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Input regarding the evaluation of the Merger Guidelines

Call for evidence: Merger Guidelines

Delivered by Teleindustrien (Telecom Industry Association Denmark)

Teleindustrien appreciates the opportunity to contribute to the Commission's evaluation of the Horizontal and Non-Horizontal Merger Guidelines (jointly the Merger Guidelines).

Europe is facing a serious situation with an increased threat level, which means it is necessary across all areas of society to prioritize investments in security and resilience. The telecom sector is no exception. It is essential to prioritize investments in network security and resilience so that companies can manage both cyberattacks and physical attacks on infrastructure. At the same time, to strengthen our competitiveness and support the green transition, it is vital to make substantial investments in the expansion of digital infrastructure, improved 5G and fiber coverage, and increased network capacity.

With the growing investment pressure – and given that access to capital is not unlimited – there is a risk that necessary investments in security may come at the expense of investments in digital infrastructure, thereby undermining investments that could enhance European competitiveness and support the green transition.

Common European regulatory frameworks should support market consolidation, enable economies of scale, strengthen security, and promote innovation. Stimulating investments should be an explicit goal for the revision of the Merger Guidelines.

Regulation must stimulate investments

Investments in the telecom industry are crucial for the development of electronic communications networks and services across the EU. However, the challenge today is that both in Denmark and in the rest of Europe, the market is characterized by a lack of scale. At the same time, companies' returns are characterized by being very low. This reduces companies' ability to continue crucial investments in critical infrastructure.

Draghi was very clear – scale is essential to promote investments and ensure that Europe can compete globally. Strengthening digital infrastructure in the EU and Denmark requires increasing investments and strong players who can ensure the necessary robustness and security in the networks. Greater consolidation of network infrastructure in the sector can help create economies of scale and establish the conditions and incentives for the necessary investments to future-proof critical societal infrastructure.

The existing EU merger rules focus narrowly on consumer prices and do not consider other vital factors such as investments in infrastructure security, which are also beneficial to consumers and society.

Therefore, we recommended that the European Commission's Merger Guidelines be revised to ensure that merger assessments include a holistic approach, taking into account investment in increased security, sustainability, and innovation – equally with consumer prices. We believe that in-market consolidation related to digital infrastructure is essential for unlocking economies of scale and generating efficiencies. By merging resources and operational streamlining the industry can unlock resources that are vital for the much-needed investments. In essence, increased in-market consolidation should be seen as a catalyst for growth, rather than a deterrent to competition.

We believe, as underlined in the Letta report, that in-market consolidation is the prerequisite for cross-border consolidation. In-market consolidation can lead to lower costs, better quality, and faster delivery times, ultimately benefiting consumers. However, potential cross-border synergies will most likely be less significant compared to the benefits of in-market consolidation. Also, we agree with the Commission's stance that consolidation in the market has never been a problem from a competition standpoint, given the national dimension of the EU electronic communications markets.

In summary, we believe that consolidation and integration in the telecommunications industry can promote growth, development and efficiencies across the EU market.

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