To: Competition and Markets Authority
From: Balanced Economy Project
Date: 8th February 2024
Subject: **Vodafone / CK Hutchison JV merger inquiry**

The Balanced Economy Project welcomes the opportunity to submit views about the impact that the proposed merger could have on competition (c.f. Vision, values and strategy for the CMA) in the UK. Below we argue that the proposed merger would reduce competition in the mobile network operators market, lead to higher consumer prices, would not deliver on promises of increased investment, and would result in significant job cuts in the UK. Together, these outcomes would bring highly negative impacts on competition in the mobile operators market should a merger be approved.

Reduce competition in the mobile network operators market

The merger will “create a third operator with scale” to take on the biggest firms, EE and O2, and will have wider coverage. But it is still a reduction from four to three. Research demonstrates the optimum number of mobile network operators for consumers is not four, but six. The solution should be breakups of dominant market players, not mergers.

Higher customer prices

An investigation co-authored by Tommaso Valletti, professor of economics at Imperial College and the former chief competition economist at the European Commission, estimates that a Vodafone/Three merger could raise average UK mobile bills by £50 - £180 a year – equivalent to taking up to £12bn from UK consumers (not just Vodafone customers) in mobile bills, annually. Most people have bundled packages that also include landline, fixed broadband and TV services, potentially raising the costs further.

Indeed, research just released (February 2024) indicates that consumers in the UK could see their monthly bills rise by 26% to 51% on average. Those that subscribe to mobile plans with large or unlimited data could see their monthly cost double after the expiration of their current contracts.

Stagnant investment

Telecoms companies routinely argue that mergers lead to more investment overall. Similar mergers have not demonstrated this. For example, the T-Mobile/Sprint merger in the US in 2019, reduced the number of MNOs from four to three; the firms promised more investment and consumer benefit. Post-merger, the CEO of DT (T-Mobile’s parent) celebrated “it’s harvest time.” The deal delivered major rewards for their shareholders and CEOs, resulting in billions in consumer harms. It is widely regarded as a failure, even a scandal.

Job cuts

Mergers will inevitably lead to job losses in both companies, in the name of “efficiencies”. Unite research has found that a merger would reach a staggering loss of 1,600 jobs in the UK if the merger goes through.

We trust you will take these serious concerns into account in your investigation into this merger.

Yours faithfully,

Balanced Economy Project