

Mergers

Draft revised merger efficiencies guidance

Consultation document

3 June 2026

© Crown copyright 2026

You may reuse this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence.

To view this licence, visit www.nationalarchives.gov.uk/doc/open-government-licence/ or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gov.uk.

Contents

1. Executive summary.....	2
2. Background to the Draft Revised Guidance.....	5
3. Updates relating to the CMA’s analytical approach to rivalry-enhancing efficiencies (Call for Evidence Theme 1).....	6
Introduction	6
The CMA’s framework for assessing rivalry-enhancing efficiencies.....	6
Introduction	6
What we learnt from our review	7
CMA’s proposed changes.....	11
The evidence-base	15
Introduction	15
What we learnt from our review	15
CMA’s proposed changes.....	16
Dynamic efficiencies and innovation	17
Introduction	17
What we learnt from our review	18
CMA’s proposed changes.....	20
4. Updates relating to the CMA’s efficiencies process (Call for Evidence Theme 2)	22
Introduction	22
What we learnt from our review	22
CMA’s proposed changes.....	23
5. Consultation process	25
How to respond.....	25
Questions for consideration	25
Compliance with government consultation principles.....	25
Statement about how the CMA uses information and personal data that is supplied in consultation responses.....	26
After the consultation	27

1. Executive summary

- 1.1 The CMA's purpose is to promote competition and protect consumers with a clear end goal – to drive economic growth and improve household prosperity.¹ The CMA's merger control function is part of its general duty to seek to promote competition for the benefit of consumers.²
- 1.2 Following extensive engagement with businesses and investors, and in line with the Government's Strategic Steer,³ the CMA has recently introduced a '4Ps' framework to help us improve the way UK merger control operates. These 4Ps – pace, predictability, proportionality, and process – are designed to support growth, investment and business confidence in the UK's competition regime. We have been delivering a programme of work to deliver the 4Ps framework across our merger control function, including updates and clarifications to our approach to jurisdiction, remedies and global deals.⁴
- 1.3 As part of this programme, earlier this year we launched a review of our approach to the assessment of rivalry-enhancing efficiencies in mergers (the **Merger Efficiencies Review**). We are now consulting on proposed changes to our approach. The draft revised guidance issued alongside this consultation document is referred to as the **Draft Revised Guidance**. It is intended to replace the text currently in paragraphs 8.2 to 8.27 of the Merger Assessment Guidelines (CMA129) (the **MAGs**), which sets out the CMA's substantive approach to merger assessment.
- 1.4 The key changes proposed in the Draft Revised Guidance are summarised below.

Summary of our proposed changes

1. The Draft Revised Guidance is intended to provide **greater detail and clarity** on efficiencies than the current MAGs. This includes dedicated sections explaining (i) situations when efficiencies can arise, (ii) the types of evidence the CMA will consider, and (iii) when and how merger firms should engage with the CMA on efficiencies.

¹ [Competition and Markets Authority - GOV.UK](#)

² Section 25(3) of the Enterprise and Regulatory Reform Act 2013 (the ERRA13).

³ [Strategic steer to the Competition and Markets Authority – GOV.UK](#)

⁴ In October 2025, the CMA published updated [Guidance on the CMA's Approach to Jurisdiction and Procedure \(CMA2\)](#), which embeds the 4Ps framework into our merger process, and clarifies our approach to multi-jurisdictional mergers. Following a public consultation, revised Merger Remedies Guidance was published in December 2025: [Merger Remedies \(CMA87\)](#).

2. The Draft Revised Guidance clarifies that the CMA will apply a **consistent approach in assessing evidence** regarding the potential competitive harms and benefits of a merger. However, as stated in the current MAGs, the CMA will take efficiency claims into account only when they are supported by **verifiable evidence**. In assessing the evidence, the CMA is likely to place greater weight on materials generated during the ordinary course of business.
3. The Draft Revised Guidance clarifies how the CMA will apply its analytical framework, including in relation to **dynamic efficiencies** (which can increase merger firms' ability and/or incentive to innovate, invest or undertake research and development (R&D)). In particular:
 - a. **Merger specificity**: The CMA will consider the feasibility of alternative ways to achieve the claimed benefits, and whether it would be commercially rational for the merger firms to pursue them.
 - b. **Timeliness**: The CMA recognises that different types of efficiencies may be realised over different timeframes and will have regard to the market-specific context, including investment and innovation cycles in the relevant industry. Where relevant, the CMA will apply appropriate discounting to expected future gains and consider the interaction of the timeliness of expected efficiencies with the timing of harm arising from the merger.
 - c. **Uncertainty**: There may be some uncertainty about the outcome of investment or innovation efforts, and in such cases, the CMA may therefore consider whether the merger is likely to strengthen the process of dynamic competition in a timely manner, for example by increasing the ability or incentive of the merger firms to innovate.
 - d. **'Efficiency offences'**: The Draft Revised Guidance clarifies that the circumstances under which efficiencies may create competition harms in the longer term (despite short-term benefits) are likely to be rare in practice.
4. Merger firms who wish to make efficiency claims are encouraged to **engage early with the CMA** in the merger review process. This enables the CMA to provide early feedback, including aspects which may require further evidence, and what evidence may be most informative. The submission of evidence by merger firms that efficiencies will result from the merger does not imply that they accept the existence of a substantial lessening of competition.

- 1.5 This consultation document is structured as follows:
- (a) Section 2 sets out the background and context for the proposed changes;
 - (b) Section 3 sets out the proposed changes relating to the CMA's analytical approach to rivalry-enhancing efficiencies;
 - (c) Section 4 sets out the proposed changes relating to the CMA's process for assessing rivalry-enhancing efficiencies; and
 - (d) Section 5 sets out the specific questions on which the CMA is seeking respondents' views in this consultation and the consultation process.
- 1.6 We welcome views from all interested parties on this consultation. The deadline for responses is **5pm on Wednesday 1 July 2026**.

