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Spectrum news, research and training

Will Switzerland's upcoming multi-band auction rebalance its mobile market?

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NERA consultant Richard Marsden has suggested the upcoming procedure could provide an opportunity to rebalance the "asymmetric" mobile market in the country.

Spectrum licences currently held by Swiss mobile network operators (MNOs) in the 800 MHz, 900 MHz, 1800 MHz, 2.1 GHz and 2.6 GHz bands are due to expire at the end of 2028. The country's three incumbent operators – Swisscom, Salt and Sunrise – have all indicated they want them to be renewed.

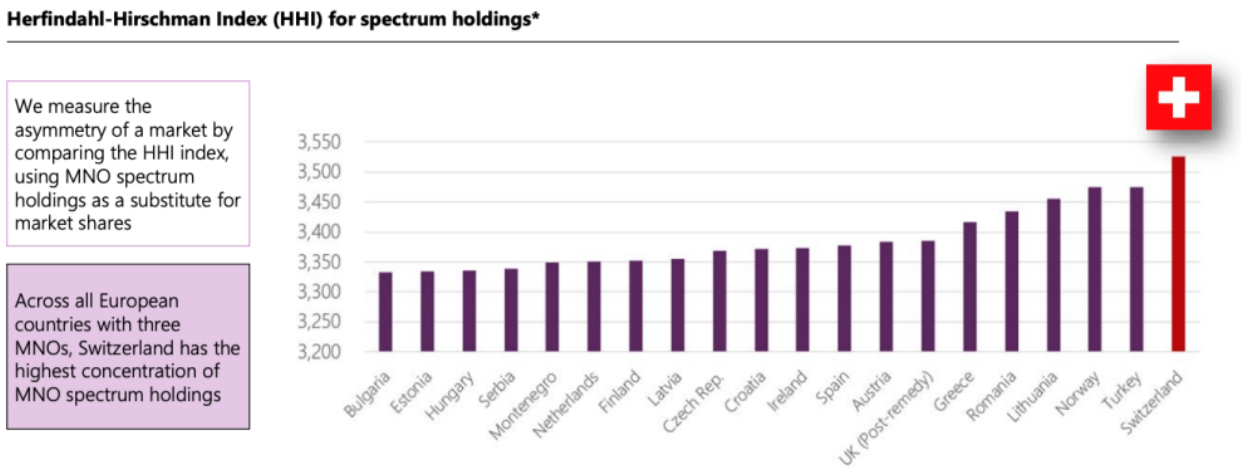
> Marsden said the two previous auctions were to blame for the spectrum asymmetry

Yet, the communications regulator, ComCom, has said that assuming there is excess demand for the frequencies, it wants to hold an auction. Given that over half of the spectrum is about to expire, a reassignment of this size could have significant market implications.

At a recent spectrum auction conference held at the University of Zurich, NERA Managing Director Richard Marsden said the upcoming procedure could be an opportunity to rebalance the Swiss mobile market. Marsden is also advising Sunrise, one of the smaller incumbent MNOs.

Spectrum asymmetry

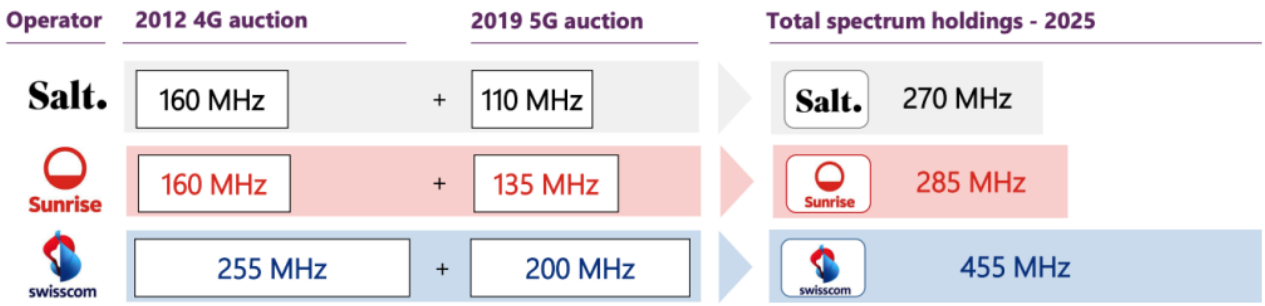
"Switzerland probably has the most asymmetric allocation of spectrum in Europe," said Marsden, pointing to a graph which shows that Switzerland ranks as the most unequal spread of spectrum amongst three-player markets when measured using the Herfindahl–Hirschman index (HHI).



