

Response to the issue statement proposed merger between Vodafone Limited (VUK) and Hutchison 3G UK Limited (3UK)

Ericsson believes there are benefits to the UK of the proposed merger between Vodafone UK and Three UK. It can foster a more sustainable market structure to secure a return on investment for digital infrastructure and attract increased capital into the network. Consolidation is broadly seen as a pivotal measure towards helping operators to attain the necessary scale for expanding their future network infrastructure. Consequently, it should facilitate the delivery of the high-quality service, high bandwidth, and extensive coverage needed to fully harness the economic and social benefits of nationwide 5G standalone (5G SA) networks.

The potential merger offers the prospect of significant cost efficiencies and economies of scale, which will increase financial stability. This will permit more effective expansion of network coverage, capacity, and quality of service, both indoor and outdoor. Network expansion is crucial, particularly in underserved or remote areas where the digital divide persists. The economies of scale could enable the merged entity to invest in upgrading and enhancing its services. This in turn should lead to better mobile coverage and performance sooner across the UK. OpenSignal, a global provider of independent insight of user network experience, issued a report in March 2024 assessing the impact of the merger on network coverage, "Vodafone and 3 set to create UK's leading mobile coverage network post-merger"¹. The report compares the extent of coverage of the two networks today and the improvement in coverage post-Merger.

Building out ubiquitous, high performing, digital infrastructure is key to the UK's future competitiveness, technology leadership and decarbonisation ambitions. Mobile networks are a fundamental pillar to support the digitalisation of public services, transport, utilities, driving economic security and delivering the £159 billion of productivity benefits by 2035², cited in the Department for Science, Innovation & Technology Wireless Infrastructure Strategy (WIS)³ announced in April 2023. Insufficient investment in mobile infrastructure hampers this crucial digital transformation of the public sector, industries, and businesses.

In a recent report for the Digital connectivity Forum (DCF), "Why the UK needs to use Advanced connectivity", Analysys Mason documented several connectivity benefits that will support economic growth, social wellbeing, and environmental sustainability. The analysed scenarios span a range of applications including remote health monitoring, connected ambulances, advanced rail connectivity, electrification of transport in particular management of the charging network, monitoring of industrial equipment and crop phenotyping to improve agricultural production and food security. The identified use cases are a small cross section of the benefits that will be delivered through high performing digital infrastructure underpinned by 5G SA. This high performing infrastructure is not only required in cities but across all populated areas, transport routes and agricultural regions.

¹ OPENSIGNAL report March 2024, [Vodafone and 3 set to create UK's leading mobile coverage network post-merger](#).

² Report for Department of Digital, Media & Sport – [Realising the benefits of 5G August 2021](#)

³ Department for Science, Innovation & Technology – [UK Wireless Infrastructure Strategy April 2023](#)



The pace of technological advancements in the telecommunications sector is rapid, particularly with the deployment of 5G and beyond. New players and technologies are continually emerging in the telecoms value chain, this includes the Hyperscalers, System Integrators, Neutral Hosts, and Tower Cos. The telecoms value chain is expected to expand as industry verticals and businesses adopt 5G to underpin their digitalisation journey. The merger is not expected to impede the development of innovative solutions, and competition is likely to continue to evolve.

With the increase of data, cloud and AI based digitalisation, services using differentiated 5G SA connectivity will have greater demand on the performance and quality of service required of the network. Global benchmarks give an indication of the quality of service experienced within countries and across regions and it is useful to understand where the UK ranks in global benchmarking. The Ookla Speedtest Global index⁴, a source for assessing and ranking network performance, quality, and coverage globally, illustrates an interesting trend. Several nations with three or fewer mobile network operators (MNOs) consistently rank high in terms of network performance. The OpenSignal report from February 2024⁵ positions the UK as ranked 29th out of 34 European countries for mobile download speeds.

The association between Average Revenue Per User (ARPU) and the count of MNOs, reveals that the connection between the number of MNOs and pricing and service packages offered, does not consistently exhibit a direct correlation. The GSMA report, Competition dynamics in mobile markets November 2022⁶, has analysed the difference between three and four player markets in terms of network performance and ARPU. The report found that four-player markets, experienced lower investment as a proportion of revenues and per connection, and did not improve service quality (download, upload, latencies) to the same degree as three-player markets. The report also found that there is no statistically significant relationship between market structure and ARPU as a proxy for consumer prices.

Analysis of ARPU at a global, regional, country and operator level demonstrates that ARPU does not have a direct correlation with the number of MNOs in country. The Omdia Mobile Forecasts summary April 2024⁷ a global analysis and forecast of revenue, subscriptions, ARPU and mobile traffic, on a country basis, shows cases of four-player markets with higher ARPU than those of countries with three or less players. Numerous factors contribute to variations in ARPU, including population size, IoT adoption, the balance between enterprise and consumer subscriptions, mobile data usage, and the pace of technology adoption, among others.

About Ericsson

Ericsson enables communications service providers to capture the full value of connectivity. The company's portfolio spans Networks, Digital Services, Managed Services, and Emerging Business and is designed to help our customers go digital, increase efficiency, and find new revenue streams. Ericsson's investments in innovation have delivered the benefits of telephony and mobile broadband to billions of people around the world. The Ericsson stock is listed on Nasdaq Stockholm and on Nasdaq New York. www.ericsson.com

⁴ Ookla [Speedtest Global Index Median Country Speeds](#)

⁵ OPENSIGNAL report February 2024, [Mobile network speeds leaped ahead in 2023, but some markets lag behind.](#)

⁶ GSMA report November 2022 [Competition dynamics in mobile markets November 2022](#)

⁷ Omdia report April 2024, [Mobile forecast Summary](#)