2. Background to the Draft Revised Guidance

- 2.1 Earlier this year we launched a review into our approach to the assessment of rivalry-enhancing efficiencies (the Merger Efficiencies Review). Rivalry-enhancing efficiencies change the incentives of merging firms and induce them to act as stronger competitors to their rivals—for example, by reducing their marginal costs and/or increasing their ability and/or incentive to innovate. In some cases, rivalry-enhancing efficiencies may prevent an SLC by offsetting any anticompetitive effects of the merger.
- 2.2 The Merger Efficiencies Review involved extensive evidence gathering, including a public call for evidence (the **Call for Evidence**)⁵, a literature review, and direct third-party engagement, including with advisors, academics, businesses and industry associations. The CMA has carefully worked through all the evidence received to ensure we are in the best possible position to improve our approach.
- 2.3 We have developed the Draft Revised Guidance based on:
- (a) Call for Evidence – 23 written responses;
 - (b) Stakeholder engagement – 4 roundtables and 10 calls (including with a number of academics and M&A advisors); and
 - (c) Our internal research – including a literature review and case studies of past merger cases involving efficiencies considered by the CMA and competition authorities in other jurisdictions.
- 2.4 As with previous versions of the guidance, the Draft Revised Guidance also takes into account the CMA's experience of merger investigations in the intervening years.

⁵ [Mergers efficiencies review: call for evidence](#)

3. Updates relating to the CMA’s analytical approach to rivalry-enhancing efficiencies (Call for Evidence Theme 1)

Introduction

- 3.1 This section outlines the proposed key changes in relation to the CMA’s analytical approach to rivalry-enhancing efficiencies (Theme 1 in the CMA’s Call for Evidence). The Draft Revised Guidance has proposed changes in three key areas, in relation to:
- (a) The CMA’s framework for assessing rivalry-enhancing efficiencies;
 - (b) The evidence-base; and
 - (c) Dynamic efficiencies and innovation.
- 3.2 We cover each of these areas in further detail below, including (i) what we learnt from our review; and (ii) the CMA’s proposed changes to the MAGs and the rationale for these.

The CMA’s framework for assessing rivalry-enhancing efficiencies

Introduction

- 3.3 The MAGs currently state that the CMA will use the following criteria to assess rivalry-enhancing efficiencies.⁶ Rivalry-enhancing efficiencies must:
- (a) enhance rivalry in the supply of products where an SLC may arise;
 - (b) be timely, likely and sufficient to prevent an SLC from arising;
 - (c) be merger-specific; and
 - (d) benefit customers in the UK.
- 3.4 Through the review we considered whether the CMA’s framework, and how it was being applied, was appropriate. We explored whether some mergers, due to their nature or the characteristics of products or markets, were more likely to create efficiencies (for example, whether the merger was horizontal or vertical). We also considered whether there were circumstances in which

⁶ MAGs, paragraph 8.8.

efficiencies might themselves be more or less likely to give rise to competition concerns by reducing rivals' ability to compete effectively with the merged entity (sometimes referred to as 'efficiency offences').

What we learnt from our review

Stakeholder submissions

- 3.5 Stakeholders generally agreed that the CMA's current framework for assessing rivalry-enhancing efficiencies was appropriate but identified ways to improve how it was applied in practice.
- 3.6 Stakeholders told us that the assessment of efficiencies should be integrated more fully into the competitive assessment process rather than being considered after the CMA's assessment of harm. For example, some stakeholders said that the CMA should move away from the current position in the MAGs that it will generally first consider whether there is scope for an SLC and, if there is, it will consider rivalry-enhancing efficiency claims from the merger firms.⁷
- 3.7 Stakeholders also told us that efficiency claims should be assessed in a way that is consistent with how theories of harm are evaluated, and highlighted areas they perceived to be inconsistent, including the treatment of uncertainty and the time period over which harm and efficiencies are assessed. A number of stakeholders also said that the evidentiary threshold for efficiency claims was too high and inconsistent with the CMA's assessment of harms.
- 3.8 Stakeholders provided suggestions on how the CMA should apply the different criteria within the rivalry-enhancing efficiencies framework.
- (a) On timeliness, stakeholders said that the appropriate timeframe for considering efficiencies should be driven by case-specific factors. Many stakeholders said that the CMA should adopt greater flexibility in accepting efficiencies realised over longer periods, particularly for dynamic efficiencies. Other stakeholders said we should move away from the current position in the MAGs that the longer the timeframe for efficiencies to be realised, the greater the level of doubt they would be realised.⁸ Some stakeholders suggested that, where the benefits from

⁷ MAGs, paragraph 8.4

⁸ MAGs, paragraph 8.12

efficiencies took time to materialise, the CMA could use behavioural remedies to address short-term harms.

- (b) On likelihood, some stakeholders told us that the threshold for the CMA to consider an efficiency as being 'likely' was too high. Some stakeholders suggested that remedies could be used more frequently to address any concerns the CMA might have about the likelihood of efficiencies being realised. A number cited Vodafone/Three where the CMA concluded that, while some efficiencies were likely, the merger parties were not likely to deliver the full extent of their claimed efficiencies and a remedy was therefore used to secure their efficiency commitments.⁹
- (c) On sufficiency, some stakeholders told us that the size and probability of an efficiency should be considered together, so that greater uncertainty might be acceptable if an efficiency was sufficiently large.
- (d) On merger specificity, stakeholders emphasised that the CMA's assessment should reflect commercial realities, noting that whilst it might be theoretically possible to achieve some efficiencies through alternative means, these were often not realistic. Some stakeholders told us that merger specificity should be assessed on whether the merger materially increased the likelihood, scale or speed of achieving efficiencies.
- (e) In assessing the benefit of efficiencies to UK customers, stakeholders told us that we should consider a wide range of potential benefits as efficiencies, including on parameters other than price such as improved quality or increased output. Some stakeholders suggested that all benefits to consumers should be considered as efficiencies including sustainability, economic growth and resilience.

3.9 Stakeholders told us that efficiencies could arise in both horizontal and vertical mergers. Stakeholders identified a range of potential efficiencies from horizontal mergers, including economies of scale and the combination of complementary assets, whilst efficiencies from vertical mergers included the elimination of double marginalisation and the reduction of transaction and co-ordination costs.

3.10 Some stakeholders told us that a barrier to submitting efficiency claims was a concern that the CMA might consider that the efficiencies could reduce rivals' ability to compete effectively with the merged entity. Stakeholders said that, whilst theoretically possible, in practice such theories of harm were only likely

⁹ See the CMA's investigation into [the anticipated joint venture between Vodafone Group Plc and CK Hutchison Holdings Limited concerning Vodafone Limited and Hutchison 3G UK Limited \(2024\)](#).

to occur in limited and rare circumstances and should therefore be carefully evidenced with a high bar.

