Grain Connect

2026-07-13

Submission to CMA – Nextfibre / Substantial Merger

Introduction

Grain Connect Limited (Grain) is happy to offer this submission to the CMA in support of its Nextfibre/Substantial merger inquiry. We refer you to the summary of the meeting we had on 6th May 2026 (Grain-CMA Meeting Note). This submission is aligned with, and amplifies, our comments in that meeting. Details of Grain can be found there.

Grain considers that the merger will have no competition effect in the LLA market, no adverse effect in the market for fixed retail broadband services and a pro-competition effect in the market for wholesale fixed broadband services.

As we agree with the CMA that the LLA market is not a concern[1], we are not commenting on this market.

Retail Fixed Broadband Services

We believe the market for retail fixed broadband services is highly competitive, more competitive currently than at any time since the inception of the market with the emergence of broadband internet access in 2000. All the leading ISPs are experiencing sustained loss in market share. This is due to the entry of dozens of new alternative network operators, Grain included. The leading ISPs have responded by aggressive discounting of front-book pricing to an unprecedented extent.

Such is the intensity of competition that the acquisition of Substantial by Nexfibre will have no adverse effect on the conditions of competition, as it results in only a small increment to the market share of an operator with an existing market share of c.20%.

We support Ofcom's view that the retail market is national in geographic extent (excluding Hull). Consequently, the areas of network overlap between Substantial and Nexfibre will not have any greater effect on the conditions of competition than the aggregate effect, which in our view is essentially zero.

Wholesale fixed broadband services to ISPs

In Grain's view, the wholesale services relevant to competition conditions are those provided by network operators to third parties. BT has only ever used its own Openreach network for wholesale fixed broadband services to provide retail fixed broadband. Virgin Media exited its "off-net" business in 2014 and has not used any network for wholesale fixed broadband services other than its own since then.

Consequently, the counterfactual relevant to the assessment of competition conditions[2], in Grain's view, may be characterised as a process of moving from a single regulated supplier providing services to third parties, Openreach, which is subject to strong non-discrimination regulations, to an increasingly competitive market structure with multiple wholesale providers servicing third parties.

[1] ¶32 of CMA's Areas of Focus
[2] ¶19-20 of CMA's Areas of Focus

Dozens of alternative fibre network operators have invested in network deployment. This has generally been supported by regulated access to Openreach's physical (passive) infrastructure, although in some cases, including Grain, new fibre access networks have been entirely own-built, without the use of Openreach infrastructure.

Amongst these dozens of alternative network operator new entrants, some aspire to offer significant volumes of wholesale services in competition with Openreach. However, only one other than Openreach, CityFibre, actually provides a substantial number of wholesale services at present.

In this analysis we segment retail ISPs into two groups. The major ISPs include BT (including EE and Plusnet) with c.35% share, Sky with c.20% share, VMO2 with c.20% share (higher within its footprint), TalkTalk with c.8% share (including through its resellers) and Vodafone with c.6% share. All the other hundreds of ISPs amount to c.12-15% share of the market.

We identify the following actual and aspiring wholesale providers.

Competitor	**Network / Wholesale Connections**	**Contracts**	**Progress**
Openreach	23m / 9m	All ISPs other than VMO2	20-year incumbent
CityFibre	4.3m / 1m	Vodafone, TalkTalk, Sky and small ISPs	[✀]
Netomnia	3.0m / de minimis	No major ISPs	[✀]
Nexfibre	2.5m / de minimis	No major ISPs	[✀]
Community Fibre	1.3m / de minimis	Vodafone, TalkTalk	[✀]
Gigaclear	0.6m / de minimis	No major ISPs	[✀]
Freedom Truespeed	0.4m / de minimis	TalkTalk	[✀]
All Points	0.5m / de minimis	No major ISPs	[✀]
MS3	0.2m / de minimis	No major ISPs	[✀]

In summary, the market has moved from one scale provider (Openreach) to two with establishment of CityFibre. CityFibre has contracts with all the available major ISPs, given that BT and VMO2 do not procure fibre broadband from third parties.

The question for the CMA is how might another scale provider emerge in the wholesale market.

