

# UK telecoms tower merger risks higher mobile costs

Cellnex is an independent supplier of telecommunications infrastructure, currently active across several European countries. CK Hutchison is a multinational conglomerate that currently owns and operates the Three mobile network in the UK.

The proposed deal, in which Cellnex has agreed to buy CK Hutchison's UK passive infrastructure assets forms part of a broader set of transactions – worth £8.6bn (€10bn) in total – involving the sale of CK Hutchison's assets in several European countries. Passive infrastructure assets are structures, such as towers and masts, that mobile network operators and other wireless communication network providers attach electronic equipment to in order to operate their networks. This includes the sites that the structures are built on.

The Competition and Markets Authority (CMA) launched an inquiry into the proposed deal in May 2021 and it was referred for an in-depth investigation by an independent inquiry group in July.

At present, Cellnex is one of only 2 large independent suppliers of passive infrastructure in the UK, having established a market-leading position through the acquisition of the telecommunications division of Arqiva in 2020. The only other supplier with a similar presence is Cornerstone Telecommunications Infrastructure Limited (CTIL), a Joint Venture between O2 and Vodafone that was originally set up to provide services for its parent companies but became an independent supplier in early 2021.

Like many telecoms operators, CK Hutchison has historically used its passive infrastructure assets mainly to service its own telecoms business but has, in recent years, considered how to commercialise these assets, including by selling them to an independent supplier of telecommunications infrastructure. The commercialisation of these assets is intended to help CK Hutchison pursue its broader commercial objectives, including contributing to funding the development of its UK mobile network.

Having reviewed a range of evidence in relation to CK Hutchison's internal decision-making, the CMA has provisionally found that, if the deal with Cellnex had not been agreed, then CK Hutchison's passive infrastructure assets would most likely have been sold to an alternative buyer. This evidence shows that CK Hutchison had a range of options to commercialise these assets and that the deal with Cellnex was not the only option available to it to pursue its broader commercial objectives.

The CMA's investigation has provisionally found that the sale of the CK Hutchison business to Cellnex may raise significant competition concerns. In particular, the sale of this business to Cellnex, rather than an alternative

buyer, may prevent the emergence of a third major national player – instead leaving a duopoly in which Cellnex and CTIL would account for over 90% of the market. This may materially reduce competition to supply the infrastructure requirements of mobile networks in future contract negotiations, running the risk of those networks facing higher prices and more onerous contracts.

As a result, the CMA has provisionally concluded that the sale of CK Hutchison's assets to Cellnex, rather than to an alternative buyer, would lead to a substantial lessening of competition. The CMA is concerned that this could result in higher prices or lower quality services for mobile network operators, with a knock-on adverse impact for users of mobile networks across the UK.

Richard Feasey, Chair of the independent inquiry group, said:

Mobile phones are an essential part of everyday life for people and businesses. This deal may prevent the emergence of a third major national provider of the critical infrastructure on which mobile operators depend, leaving them with only a choice of only 2 major suppliers. Less competition could mean higher prices or worse terms for both mobile operators and their customers.

The CMA is now inviting submissions on its provisional findings by Friday 14 January 2022 and its notice of possible remedies, which sets out potential options for addressing its provisional concerns, by 7 January 2022, ahead of a final decision by Monday 7 March 2022.

For more information, visit the [Cellnex / CK Hutchison merger inquiry page](#).