Internal research

- 3.11 We conducted a literature review of studies on the effects of mergers on prices and other competitive outcomes, focussing in particular on the extent to which efficiencies were realised and passed onto customers.¹⁰
- 3.12 Broadly, these studies suggest that while some horizontal mergers can generate efficiencies that are passed on to customers, in many cases – particularly in more concentrated markets – efficiencies are not realised and/or are not passed through sufficiently to offset the loss of competition. Evidence on the impact of vertical mergers is more limited, but the available studies also show mixed results.
- (a) Empirical studies suggest that most horizontal mergers in concentrated markets lead to price rises. This is consistent with them not generating efficiencies that are sufficiently large or passed on to customers, to offset the loss of competition. In a substantial minority of cases, prices fell, although on average such decreases tend to be smaller in magnitude than price rises.¹¹
- (b) Studies suggest that the level of market concentration is a key driver of whether a horizontal merger is likely to lead to price rises.¹² In addition, there is some evidence that the impact of mergers can differ over time,

¹⁰ This section focusses on ‘static’ efficiencies such as cost savings. The literature on dynamic efficiencies is covered in paragraph 3.45 below.

¹¹ For example, Kwoka, J., Greenfield, D., and Gu, C. (2015). Chapter 6 in *Mergers, Merger Control, and Remedies: A Retrospective Analysis of U.S. Policy*. The MIT Press. studied 42 mergers covering 101 individual products and found that prices rose in 66% of merger cases and fell in 35% of cases, by an average of 9.5% and 3.3% respectively. Ormosi, P., Mariuzzo, F., Havell, R., Fletcher, A., and Lyons, B. (2016). *A review of merger decisions in the EU: What can we learn from ex-post evaluations?* European Commission. studied the effect of mergers in 23 cases and found that prices rose in 61% of cases by an average of 8.2% and fell in 30% of cases by an average of 4.2%.

¹² For example, Ormosi, P., Mariuzzo, F., Havell, R., Fletcher, A., and Lyons, B. (2016). *A review of merger decisions in the EU: What can we learn from ex-post evaluations?* European Commission. found market concentration to be a strong driver of the price effect. Stohr, A. (2020). *Price Effects of Horizontal Mergers: A Retrospective on Retrospectives*, Ilmenau Economics Discussion Papers, No. 151, Technische Universität Ilmenau, Institut für Volkswirtschaftslehre, Ilmenau. also found a positive correlation between market concentration and post-merger price increases.

with some studies finding that prices increase by more in the short run than after about two years.¹³

- (c) The evidence on the extent to which efficiencies are realised in horizontal mergers in practice is mixed. Where efficiency gains (such as increases in productivity or cost reductions) were realised and could be measured, their magnitude varied significantly across and within different types of efficiency, but other studies find little evidence of productivity improvements following mergers.¹⁴
- (d) The literature on vertical mergers is more limited and shows mixed results. The empirical evidence is balanced between benefits and harms, with the relative magnitude of harms and benefits dependent on market structure and incentives.¹⁵

3.13 Whilst informative, we recognise these studies have some limitations. They tend to focus on a relatively small number of industries and are sometimes small-scale or focused on mergers in the US. In addition, there is a selection issue as such studies (by their nature) focus on assessing the impact of

¹³ For example, Hüschelrath, K., and Müller, K. (2015). Market Power, Efficiencies, and Entry Evidence from an Airline Merger. *Managerial and Decision Economics*, 36(4), 239–255. found the Delta/Northwest merger led to short-term price increases in the domestic US airline industry of 11% on overlapping routes, while in the longer-term (around 2 years post-merger) real prices were only about 3% higher. Ashenfelter, O. C., Hosken, D. S., and Weinberg, M. C. (2015). Efficiencies brewed: pricing and consolidation in the US beer industry. *The RAND Journal of Economics*, 46(2), 328–361. found the Miller-Coors merger in the US brewing industry led to a 2% rise in average market price. However, there were price decreases about 2 years post-merger that almost offset this increase. Focarelli, D., and Panetta, F. (2003). Are Mergers Beneficial to Consumers? Evidence from the Market for Bank Deposits. *The American Economic Review*, 93(4), 1152–1172. studied Italian bank mergers and found that post-merger consolidation increased market power and led to deposit (interest) rates decreasing by 16.6bp in the year of the merger, but in the long run (3+ years) the deposit rate rose to 13bp above pre-merger levels consistent with a long run benefit to consumers

¹⁴ For example, Kwoka, J., Greenfield, D., and Gu, C. (2015). Chapter 9 in *Mergers, Merger Control, and Remedies: A Retrospective Analysis of U.S. Policy*. conducted a meta-analysis of 19 merger studies covering 41 product-level estimates and found four estimates of cost savings which averaged 8.5% (with a range between -1.9 and -14.7) and 11 estimates of efficiency changes, with an average of +0.33% (with a range of -10.0 to 14.6). Also Demirer, M. and Karaduman, O. (2024). Do Mergers and Acquisitions Improve Efficiency: Evidence from Power Plants. NBER Working Paper 32727. found an average increase of 4% in efficiency, 5-8 months after acquisition for US power plants in a study of 690 transactions between 2000-2020. They found that 75% of this productivity increase could be explained by improvements in productive efficiency. Blonigen, B. and Pierce, J. (2016). Evidence for the Effects of Mergers on Market Power and Efficiencies. NBER Working Paper 22750. found little evidence for plant or firm level productivity effects or other efficiency gains from M&A activity on average based on data from 4,200 US manufacturing plants where an M&A deal was announced.

¹⁵ For example, Beck, M., and Morton, F. S. (2021). Evaluating the Evidence on Vertical Mergers. *Review of Industrial Organization*, 59(2), 273–302. reviewed 29 empirical studies (2009-2020) and found roughly equal evidence of harms and benefits across the studies. The authors observed that the relative magnitudes of harms and benefits from a vertical transaction will depend on the market structure and incentives.

completed mergers and do not include those which were prohibited or abandoned.

