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# Competition Dynamics in the Evolving Connectivity Ecosystem – Note by the United Kingdom

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# *United Kingdom*

## 1. Introduction

1. This contribution discusses the UK's experience of promoting competition and investment in fixed telecommunications networks. It focuses principally on the transition to full-fibre broadband and the regulatory strategy pursued by the UK communications regulator, Ofcom, to promote investment in gigabit-capable networks through network competition.[1] It also considers the role of merger control as the market moves from an initial phase of rapid network deployment towards one in which take-up and scale are increasingly important.

2. The UK's approach to fixed telecoms competition initially focused on promoting competition at the retail level, including by requiring regulated wholesale access to the network of the incumbent operator, BT, so that competing providers could offer services to consumers without building their own access networks.[2] From 2016, Ofcom made a strategic shift to promoting competition further upstream, encouraging competing operators to deploy their own full-fibre networks ("network competition"). The objective was to use competition to drive investment and, over time, to allow competition rather than regulation to drive outcomes for consumers. This shift in approach ultimately culminated in the regulatory framework established in the 2021 Wholesale Fixed Telecoms Market Review and maintained, with updates, in the 2026 Telecoms Access Review (TAR).[3]

3. Considerable progress has followed. The UK had been a full-fibre laggard: only around 2% of premises had access to full fibre in 2016. By January 2026, full fibre was available to 82% of UK homes. Build by rival networks has led to a significant increase in the number of premises with a choice of network, and the benefits of developing competition are already being felt.

4. While the competitive landscape has developed significantly, Ofcom concluded in the 2026 TAR that it has not developed to the point at which all wholesale regulation in the broadband market can be removed. Network competition takes time to develop and requires not only that networks are built, but that new providers attract customers and achieve sufficient scale to exert a strong competitive constraint over the long term.

5. The structure of the market is also evolving. More than 100 alternative network operators (commonly referred to as "altnets") have entered the market and been deploying fibre networks, although a relatively small number account for most deployment. Ofcom has observed that consolidation is likely to be a feature in the coming years and could help those consolidated providers achieve greater scale and become stronger competitors, supporting network competition in the long term. Ofcom also noted that the impact of any particular consolidation event on competitive conditions will depend on the specific details, including the market position and geographic location of the relevant parties.

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[1] Gigabit-capable networks typically refers to networks using fibre to the premises (FTTP), also known as full-fibre, and cable networks that are able to offer services with download speeds of at least 1 Gbit/s.

[2] Ofcom's wholesale fixed telecoms regulation applies principally to Openreach, a wholly owned but legally separate subsidiary of BT Group, which operates BT's fixed access network.

[3] Ofcom, 2026 Telecoms Access Review Statement, March 2026.

6. This provides the context for the ongoing investigation by the UK Competition and Markets Authority (CMA) of nexfibre's proposed acquisition of Substantial Topco Limited and its subsidiary undertakings, including Netomnia, Brsk and YouFibre. That case illustrates the interaction between two distinct but complementary parts of the UK framework:

- Sector regulation seeks to create conditions in which sustainable network competition can emerge.
- Merger control considers whether individual transactions would substantially lessen competition, taking account of potential efficiencies and the market conditions that would prevail absent the transaction.

## 2. Regulatory strategy

### 2.1. The investment challenge and a window for competition

7. The starting point for Ofcom's regulatory strategy was the need for very substantial investment. In 2016, most UK homes received broadband over BT's legacy copper network. Incremental investment had allowed faster services to be delivered over that network, but those upgrades could only go so far. Full fibre, with fibre extending all the way to the premises, offered faster, more reliable and more future-proof connectivity.

8. At the time, BT had not committed to a national rollout of full fibre and continued to pursue lower-cost incremental upgrades to its legacy copper network. However, there was significant interest from new entrants in building full-fibre networks. Ofcom considered there were good prospects for network competition across large parts of the country, alongside Virgin Media's existing cable network.

9. The transition to full-fibre therefore presented a window of opportunity. If consumers ultimately needed to migrate from old copper connections to new full-fibre connections, there was no reason why those new connections necessarily had to be provided by Openreach, BT Group's legally separate network division. Rivals saw an opportunity to invest in competing full-fibre networks, win customers and compete for the business of broadband providers that had historically relied on Openreach.

10. Promoting network competition also made the investment decision itself contestable. Decisions over whether to continue incrementally upgrading the copper network or replace it with full-fibre, and where to deploy, would no longer be left to BT. Ofcom expected that the threat of rival investment would encourage Openreach itself to invest in full-fibre for fear of losing its core business. But the objective went beyond creating a threat: actual network competition could generate stronger incentives to innovate, reduce costs, improve service quality and price keenly to win customers. Ultimately, effective competition could also allow regulation itself to be withdrawn.

11. Ofcom began implementing that strategy in 2016, with its main elements reflected in the regulatory package established in 2021. The 2026 TAR has broadly maintained that framework, with updates to reflect market developments. The approach applies across both residential broadband and high-capacity business connectivity markets.[4]

[4] Fibre networks might be deployed to serve both residential and business customers and provide both broadband and high-capacity business connectivity services.