Switzerland spectrum asymmetry (*Source: NERA*)

The Swiss MNOs are also unequal in other ways, said Marsden. Swisscom is the clear market leader with a market share of 52.7%, and it has roughly twice as many network sites as its competitors, Salt and Sunrise. Swisscom's turnover is also more than double that of its competitors.

Marsden said the reason for the spectrum asymmetry is the format of the previous two auctions – in 2012 and 2019 – which he says exacerbated the problem.



The impact of the previous two auctions (*Source: NERA*)

"In asymmetric situations, you're quite likely to get these outcomes where the big bidder gets more," said Marsden. "I would question, to be honest, whether either of these outcomes was really fully efficient."

He added that the issue arises because spectrum auction literature assumes a "degree of symmetry" between MNOs. If, in reality, operators are unequal, "you could have some issues".

What format should Switzerland adopt?

Marsden said that if ComCom were to use a "vanilla" auction format for the upcoming procedure, it could risk making the situation more unequal. He floated the idea of a part-renewal, whereby some of the spectrum bands on offer are renewed, while others are assigned at auction.

Another alternative could be a dual-step auction. This format, which has been promoted by economic consultancy DotEcon, has been tried in some European countries, such as for the Netherlands' 2024 auction of the 3.5 GHz band.

> It’s the job of the regulator to reach the right balance

It involves two stages, the first of which allows operators a chance to gain a “base block” of spectrum that ensures business viability, while the second stage is more competitive and allows for differentiated spectrum strategies.

In the case of the Netherlands, the first stage was a single round sealed bid for three 60 MHz blocks, which all three operators won. This was followed by a second-stage auction where 10 MHz blocks were put on sale.

“It’s an interesting idea for Switzerland,” said Marsden. “You could have three packages to ensure three viable MNOs. But the devil is in the details. How are you going to structure the amount of spectrum in this first stage? I think you’d need to think about what holdings MNOs have outside of the auction.”

Is asymmetry always a bad thing?

Following Marsden’s presentation at the conference, there was some discussion challenging the idea that asymmetry in spectrum holdings is inherently a problem. Marsden himself acknowledged in his presentation that UK regulator Ofcom believes that differences in spectrum holdings “can be a source of competitive differentiation”.

“If we believe in a world where we are saying that symmetry in network capability and, by implication, symmetry in spectrum is beneficial, then I think there’s clearly a question about whether we believe in network service differentiation,” said Richard Feasey. He works at the UK Competition and Markets Authority but was speaking in a personal capacity.

Feasey says that this is particularly relevant now, as tower companies are consolidating network assets, leaving only spectrum as the final differentiating factor. “In my view, there are certain circumstances under which spectrum asymmetries drive very positive dynamic effects,” he said.

“The relationship between asymmetry and competition is likely to be complex,” said Luis Gaspar, Director General for Regulation at the Portuguese regulator Anacom. “As with so many other things in economics, it’s probably U-shaped. If you have too much symmetry, you could have problems in terms of competition.”

“But of course I also agree that if asymmetry is too large, then operators with a smaller amount of spectrum will face the risk of becoming capacity constrained,” added Gaspar. “It’s the job of the regulator to reach the right balance.”•