
Vodafone and Three (H3G) Merger



Prosper Omopariola



Context

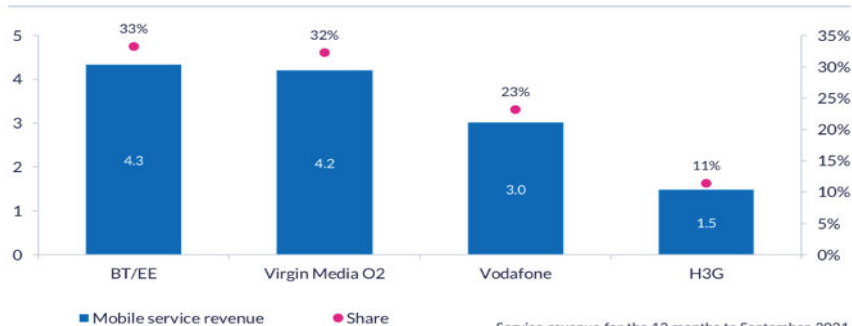
- Vodafone and 3 are the UK's 3rd and 4th largest mobile providers
 - In 2015, 3 wanted to merge with O2, however, the deal was blocked by Ofcom
 - The merger was then appealed and overturned by the European Commission in May 2016- concerns over the welfare of consumers
- However, the decision was annulled in 2020 - the European Court of justice on these grounds
 - 'A failure to establish Three as an important competitive force'
 - A failure by the commission to show that the merger 'would significantly impede effective competition'



Vodafone/Three Merger

- What do we know about the Vodafone-Three Merger?
 - After the annulment of the Three-O2 merger, and after the settlement of Brexit, Three have been looking to merge with another network company - O2, combining two smaller network providers accounting for 23% and 11% of mobile service revenue for the last 12 months to September 2021
- What institutions would be involved?
 - As the UK has left the EU, the main body which would approve this merger is the CMA

Figure 2: Mobile service revenue (£bn)



Service revenue for the 12 months to September 2021.
[Source: Enders Analysis, company reports]



Aims to protect consumers – good products at low prices

Now has jurisdiction to investigate mergers affecting the UK



**COMPETITION
AND MARKETS
AUTHORITY**

Investigate mergers between organisations to preserve competition

Competition regulator in the UK

Non-ministerial government department



Why is Competition So Important?

Drawbacks of weak competition:

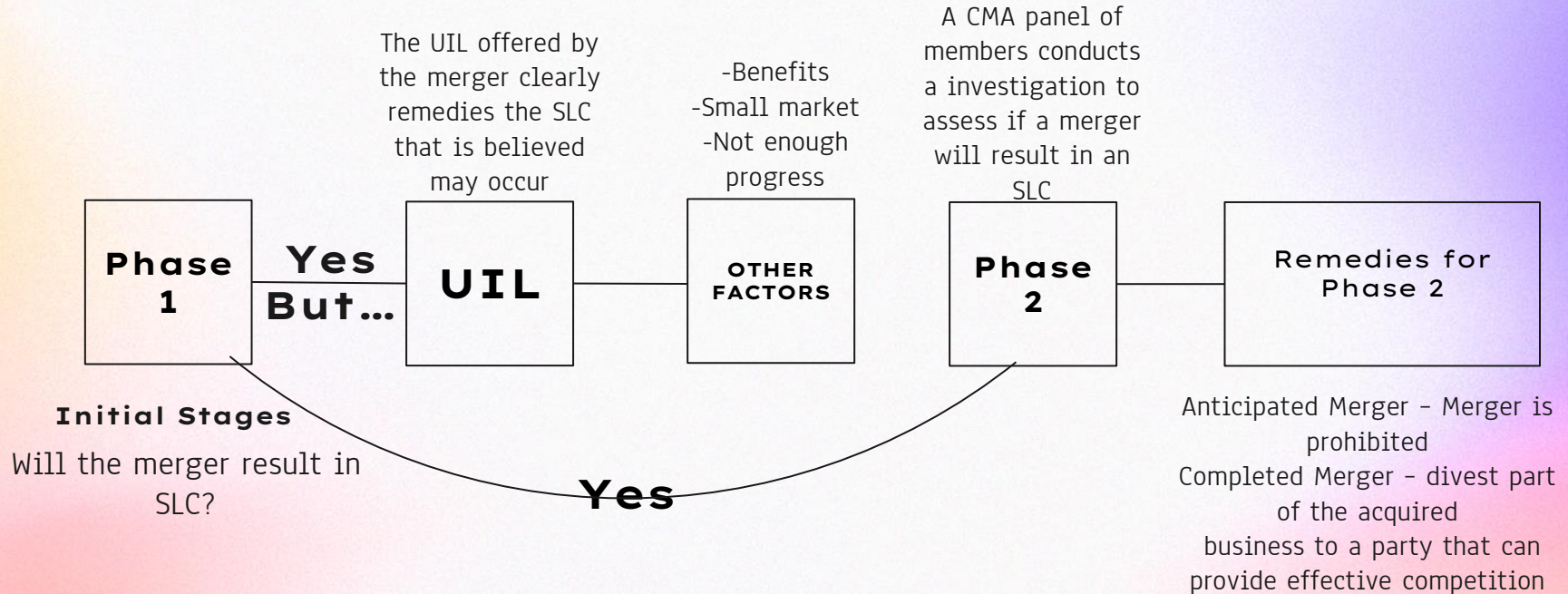
- Higher prices with lower quality products raises the cost of living
 - reduces choice
- Weaker productivity due to inefficiency

Benefits of strong competition:

- Helps make UK Companies stronger in comparison with global companies



Stages of a CMA Merger Investigation



What Could Happen If They Merged?

- Number of primary network operators reduces from four to three - decrease in competition
- Compromise of business selling points -> dissatisfied consumers
 - Three = low cost
 - Vodafone = premium
- Complications with other networks
 - Vodafone with O2
 - Three with EE
- Increase in share prices of the companies
 - Jan 2022 - Vodafone share price increased by 5.3%



What is in the Future for Three?

- Expansion of Scale:
 - Extension of Fixed Wireless Access
- Potential merger with Vodafone
 - Highly unlikely due to connections with other network providers
- Negative spiral of poor investment
 - Small scale - low prices - decreasing revenue
- Plans to Switch Off 3G Mobile Service by 2024
 - Cut a percentage of their customers - may prove detrimental unless 5G is widely used