CMA's proposed changes

- 3.14 We propose to retain the current analytical framework which requires rivalry-enhancing efficiencies to enhance rivalry, be timely, likely and sufficient, be merger-specific, and benefit UK customers, as we consider that it remains appropriate.
- 3.15 Some stakeholders said that the evidentiary threshold for efficiency claims was too high and inconsistent with the CMA's assessment of harms. We consider that rivalry-enhancing efficiencies form part of the CMA's overall assessment of the competitive impact of a merger and are therefore subject to the same evidentiary standards as the CMA's assessment of the potential harms arising from a merger.
- 3.16 We consider that it is appropriate for us to take a case-by-case approach to assessing efficiency claims and only take them into account when they are supported by verifiable evidence. This reflects our internal research (set out above), which suggests that in many horizontal mergers – particularly in concentrated markets – claimed efficiencies are not realised and/or are not passed through sufficiently to offset the loss of competition, while the evidence on vertical mergers is also mixed. Our review of previous CMA cases also shows that most efficiency claims that were not accepted failed to satisfy multiple criteria within our framework, often due to a lack of supporting evidence.¹⁶
- 3.17 The Draft Revised Guidance therefore clarifies that the CMA applies a consistent approach in assessing evidence that supports the finding of competitive harms and evidence that supports claimed benefits of a merger. At Phase 1, the evidence must be sufficient to satisfy the CMA within the time available in an initial investigation that rivalry-enhancing efficiencies would prevent a realistic prospect of an SLC. At Phase 2, the CMA will assess on

¹⁶ For example in its investigation into the [acquisition by Tobii AB of Smartbox Assistive Technologies Limited and Sensory Software International Ltd \(2019\)](#) the CMA found insufficient evidence that the claimed efficiencies could not be achieved absent the merger or would be sufficient to prevent the SLC; in its investigation into the [acquisition by Sabre Corporation of Farelogix Inc. \(2020\)](#) the CMA found insufficient evidence that the merger would result in rivalry-enhancing efficiencies that would be timely, likely and sufficient to prevent the SLCs; and in its investigation into the [acquisition by Microsoft of Activision Blizzard, Inc. \(2023\)](#) the CMA found that the claimed efficiencies were not of sufficient magnitude and benefit to UK consumers to prevent the SLC.

the basis of the evidence in the round whether, on the balance of probabilities, an SLC arises taking into account any rivalry-enhancing efficiencies. It also provides more guidance on sources of evidence for efficiencies and the CMA's approach to assessing such evidence to better enable merger firms to submit evidenced efficiency claims.

3.18 In addition, the Draft Revised Guidance contains proposed amendments to address stakeholders' concerns that efficiencies are only assessed after the CMA's assessment of harm by more explicitly encouraging early engagement with the CMA on efficiency claims.

3.19 The Draft Revised Guidance provides more guidance on how the CMA assesses the timeliness, likelihood, sufficiency and merger-specificity of rivalry-enhancing efficiencies in practice.

3.20 On timeliness, the Draft Revised Guidance proposes amendments to clarify that:

(a) The CMA's approach to assessing timeliness will recognise that different types of efficiencies may be delivered over different timeframes. Further, the CMA will have regard to the market-specific context, such as evidence on investment and innovation cycles in the relevant industries. This may mean, for example, that certain dynamic efficiencies (such as increased R&D productivity) may not be expected to be fully realised for a period of several years.

(b) Whilst the CMA is open to considering efficiencies which are likely to arise on a longer timeframe, in order to compare costs and benefits occurring over time periods on a consistent basis, it is important to apply appropriate discounting to expected future gains.¹⁷ We will also consider the interaction of the timeliness of expected efficiencies with the timing of harm arising from the merger.

3.21 On likelihood, the Draft Revised Guidance proposes amendments to clarify that:

(a) In assessing the likelihood of efficiencies being realised, the CMA will consider whether the merged entity would have the ability and incentive to deliver the claimed efficiencies.

¹⁷ This is in line, for example, with the approach taken in [Green Book, UK Government Guidance on Appraisal](#), paragraph 6.52-6.53

- (b) Where the CMA sees the potential for efficiencies from a merger but has concerns about their timeliness and/or likelihood, remedies may be able to secure efficiencies and address the CMA's concerns. As set out in the CMA's Merger Remedies Guidance, such remedies are likely to be appropriate where there is strong evidence that the efficiencies satisfy all other limbs of the test, the remedy changes incentives in a way which is difficult to reverse, and an effective remedy can be designed.¹⁸

3.22 On sufficiency, the Draft Revised Guidance proposes amendments to clarify that:

- (a) In its assessment, the CMA will consider the overall impact of a merger on competition, taking into account both price and non-price factors.
- (b) The CMA will consider how the impact of the merger may vary over different timeframes, recognising that, where some efficiencies take time to materialise, a merger could lead to short-term harm before longer-term benefits are realised. Such a scenario could give rise to a time-limited SLC, and the CMA would consider whether there are effective and proportionate remedies to resolve the SLC throughout its expected duration.¹⁹

3.23 On merger specificity, the Draft Revised Guidance proposes amendments to clarify that:

- (a) The CMA will assess whether the merger efficiencies are reliant on the merger in question or whether they could realistically be brought about by other means.
- (b) The CMA will consider what alternatives to the merger may exist, the feasibility of such alternatives, and whether it would be commercially rational for the merger firms to pursue them. This may involve considering the extent to which these alternatives would deliver the same benefits, whether there are significant barriers to implementing them (including dependencies on third parties), and the relative costs and risks of these alternatives compared to the merger.
- (c) Some stakeholders told us that, while it might be theoretically possible to achieve certain efficiencies through alternative means, these are often commercially unviable or unfeasible in practice. As set out above, we recognise that practical and commercial considerations are relevant to our

¹⁸ Merger Remedies (CMA87), paragraph 7.18

¹⁹ Merger Remedies (CMA87).

assessment. We note that whilst in some cases these considerations may mean alternatives are not viable, in other cases, they may lead us to conclude alternatives are feasible (for example if there are strong commercial reasons for firms to pursue them). We also recognise that there can be practical challenges in realising efficiencies. Therefore, in assessing the likelihood of the claimed efficiencies, we will take a balanced approach and consider both whether there are any practical barriers to the merged entity realising the efficiencies and its commercial incentives to do so.

