nexfibre / Substantial

Response to the CMA's 'Areas of focus'

20 July 2026

Summary

1. This submission responds to the CMA's 'Areas of focus' ("AoF") document published on 7 July 2026. [✂]. Unless otherwise specified, defined terms have the same meaning as in the AoF.
2. Sky agrees with the CMA's Areas of focus and the need to scrutinise the impact of the Transaction on wholesale and retail competition, including the potential vertical effects. [✂].
3. [✂].
4. [✂].
5. [✂].
6. This document is a focused response to the AoF. [✂].

Sky

7. Sky has a unique perspective on the likely effects of this Transaction. We serve [✂] million retail broadband customers ([✂]% market share) and are the largest retail ISP that depends entirely on wholesale local access from third-party networks. Sky is, therefore, the UK's largest independent wholesale broadband customer, spending around [✂] on wholesale broadband access each year. As a result, Sky has extensive experience of how network operators compete to win major wholesale customers, and how stronger wholesale competition translates into lower retail prices, better service quality and improved products for consumers. When wholesale competition delivers better wholesale outcomes for Sky, we pass those benefits through to consumers in the form of lower prices and better and improved services for our customers.
8. [✂]. As well as being an experienced purchaser of wholesale access from Openreach for twenty years, Sky also purchases wholesale access from CityFibre. [✂].
9. [✂].

Preliminary points

10. Sky agrees that the Transaction creates a relevant merger situation ("RMS").
11. VMO2 operates a gigabit-capable cable network covering approximately 16 million premises. nexfibre, VMO2's new fibre build vehicle, has passed approximately 2.6 million premises.[1] nexfibre has no independent engineering capability (it has fewer than 50 employees, all in corporate roles), no wholesale systems, and no operational capability to build or operate its network independently; its network build and wholesale activities rely entirely on VMO2. The

[1] https://news.virginmediao2.co.uk/infravia-liberty-global-and-telefonica-acquire-substantial-group-for-2-billion-through-their-existing-joint-venture-nexfibre/

CMA should therefore treat nexfibre and VMO2 as a single economic entity for the purposes of its competitive assessment.[2]

12. Netomnia is a fast-growing, independent fibre operator and wholesale and retail competitor to VMO2, with approximately 3 million premises passed (3.4 million by expected completion of the Transaction[3]) and an announced target of 5 million. Through its retail brand, YouFibre (and previously Brsk, which is now combined with YouFibre), it has grown from approximately 10,000 customers in June 2022 to over 500,000 by June 2026 – winning customers directly from VMO2 ([✂]). Around 80% of Netomnia's footprint overlaps with VMO2's.

13. The net effect of the Transaction is that Netomnia's independent wholesale network is absorbed into the VMO2 / nexfibre structure, and YouFibre's retail customer base is acquired by VMO2. Control of the network, the supply of wholesale services and downstream retail competition will therefore sit within the same vertically integrated operator, fundamentally changing the incentives that govern wholesale supply, absent the Transaction.

14. [✂].

Counterfactual

15. The Parties submit that *"the prevailing conditions of competition do not represent the appropriate counterfactual"* and that *"each of nexfibre, Substantial and VMO2 would, absent the Transaction, experience reduced network investment, slower FTTP deployment and higher retail pricing than current conditions suggest"*.[4] [✂].

16. VMO2's cable network is already gigabit-capable, offering broadly equivalent broadband services to FTTP, and, as Ofcom confirmed in the Telecoms Access Review, sits within the same product market as FTTP.

17. [✂].

18. [✂].

19. [✂].

20. [✂].

21. [✂].

22. [✂].

23. [✂].

24. [✂].

25. Sky recognises that the counterfactual assessment necessarily begins with the likely scenarios at the time of the Transaction, as set out in paragraph 22 of the Areas of focus. However, the CMA should also consider the Transaction's implications for longer-term competition. The UK continues to have a number of alternative FTTP network operators and the potential for

[2] VMO2 is a joint venture owned equally by Liberty Global and Telefónica. Liberty Global and Telefónica also each hold a 25% stake in nexfibre, with InfraVia holding the remaining 50%. VMO2 and nexfibre are therefore under common ownership and should be treated as 'associated persons' for the purposes of the CMA's jurisdiction and competitive assessment. (fn.8: Section 127, Enterprise Act 2002.)

