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Nexfibre / Substantial merger inquiry team
Competition and Markets Authority

By email only

Dear Praful,

Response to CMA Areas of Focus

Thank you for the opportunity to provide further views in relation to the CMA's Phase 2 investigation.

[redacted]. Hyperoptic is principally a fibre network operator and retail broadband provider. Whilst Hyperoptic competes with a range of network operators, including the parties, in certain retail and infrastructure markets, we are not currently a supplier of wholesale broadband services to third-party ISPs and have only limited experience of purchasing third-party wholesale broadband services for specific use cases. Our experience is therefore primarily that of a network builder and retail competitor rather than a wholesale customer or wholesale provider. [redacted].

However, we hope the observations below are helpful in relation to a number of areas that appear relevant to the CMA's assessment of future competition within UK fibre markets.

Market Conditions and Future Competition

Hyperoptic's experience is that conditions within the fibre sector have evolved materially in recent years.

Across the sector, there is increasing focus on customer penetration, network utilisation and the generation of sustainable returns from existing infrastructure investments. Investment, expansion and deployment decisions are increasingly assessed against long-term commercial sustainability and the ability to achieve acceptable returns over extended periods.

In our view, these conditions are relevant to any forward-looking assessment of competition. The development of competition over the coming years will depend not only on current market

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structure, but also on the commercial and financing environment within which operators make strategic decisions regarding network expansion and investment.

More generally, Hyperoptic considers that infrastructure markets are dynamic. Network operators may adapt investment priorities, deployment plans and commercial strategies in response to changing market conditions and investor expectations. These wider market factors may therefore be relevant when assessing how competition is likely to develop over time.

Customer Take-up and Infrastructure Competition

Hyperoptic's experience is that customer take-up remains an important determinant of competitive outcomes in fibre markets.

The effectiveness of infrastructure competition depends not only on network coverage but also on the extent to which operators are able to attract customers and achieve sustainable levels of network utilisation. Fibre deployment involves significant upfront investment and long asset lives, meaning that customer adoption over time remains an important factor in the overall economics of network deployment.

As a result, Hyperoptic considers that assessments of competition in fibre markets should take into account both the presence of alternative networks and the practical ability of those networks to build sustainable customer bases over time.

Future Deployment Opportunities

Hyperoptic's experience is that competition for future deployment opportunities remains active and commercially significant.

Network operators continue to compete for residential developments, multi-dwelling units, build-to-rent developments and other future deployment opportunities. Decisions regarding network deployment are typically influenced by factors including expected demand, deployment economics, local market characteristics and the anticipated competitive environment.

Competition for these opportunities remains important because infrastructure decisions made during development and deployment phases may influence the choices available to consumers for many years thereafter. We therefore consider that future deployment dynamics remain relevant when assessing how competition may evolve within fibre markets.

Retail Competition

From Hyperoptic's perspective, competition within retail broadband markets remains strong.

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Providers compete across multiple dimensions including price, service quality, reliability, network performance, installation experience, customer service and broader product propositions. Consumers continue to have access to a wide range of broadband providers and offerings.

Our experience is that customer acquisition remains highly competitive, particularly in areas where consumers have access to multiple high-quality broadband options. Competitive activity extends beyond headline pricing and includes promotional activity, service innovation, customer experience and network quality. Retail providers remain under ongoing competitive pressure to attract and retain customers.

Wholesale Access and Downstream Competition

Although Hyperoptic is not directly active as a supplier in wholesale broadband markets, we would note that wholesale access arrangements can play an important role in supporting downstream retail competition and consumer choice.

To the extent that the CMA considers competition at the wholesale level as part of its assessment, we consider that the availability of wholesale access on fair and non-discriminatory terms may assist retail competition by enabling a wider range of providers to compete for end customers.

This observation is made as a general market principle rather than as a comment on the specific commercial arrangements of any particular operator.

Concluding Observations

Hyperoptic's purpose in providing these observations is to assist the CMA's consideration of future competition within UK fibre markets.

The observations above reflect areas where Hyperoptic has direct operational experience as a fibre network operator, network builder and retail broadband provider. We hope they are helpful to the Inquiry Group's assessment and would be pleased to provide any further clarification should that assist the inquiry.

Hyperoptic considers that the CMA's assessment should take account of the long-term sustainability of infrastructure competition and investment, alongside current market structures. While the outcome of the inquiry is a matter for the CMA, Hyperoptic does not currently identify competition concerns that would lead us to oppose the proposed transaction and considers it has the potential to support a stronger and more sustainable alternative fibre platform, which may contribute positively to the long-term competitive structure of the market and the continued development of infrastructure-based competition in the UK.

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Yours sincerely

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