- 3.24 Some stakeholders have suggested that the CMA should take account of a wider range of benefits as efficiencies, including investment, innovation, sustainability, economic growth and resilience.
- 3.25 We recognise that rivalry-enhancing efficiencies may arise through improvements in non-price parameters of competition, including through dynamic efficiencies which increase the merged entity's ability and/or incentives to innovate. The Draft Revised Guidance proposes amendments to clarify this, including by providing examples of types of non-price efficiencies which can occur and being explicit that we will consider the overall impact of a merger on competition, taking into account both price and non-price factors. We are also proposing a number of specific amendments in relation to how the CMA assesses dynamic efficiencies which are set out further below.
- 3.26 In certain circumstances, such benefits may constitute Relevant Customer Benefits (**RCBs**), which are benefits to UK customers which do not prevent an SLC, but which may outweigh an SLC and any adverse effects of the SLC. The Draft Revised Guidance proposes several amendments relating to RCBs, including guidance on how and when merger parties should engage with the CMA on RCBs, as well as being explicit that a number of the same principles apply when assessing rivalry-enhancing efficiencies and relevant customer benefits. For example, to assess the merger specificity of relevant customer benefits, the CMA will consider what alternative means exist to achieve the benefits and their practical feasibility; to assess likelihood, the CMA will consider the merged entity's ability and incentives to realise the benefits; and in determining whether the benefits are timely, the CMA will consider the relevant context, which will vary on a case-by-case basis.
- 3.27 In relation to 'efficiency offences', the Draft Revised Guidance sets out our view that, in principle, it is possible that efficiencies which in the short-term bring benefits to customers, may create competition harms in the longer term by creating an unassailable advantage for the merged entity, causing rivals to exit the market and/or inhibiting their growth. In the presence of high barriers to entry and expansion this can be problematic if those rivals cannot then re-

enter quickly and easily in response to a subsequent deterioration of the firm's offer. For example, this may occur in highly concentrated industries with strong network effects, in which there is a risk of a market 'tipping' towards a single or a small number of suppliers. However, the Draft Revised Guidance clarifies that, consistent with the CMA's experience to date, the circumstances in which this concern would constitute a theory of harm as part of a merger investigation are likely to be rare in practice.

The evidence-base

Introduction

- 3.28 The MAGs currently state that most of the information relating to efficiencies resulting from a merger, such as cost and revenue synergies, is held by the merger firms.²⁰ Further, many efficiency claims by merger firms are not accepted by the CMA because the evidence supporting these claims is difficult to verify and substantiate.²¹
- 3.29 Through this review, we explored the types of evidence that the CMA should consider when assessing potential rivalry-enhancing efficiencies, including how it should compare their magnitude against the possible adverse effects of the merger. We also sought feedback on the types of information on rivalry-enhancing efficiencies held by merger parties, the challenges they have with providing or producing evidence, and the extent to which the CMA should consider sources of evidence other than that held by merger parties.

What we learnt from our review

- 3.30 Stakeholders told us that the evidence needed to substantiate efficiencies will vary on a case-by-case basis and therefore the CMA should retain a flexible approach, remaining open to a wide range of quantitative and qualitative evidence.
- 3.31 Stakeholders identified a range of sources of evidence that the CMA could use to assess efficiencies, including strategy documents, transaction materials (such as synergies analysis, deal valuations or integration plans), evidence on previous mergers in the same or comparable industries, economic analysis, and third-party evidence (eg from competitors, customers, industry experts or sectoral regulators).

²⁰ MAGs 8.7

²¹ MAGs 8.6

- 3.32 Stakeholders told us that the CMA's guidance should set out the types of evidence which could be used to substantiate efficiency claims. Stakeholders said that the evidentiary standard for efficiencies was unclear and appears to be higher than appropriate. Some stakeholders told us that the CMA should give greater evidentiary weight to estimates of synergies produced by merger parties than it does currently, because firms invest significant resources and often engage external independent advisors in producing these estimates. Some stakeholders also told us that, because such estimates are communicated to shareholders and the public, they tend to be conservative. Some stakeholders said that internal documents examining merger rationale, which often include estimates of cost synergies, are often given less weight by the CMA than similar internal document evidence used to support an SLC finding.
- 3.33 Some stakeholders told us that the internal documents produced by merger parties may not meet the specific evidential standards of a competition assessment or map directly onto the CMA's analytical framework. Where relevant, the CMA should therefore place evidentiary weight on bespoke analysis conducted during its merger investigations (for example, regarding the incentives of firms to realise and/or pass on the claimed efficiencies)
- 3.34 Though stakeholders acknowledged that quantitative evidence is likely to be useful for the CMA's assessment, they also thought that the CMA should be more open to qualitative evidence, particularly in relation to dynamic efficiencies.

CMA's proposed changes

- 3.35 The Draft Revised Guidance provides more guidance on the types of evidence that are likely to be relevant to the CMA's assessment – including operational and financial data, strategy and merger rationale documents, transaction materials, and evidence on the merger firms' track record in realising similar benefits in previous mergers. We also propose to clarify that, in addition to evidence from the merger parties, in some cases the CMA may also seek additional evidence from third parties, industry experts, sector regulators or other sources to assess potential efficiencies.
- 3.36 The Draft Revised Guidance sets out the CMA's approach to placing weight on evidence relating to efficiencies. It explains that the CMA is likely to place more evidentiary weight on materials that were generated in the ordinary course of business. However, it also recognises that merging firms' internal documents may not address all aspects of the CMA's efficiencies framework. In some cases, there may therefore be scope for merging firms to supplement their evidence with bespoke analysis, for example regarding the impact of the

merger on the merging firms' ability and incentive to innovate, or on their incentive to pass through benefits to customers. In considering the weight to place on such evidence, the CMA will consider the extent to which it is supported by other evidence.

- 3.37 The Draft Revised Guidance also clarifies that whilst precise quantification is not necessary to assess the sufficiency of efficiencies and, in many cases, is not likely to be possible, quantitative evidence can be useful in understanding the likely magnitude of both the potential adverse effects of a merger and efficiencies.

