Business and Trade Committee
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Competition Market Authority
By e-mail

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To whom it may concern

Vodafone and Three merger – implications for competition

I am writing in my capacity as Chair of the Business and Trade Committee regarding the merger of Vodafone and CK Hutchinson (Three) and your decision as to whether it should progress to a phase 2 assessment.

As you may already be aware the Committee held an evidence session in October 2023 with Vodafone and Three Executives, economists, mobile specialists, and Unite the Union. The session looked at the implications on competition if the merger were to take place. I also led a backbench business debate in December 2023 on this matter, where I further raised issues around competition and national security.

I attach a copy of both transcripts for your attention. In particular, the Committee would like to highlight the following:

- Three and Vodafone have argued that merging will eliminate duplicate investment, expand capacity and enable the merged entity to compete at an infrastructure level. Yet economist Professor Valletti told us in our October evidence session that he has found no evidence that consolidating networks increases investment.
- Further to this, questions were raised as to whether efficiencies made from merging have been over emphasised. For example, Vodafone said the merger will result in £700 million of annual savings by year five, yet they have promised £6 billion of investment in the first five years. Unite have questioned whether prices will be raised for consumers to fund this investment.
- Three and Vodafone told us that they do not plan to increase prices for consumers if they merged. However Professor Valletti's research has found that prices decline slower in markets with three MNOs compared to those with four MNOs.
- Vodafone and Three argued that there is strong competition in the Mobile Virtual Network Operator market and that, as a merged entity, they will be in a better position to compete for these contracts, increasing wholesale competition. As MVNOs tend to cater towards the lower end of the market, Professor Valletti argues that the role of MVNOs is limited as catering towards the lower end of the market will mean revenue will be lower.

Given the significant doubts raised by witnesses on the benefits of merging, the Committee believes that a merger would result in a substantial lessening of competition. As such, the Committee believes that the CMA has a duty to launch an in-depth (Phase 2) assessment.

I trust that you will take this evidence into account when making your decision. I look forward to your response, which I will share with the House of Commons.

Yours sincerely

Liam Byrne

Chair of the Business and Trade Committee