In Grain's view, the most likely route to a third scale wholesale fibre broadband operator is the combination arising from the Substantial-Nexfibre merger. This is for the following reasons:

- Both have stated that they intend to offer wholesale services but, as we understand it, neither of them has yet done so for any major ISP or to any significant extent.
- The combination would have a scale and a network coverage which would put them into second position to Openreach, ahead of CityFibre.

- Our understanding is that Netomnia has launched a wholesale platform with some degree of capability and that VMO2 is in the process of developing one. The combination will have the resources to invest in a fully capable platform fit for the major ISPs.
- Following the combination, major ISPs will now have no doubt about which third provider to invest their own resources into integrating with.
- VMO2-Nexfibre has significant financial and management resources to make a success of its entry into the wholesale market.

In Grain's view, as stated in our meeting with the CMA[3], it is unlikely that more than three scale competitors will emerge in the wholesale fixed broadband market. This is because:

- Large capital investment is needed on the part of retail ISP partners in network and systems integration in order to provide the high level of service required by customers in the mass retail-market in the provision and repair of circuits; and
- A large network footprint is required to match the national marketing scale of the major ISPs.

A footprint of at least 1m premises ready for service, extensive geographic reach and business operations (networks, systems and services) consistently delivering service performance to mass retail market standards (i.e. at least as good as Openreach) are required to be a credible wholesale provider.

The other aspiring wholesale partners do not have the relevant scale and / or geographic coverage required to be a credible wholesale competitor.

- Gigaclear, Freedom Truespeed, All Points and MS3 [✂]. [✂].
- Community Fibre is a London-only fibre network operator. [✂].

The other element of the counterfactual worth bearing in mind is that the plethora of alternative fibre network operators will consolidate in coming years. Not all these combinations will increase the number of lines available in the wholesale market; some will be combinations of vertically integrated operators. This transaction is the one that does most for the process of creating a third scale wholesale operator.

Reflections on the CMA's Areas of Focus

Counterfactuals – Paragraphs 21 and 22

Grain has no non-public information about the combination, but we consider the parties' case, as stated in the CMA's Areas of Focus, that there will be higher investment as a result of the combination is credible. Whether the aggregate network investment by the parties will be slower or not, the combination will bring the largest alternative fibre network to bear on competition in the wholesale market more quickly than the parties separately.

As to **financial** positions[4], in our view, [✂]. [✂].

As to **operational** positions[5], we consider that the combination of Nexfibre and Substantial [✂]. [✂].

[3] ¶25 Grain-CMA meeting note
[4] ¶22a of CMA's Areas of Focus
[5] ¶22b of CMA's Areas of Focus

In our view, in the absence of this transaction[6], [✄]. [✄].

A second possible scenario is that [✄]. [✄].

[✄]

Market definitions – Paragraphs 24 to 27

We generally support Ofcom's market definitions, as to products and geographies, although as noted above, for the CMA's analysis, we consider it more realistic to assess the conditions of competition on the basis of wholesale services provided to third parties.

Theories of harm

For the reasons set out above, we consider neither of the parties is a competitive constraint in the wholesale market at present and the prospect of their being a competitive constraint in future is enhanced by the combination.

Paragraph 31

Any third wholesale operator will have to reassure wholesale partners that it can safeguard high standards of non-discrimination, if it is to make any progress in the market. Grain considers that the combination of Nexfibre and Substantial will have to deliver such a commitment, and will be able to do so, in order to secure its position in the wholesale market.

CityFibre has built their strategy on being a wholesale-only provider and therefore offering no risk to their retail ISP customers of discrimination in favour of their own retail operations. [✄].

Openreach has demonstrated the success of equal access and operational separation in being a highly respected wholesale fibre network operator in about the last ten years.

We believe that Nexfibre, substantial and other aspiring wholesale competitors are motivated to generate wholesale revenues [✄]. [✄].

For the reasons set out above, we do not consider Substantial would provide any competitive constraint on VMO2 by means of its offer to wholesale partners.[7]

Countervailing factors – paragraph 38

For the reasons set out above, we broadly agree with the parties' submission that the combination will enhance wholesale competition. However, we do not think it will lead to reduction in retail prices, for the simple reason that retail competition at present is already as intense as it has ever been, driven by major ISPs' responses to alternative network competition in general.

[6] ¶22c of CMA's Areas of Focus
[7] ¶31b of CMA's Areas of Focus