Dynamic efficiencies and innovation

Introduction

- 3.38 Mergers can sometimes generate long-term benefits to customers by increasing the merged firms' ability and/or incentive to innovate, invest or undertake R&D to improve the quality of products/services, introduce new products/services or improve production processes. For example, a merger may enable firms to achieve economies of scale in their R&D activities, or to combine complementary capabilities. These benefits are sometimes referred to as dynamic efficiencies and are distinct from static efficiencies, such as one-off cost synergies, as they can enable firms to improve their performance on an ongoing basis.²² Dynamic efficiencies can deliver substantial consumer benefits and contribute more broadly to greater productivity and economic growth.
- 3.39 Through this review we considered the circumstances in which mergers may increase the ability and/or incentive of merger firms to innovate, invest and/or undertake R&D that benefits customers. We explored whether the CMA's approach should differ between static and dynamic efficiencies, including in relation to the analytical framework we use and how this is applied in practice (such as the types of evidence we assess). We also sought feedback from stakeholders on the challenges with evidencing and assessing these dynamic efficiencies, such as the timeframe over which they might arise or the difficulties in quantifying their benefits.

²² OECD, Efficiencies in merger control, OECD Roundtables on Competition Policy Papers, No. 321, page 10

What we learnt from our review

Stakeholder submissions

- 3.40 Stakeholders told us that the CMA should give greater consideration to dynamic efficiencies in its competitive assessment than it currently does.
- 3.41 Stakeholders described a number of ways in which mergers could increase the ability and/or incentives of a merged firm to undertake R&D and/or innovate, including through enabling them to achieve economies of scale, combine complementary assets or reduce constraints on innovation (such as access to finance).
- 3.42 Stakeholders identified types of evidence which could be relevant to the CMA's assessment, including in relation to the merger firms' innovation plans, the impact of past innovations by the merger firms, and barriers to innovation faced by the merging firms before the merger.
- 3.43 Stakeholders also described several challenges in assessing dynamic efficiencies. They noted that dynamic efficiencies are inherently uncertain and may only arise over relatively long time periods, making them difficult to estimate and evidence. Stakeholders also highlighted the challenges with measuring innovation, noting that different measures, such as R&D spending, number of patents, or progression through different stages of testing, could lead to different results.
- 3.44 Stakeholders felt that the CMA should have more flexibility in its assessment of whether potential dynamic efficiencies were timely and likely. Many stakeholders said that the CMA should consider a wide range of quantitative and qualitative evidence when assessing dynamic efficiencies. Some suggested the CMA should assess evidence on the merger firms' ability and incentives to innovate whilst others highlighted the importance of assessing how claimed efficiencies would be delivered in practice. Other stakeholders noted that innovation claims were likely to be most credible when they were supported by a range of evidence, including on measures of inputs (such as investment) and outputs (such as number of patents).

Internal research

- 3.45 We have reviewed academic evidence on the impact of mergers on innovation and investment, including horizontal mergers, mergers between incumbents

and new entrants, and vertical mergers.²³ This evidence suggests that mergers can impact innovation in different ways, including through generating dynamic efficiencies, and that the overall effect is case-specific.

- (a) Horizontal mergers can impact innovation incentives in different ways. These include reducing dynamic competition, which reduces incentives to innovate; increasing pre- and post- innovation profits as a result of reduced product market competition, which has an ambiguous effect on innovation incentives; and generating merger-specific efficiencies, which increase incentives to innovate.²⁴ The overall effect therefore depends on the relative strength of these mechanisms. Many empirical studies find that, on average, horizontal mergers between close competitors lead to negative effects on innovation and investment.²⁵ This suggests that, in many cases, they do not create dynamic efficiencies which are sufficient to increase overall innovation and investment incentives.
- (b) Mergers between incumbents and innovative entrants may weaken incentives to innovate by eliminating potential competition, but can also generate efficiencies that increase innovation, for example, where an entrant lacks the necessary resources to develop and commercialise innovations independently.²⁶ Some empirical studies of mergers between incumbents and innovative entrants find these lead to negative effects on innovation on average, however, there is some evidence to suggest this may vary with the extent of product market and technological overlap between acquirers and targets.²⁷

²³ For a more detailed summary of the relevant literature, see CMA (2025), [Investment and competition over the business lifecycle](#), Chapter 11.

²⁴ For a detailed summary of the theoretical literature on horizontal mergers, see Lefouili, Y. and Madio, L. (2026). Mergers and Investments: Where Do We Stand? *International Journal of Industrial Organization*, 105.

²⁵ For example, in a sample of 27 mergers and acquisitions amongst the largest drug makers in the US, Ornaghi, C. (2009). Mergers and innovation in big pharma. *International Journal of Industrial Organization*, 27(1), 70-79. found that these transactions, on average, resulted in reduced innovation. Haucap, J., Rasch, A. and Stiebale, J. (2019). How mergers affect innovation: Theory and evidence. *International Journal of Industrial Organization*, 63, 283-325. further found that, in a sample of 65 pharmaceutical merger cases notified to the European Commission, the merged entity and rivals' post-merger innovation reduced. Szücs, F. (2014). M&A and R&D: Asymmetric effects on acquirers and targets? *Research Policy*, 43(7), 1264-1273. undertook a cross-industry study of 398 firms involved in mergers notified to the European Commission or the US Federal Trade Commission and found that the R&D intensity of targets and acquirers was reduced post-merger.

²⁶ For example, Fumagalli, C., Motta, M., and Tarantino, E. (2022). Shelving or developing? The acquisition of potential competitors under financial constraints. IGIER Working Paper No. 680. develop a model in which acquisitions between incumbents and new entrants can reduce competition, but may also have pro-competitive effects by alleviating financial constraints faced by the target firm.

²⁷ For example, in the pharmaceutical sector, Cunningham, C., Ederer, F., and Ma, S. (2021). Killer acquisitions. *Journal of Political Economy*, 129(3), 649-702. found that target's drug projects were less likely to be developed

(c) Whilst the literature on vertical mergers is more limited, there is some evidence to suggest that vertical integration can, in some cases, create efficiencies, such as increasing investment and increasing the quantity and/or quality of innovation.²⁸

3.46 Whilst informative, we recognise there are a number of limitations to this empirical evidence.²⁹ Common measures of innovation may not capture innovation quality or non-patented innovations; and much of the evidence comes from single-industry studies, particularly in patent-intensive sectors such as pharmaceuticals. In addition, most studies examine the effect of mergers on innovation on average and do not examine how often mergers increase innovation, by how much, or under which circumstances.

