquisition of SFR.

These price increases put the competitiveness of Outremer Telecom's offer at considerable risk, by giving customers the opportunity to terminate their current subcription without any charge (in January 2015, cancellation rates were three times higher than those recorded on average in 2014) at a time when competitors, SRR and Orange, had just repositioned their pricing to a lower level.

These price increases, which have had a negative impact on Outremer Telecom's image, constituted a reversal in the divested activity's commercial strategy, which until then had always been geared towards capturing new customers on the basis of aggressive pricing.

This breach of the commitments undertaken was aggravated by the fact that the *Autorité* was never informed of the decisions to increase prices and that the decisions were only cancelled after the procedure for non-compliance with commitments was initiated. Furthermore, these changes in commercial policy were decided while Altice Numericable had committed to appointing an independent manager for the period prior to the divestiture of the company and was aware that, in the meantime, the divested concerns had to be managed as though by this independent manager.

The practices implemented by the Altice/Numericable group were of a serious nature and called for the imposition of a fine

The price increases were of an unprecedented form and extent for an operator in Outremer Telecom's situation in La Réunion and Mayotte as they did not only affect new customers but also existing customers - an extremely rare practice from a commercial point of view.

The Altice/Numericable group thus ignored the basic obligations aimed at ensuring the effectiveness of the commitment to divest Outremer Telecom's mobile telephony concerns and which were therefore essential for maintaining competition.

In the light of these elements, the *Autorité* has imposed a fine of 15 million euros.

[1] The Autorité has approved in june 2015 the sale to the firm Hiridjee of the Outremer Telecom mobile operations.

> See decision 16-D-07 of 19 April 2016

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> See decision of the Conseil d'Etat - 31 March 2017