[3] See note 1 at https://www.libertyglobal.com/liberty-global-substantial-group-nexfibre/.

[4] Paragraph 21, AoF.

further consolidation. The outcome of this Transaction, and any remedies imposed, will shape market expectations around future consolidation, the incentives of independent FTTP networks to compete and invest, and the prospects for the emergence of a scaled third national FTTP network capable of constraining Openreach and VMO2.

Assessment of competitive effects

Market definition

26. To understand the effects of the Transaction, the starting point is the overlap between the Parties: the area in which the Transaction directly removes an independent competitor. The CMA should then consider whether competition outside that overlap could provide an effective competitive constraint on the merged entity within that area.

27. [✂].

28. Sky has significant evidence concerning 'how prices and other terms are set in practice', both at a wholesale level (as a purchaser) and at a retail level (as a provider).

Theories of harm

29. Sky supports the CMA's proposed approach to considering the horizontal unilateral effects on the loss of competition in broadband at wholesale and retail levels.

30. Sky also welcomes the CMA's recognition that the Transaction may give rise to vertical effects, and in particular an input foreclosure theory of harm. The Transaction would bring Netomnia's network under the control of an established vertically integrated operator with a large downstream retail business. [✂].

Horizontal effects

31. In areas where Netomnia's network overlaps with VMO2 (approximately 80% of Netomnia's footprint), the Transaction reduces the number of infrastructure competitors from three (Openreach, VMO2 and Netomnia) to two (Openreach and the combined VMO2 / nexfibre / Netomnia entity).

32. Infrastructure competition (particularly three-way competition) results in greater fibre investment and coverage across the UK. Independent infrastructure provides a particularly strong competitive constraint because networks that are not vertically integrated have structurally stronger incentives to offer wholesale access on competitive terms. Those stronger wholesale incentives benefit not only retail customers in overlap areas but also competition more broadly. As independent networks expand, they increase the volume of demand that access-seekers capture from Openreach, strengthening competitive pressure on Openreach's nationally set wholesale pricing and other parameters of competition (including service quality, product innovation and investment).

33. [✂].

34. Sky's own experience of its CityFibre deal confirms these price and non-price benefits. Where CityFibre's network is available, Sky places [✂] of its broadband gross customer additions onto that network [✂].

35. [✂].

36. [✂].

[✂]

37. [✂].

38. [✂].

39. [✂].

40. [✂].

41. [✂].

42. [✂].

43. [✂].

44. [✂].

45. [✂].

Potential countervailing effects

46. [✂].

47. We note VMO2's stated longer-term aspiration to invest in FTTP. [✂].

48. [✂]. Therefore, arguments by the Parties that the pathway to a larger FTTP footprint and the creation of a wholesale platform are transaction-specific benefits should be assessed carefully.

49. The Parties' public statements suggest that the Transaction creates efficiencies, by enabling the development of a scaled wholesale challenger to Openreach with a combined fibre footprint of approximately 20 million premises passed – apparently unlocking £3.5 billion in international investment in the process.

50. [✂].

51. [✂]

52. [✂]

53. [✂]

54. [✂]

55. [✂]

56. [✂]

Relevant customer benefits

57. Sky also considers that the CMA should scrutinise claims of relevant customer benefits ("RCBs") carefully:

- Sky does not consider that the Transaction will create a more effective challenger to Openreach capable of delivering stronger retail competition.
- The Parties should demonstrate that any claimed acceleration in fibre rollout or fibre take-up is merger specific. VMO2 / nexfibre already has a lower-cost route to achieving that outcome by completing the upgrade of its existing network, without removing an independent competitor. [✂]. In any event, to the extent that there are any incremental benefits, they are already available in the counterfactual where customers can buy FTTP from Netomnia.
- [✂]. The reduction in wholesale competition resulting from the Transaction weakens the competitive pressure needed to drive such pass-through.
- Speculative or weakly evidenced RCBs should not justify a remedy that fails effectively to address the SLC, nor should they outweigh the loss of competition identified above.

Concluding points

58. The Parties' publicly stated rationale for the Transaction is to build a national wholesale challenger to Openreach.[9] Sky urges the CMA to scrutinise this claim carefully. [✂].

59. [✂]

60. [✂]

61. [✂]

62. [✂]

63. [✂]

64. [✂]