CMA's proposed changes

3.47 The Draft Revised Guidance clarifies that, in some cases, mergers can lead to efficiencies by increasing the ability and/or incentive of merging parties to innovate, invest and/or undertake R&D that benefits customers. Given our internal research outlined above, we propose that, as for static efficiencies, the CMA will take case-by-case approach to assessing efficiency claims and will take them into account only when they are supported by verifiable evidence.

3.48 The Draft Revised Guidance also clarifies the CMA's approach to assessing the timeliness of dynamic efficiencies. As set out above, we are proposing to clarify that the CMA's approach to assessing the timeliness of efficiencies will recognise that different types of efficiencies may be delivered over different timeframes. The CMA will have regard to the market-specific context, such as

when they overlapped with the acquiror's product portfolio. Malek, J., Seldeslachts, J. and Veugelers, R. (2025). Are M&As spurring or stifling innovation? Evidence from antidiabetic drug development. DIW Berlin Discussion Paper 2128. found that, on average, mergers in the antidiabetics sector had a negative impact on the target projects' innovation outcomes, but observed an increase in patenting for mergers where acquirers and targets work on technologically similar projects. A cross-industry and country study by the OECD (Berger, M., Calligaris, S., Greppi, A., and Kirpichev, D. (2025). Acquisitions and their effect on start-up innovation: Stifling or scaling? OECD Working Paper.) found that acquisitions led to decreases in start-ups' innovation performance which was not offset by increased patenting activity by acquirers, and that this reduction in patenting was stronger in transactions within the same industry and country.

²⁸ Ciliberto, F. (2006). Does organizational form affect investment decisions? *Journal of Industrial Economics*, 54(1), 63-93. found that vertical integration (and successful joint ventures) between US hospitals and physician practices eased hold-up risks leading to increased investment in new healthcare services. Zhang, Y. and Tong, T. (2021). How vertical integration affects firm innovation: quasi-experimental evidence. *Organization Science*, 32(2), 455-479. found that, in a study of US vertical mergers, integration led to increased patent counts and citations and produced innovations of greater complexity and scope.

²⁹ See discussion in Gilbert, R. J. (2022). Chapter 6 in *Innovation matters: competition policy for the high-technology economy*. MIT Press.

the investment and innovation cycles in the relevant industries. The Draft Revised Guidance is also explicit that this may mean, for example, that certain dynamic efficiencies (such as increased R&D productivity) may not be expected to be fully realised for a period of several years.

- 3.49 We recognise that there may be some uncertainty about the outcome of investments and innovation efforts, including about whether these will ultimately result in products and services being made available to customers, the timeframe within which this may occur, and/or the scale of any resulting customer benefits. However, consistent with the CMA's approach to assessing losses in dynamic competition, uncertainty about the outcome of a dynamic competitive process does not preclude the CMA from assessing the impact of the merger on that dynamic process.³⁰ A process of dynamic competition can increase the likelihood of new innovations or products being made available and therefore has economic value in the present.
- 3.50 The Draft Revised Guidance therefore states that, where there is uncertainty about the outcome of investment and innovation efforts, the CMA may also consider whether the merger is likely to strengthen the process of dynamic competition in a timely manner, for example by increasing the ability and/or incentive of the merging firms to innovate.
- 3.51 In terms of the evidence for dynamic efficiencies, we recognise that internal documents may be more limited, including in circumstances where (as discussed above) there is uncertainty about the outcome of investments and innovation efforts. We therefore indicate in the Draft Revised Guidance that there may be scope for merger parties to supplement their evidence with bespoke analysis, including on the impact of a merger on the ability and incentive of the merger parties to innovate. In considering the weight to place on such evidence, the CMA will consider the extent to which it is supported by other evidence.

³⁰ MAGs, paragraph 5.20

4. Updates relating to the CMA's efficiencies process (Call for Evidence Theme 2)

Introduction

- 4.1 In line with the CMA's commitment to the continuous improvement of our processes, including our new 4Ps framework and recent phase 2 reforms, Theme 2 of our Call for Evidence focused on the CMA's process for assessing rivalry-enhancing efficiencies.
- 4.2 For context, as set out in the MAGs, our current approach is that merging parties can submit evidence to the CMA on rivalry-enhancing efficiencies during both Phase 1 and Phase 2.³¹ The MAGs also state that, in practice, the CMA will generally first consider whether there is scope for an SLC and, if there is, it will consider rivalry-enhancing efficiency claims from the merging parties. In some cases, the CMA may consider efficiencies and the evidence for an SLC together.³²
- 4.3 We invited views from stakeholders on how effectively the CMA engages with merging parties on rivalry-enhancing efficiency claims, at both Phase 1 and Phase 2. This includes the timing and extent of interactions with the CMA staff team and inquiry group, and any procedural barriers parties encounter when making and substantiating rivalry-enhancing efficiencies.

What we learnt from our review

- 4.4 Stakeholders put forward several barriers to merger firms submitting evidenced efficiency claims. Some stakeholders pointed to a lack of clarity around the evidential bar and a perception that it was relatively high. Other stakeholders said that merger firms were sometimes concerned that making efficiency claims may be interpreted as indicating that they thought that the merger raised competition concerns (thereby 'conceding' an SLC). Some stakeholders also told us that merger parties were reluctant to make efficiency claims because they were concerned that the CMA may consider that any claimed efficiencies could reduce rivals' ability to compete effectively with the merged entity.

³¹ At each phase, the CMA will apply the framework set out in paragraph 13 of the Draft Revised Guidance. The CMA will decide whether a loss of competition is substantial under the applicable legal standard. At Phase 1, the CMA must meet the 'realistic prospect' standard, whereas at Phase 2, the Inquiry Group decides on a 'balance of probabilities' standard.

³² MAGs, paragraph 8.4.

- 4.5 However, some stakeholders welcomed recent changes in the CMA's approach to efficiencies, including a perceived increase in the CMA's willingness to engage with parties on efficiency claims, and changes due to the CMA's 4Ps framework which encourage early engagement with businesses during the assessment process.
- 4.6 Stakeholders suggested a variety of ways in which the CMA's efficiencies process could be improved, including:
- a) Earlier engagement by the CMA on efficiencies, including through earlier information requests and teach-in sessions. Some stakeholders suggested that the CMA should clarify that early engagement on efficiencies does not imply that merger parties believe the merger will create competition concerns.
 - b) Clearer guidance providing examples of possible efficiencies and relevant evidence sources, including illustrative case studies. Other stakeholders felt the CMA should have greater transparency in its decisions on how the framework was applied.
 - c) The CMA developing a short, standardised efficiencies information request to collect information from merger parties on efficiency claims, including the mechanism through which they would occur, the impact on customers, the time horizon, and key risks and uncertainties.

CMA's proposed changes

- 4.7 The Draft Revised Guidance provides more guidance on how merger firms should engage with the CMA on efficiencies. It encourages merger firms who wish to make efficiency claims to engage with the CMA early in the merger review process and highlights the benefits of this, including enabling the CMA to provide feedback to the merging firms on their submissions and ensuring the CMA has sufficient time to scrutinise the parties' submissions adequately.
- 4.8 We are also proposing amendments to clarify the range of opportunities for merger firms to provide efficiency submissions, including during pre-notification and phase 1 as well as in the early stages of phase 2. This builds on recent changes to the CMA's merger investigation process, aimed at increasing the extent of engagement with the merger parties and third parties,

with more points of direct engagement between merger parties and the CMA (including senior staff), so that our investigations are more transparent.³³

- 4.9 The Draft Revised Guidance also clarifies that the submission of evidence by the merger firms that efficiencies will result from the merger in no way implies that they accept the existence of an SLC.
- 4.10 The Draft Revised Guidance provides more clarity to merger parties on examples of situations where merger efficiencies can arise, how the CMA assesses evidence on merger efficiencies and how it applies its framework (as set out in more detail above).
- 4.11 We are also developing an information request template that the CMA may send merger firms who wish to make efficiency claims in order to gather relevant information at an early stage.

³³ <https://www.gov.uk/government/consultations/4ps-updates-to-the-cmas-mergers-guidance-cma2-and-mergers-notice-template>

5. Consultation process

- 5.1 We are publishing this consultation on the CMA website and sharing it with a range of interested parties to seek views on the Draft Revised Guidance and questions raised in this document.
- 5.2 The consultation opens on Wednesday 3 June 2026 and closes at **5pm on Wednesday 1 July 2026**.

How to respond

- 5.3 To respond to this consultation, please send your written submissions by email to mergerefficienciesreview@cma.gov.uk
- 5.4 In accordance with our policy of openness and transparency, the CMA will publish non-confidential versions of responses on our webpages or a non-confidential summary of these responses. If your response contains any information that you regard as sensitive and that you would not wish to be published, please provide a non-confidential version for publication on our webpages which omits that material and explain why you regard it as sensitive at the same time.

Questions for consideration

- 5.5 Overall, are the changes introduced by the Draft Revised Guidance sufficiently clear and useful?
- 5.6 What, if any, aspects of the Draft Revised Guidance do you consider need further clarification or explanation, and why?
- 5.7 Are the changes to the Draft Revised Guidance consistent with the CMA's '4Ps framework' and likely to promote pace, predictability, proportionality and engagement in relation to merger efficiencies? Are there any additional changes that may further contribute to these priorities?
- 5.8 Do you have any other suggestions regarding the content of the Draft Revised Guidance?

Compliance with government consultation principles

- 5.9 This consultation is compliant with the latest Cabinet Office Consultation Principles, which set out the principles that government departments and other public bodies should adopt when consulting with stakeholders. The

Cabinet Office Consultation Principles can be found at [Consultation principles: guidance - GOV.UK](#).

Statement about how the CMA uses information and personal data that is supplied in consultation responses

- 5.10 Any personal data that you supply in responding to this consultation will be processed by the CMA, as controller, in line with data protection legislation. This legislation is the UK General Data Protection Regulation (GDPR)³⁴ and the Data Protection Act 2018. 'Personal data' is information which relates to a living individual who may be identifiable from it.
- 5.11 The CMA is processing this personal data for the purposes of its work. This processing is necessary for the performance of its functions and is carried out in the public interest, in order to take consultation responses into account and to ensure that the CMA properly consults on the Draft Revised Guidance, before it is finalised and issued.
- 5.12 For more information about how the CMA processes personal data, your rights in relation to that personal data, how to contact us, details of the CMA's Data Protection Officer, and how long the CMA retains personal data, see the CMA's [Privacy Notice](#).
- 5.13 The CMA's use of all information and personal data that it receives is also subject to Part 9 of the Enterprise Act 2002. The CMA may wish to refer to comments received in response to this consultation in future publications. In deciding whether to do so, the CMA will have regard to the need for excluding from publication, so far as practicable, any information relating to the private affairs of an individual or any commercial information relating to a business which, if published, might, in the CMA's opinion, significantly harm the individual's interests, or, as the case may be, the legitimate business interests of that business. If you consider that your response contains such information, please identify the relevant information, mark it as 'confidential' and explain why you consider that it is confidential.
- 5.14 Please note that information and personal data provided in response to this consultation may be the subject of requests by members of the public under the Freedom of Information Act 2000. In responding to such requests, if you have made any representations about the confidentiality of any information

³⁴ The UK GDPR refers to the EU GDPR ((EU) 2016/679, which has been adopted into UK law by the EU Withdrawal Act 2018, as amended by the Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit) Regulations 2019.

contained in your response, the CMA will take such representations into consideration. The CMA will also be mindful of its responsibilities under the data protection legislation referred to above and under Part 9 of the Enterprise Act 2002.

- 5.15 If you are replying by email, this statement overrides any standard confidentiality disclaimer that may be generated by your organisation's IT system.
- 5.16 Further details of the CMA's approach can be found in the Transparency and Disclosure: Statement of the CMA's Policy and Approach (CMA6).³⁵

After the consultation

- 5.17 After the consultation, the CMA will collate and analyse the responses to the consultation and make the proposed amendments to the Draft Revised Guidance and any further changes as appropriate.
- 5.18 The CMA will publish the final version of the Draft Revised Guidance on Merger Efficiencies. The CMA will also publish a summary of the responses received during the consultation. These documents will be available on CMA webpages.

³⁵ <https://www.gov.uk/government/publications/transparency-and-disclosure-statement-of-the-cmas-policy-andapproach>