## 2.2. The principal elements of the regulatory framework

12. **Access to ducts and poles.** A key innovation, and the foundation of Ofcom's strategy, was regulated physical infrastructure access (PIA). Openreach must allow rival network operators to use its telegraph poles and underground ducts on regulated terms to deploy and operate their own networks. Where the earlier regulatory model had principally enabled competitors to use wholesale services delivered over Openreach's access network, PIA was designed to facilitate competition at the network level itself. By avoiding the need to replicate much of Openreach's existing physical infrastructure, it significantly reduced the barriers to deploying competing access networks.

13. **Wholesale pricing which preserves investment incentives.** While network competition develops, Ofcom continues to regulate access to Openreach's broadband network but has moved away from applying traditional cost-based regulation across its services. Ofcom caps the price of one basic superfast service (currently the 80 Mbit/s download, 20 Mbit/s upload product) in line with inflation, while allowing pricing flexibility for other bandwidths. This protects consumers while preserving the potential to earn greater returns from higher-speed products, and the incentives for both Openreach and rivals to invest.

14. **Safeguards to support the development of network competition.** Ofcom's regulation permits Openreach to make its full-fibre services competitively attractive but restricts certain commercial offers that could undermine the development of sustainable network competition. Openreach cannot offer discriminatory geographic discounts which might harm competition, without Ofcom's consent. Openreach must also give Ofcom 120 days' notice of certain commercial terms which could deter internet service providers (ISPs) from using competing networks, so it can assess any deals before they take effect. The regulatory framework seeks to maintain an opportunity for reasonably efficient altnets to compete and increase take-up during the 2026-31 review period. The objective is to support the development of sustainable network competition, rather than guarantee the success of any individual altnet or business model. Ofcom expects network competition to continue to develop over the review period and its regulation is intended to be capable of adapting as competition strengthens.

15. **Supporting migration from copper to fibre.** Ofcom's regulation supports the eventual retirement of Openreach's legacy copper network, to avoid the costly running of two parallel networks. Ofcom has established a staged framework under which regulation moves from copper to full-fibre services, allowing Openreach greater flexibility to encourage migration.

16. **Long-term regulatory certainty.** Full-fibre networks require large sunk investments with long payback periods. To provide greater predictability, Ofcom set out in 2021 how it would approach future regulatory decisions over a ten-year period to 2031 and beyond.5 Ofcom expects competition to continue to develop, putting the UK on a path to greater deregulation in future. However, Ofcom also set out its commitment to the "fair bet" if there is a need to move to cost-based regulation of Openreach in future. BT should have the opportunity to earn a return above its cost of capital over the whole fibre investment cycle, reflecting the risks taken when the investment was made.

17. **Geographic differentiation.** Ofcom's approach recognises that network competition is not viable everywhere. Ofcom therefore differentiates regulation

[5] Future decisions will depend on the circumstances that exist when Ofcom carries out its next market reviews.

geographically. The 2026 TAR identifies 'Area 2', covering 86% of UK premises, where there already is, or there is likely to be potential for, material and sustainable competition; and 'Area 3', covering 14% of UK premises, where there is not and is unlikely to be such potential. In 'Area 3', regulation continues to provide Openreach with an opportunity to recover the reasonable costs of commercial full-fibre investment. Public funding of build by Openreach and altnets complements this framework in areas where commercial investment is not viable.

## 3. Outcomes to date

### 3.1. Investment, coverage and competition

18. In January 2026, full-fibre was available to 24.9 million UK residential premises, 82% of UK homes. Gigabit-capable broadband was available to 27.1 million homes, or 89%.[6] Take-up is also increasing. Across residential and commercial premises, the number of full-fibre connections reached 12.4 million in January 2026, equivalent to 47% of all premises where full-fibre was available.

19. Openreach full fibre now covers over 23m premises. There has also been significant deployment by altnets, in many cases using regulated duct and pole access. By the time of the 2026 TAR, altnets had collectively deployed to 15.4 million unique premises, equivalent to approximately 48% of all premises. Investment by Openreach and altnets has been around £3-6 billion annually.

20. Build by rival networks has led to a significant increase in the number of premises with a choice of network: around three quarters of premises now have a choice of at least two networks, and around a third have a choice of three.[7] The benefits of developing competition are already being felt, in the form of attractive pricing offers for consumers, innovation in terms of the adoption of new technologies, and a greater choice of services.

### 3.2. Competition is developing but is not yet clearly sustainable

21. Despite the significant development in the competitive landscape since 2021, Ofcom concluded in the 2026 TAR that competition is not yet clearly sustainable and Openreach retains significant market power. The development of network competition necessarily requires not only that networks are built but that altnets are able to attract customers to those networks. Take-up is critical, as it underpins the ability of altnets to exert a strong competitive constraint in the long term. Altnets have made progress in winning customers and increasing take-up. However, it takes time for new providers to build their customer bases, achieve scale and overcome Openreach's incumbency advantages.

### 3.3. A fragmented market and the prospect of consolidation

22. Build has been more fragmented than Ofcom expected in 2021, with over 100 altnets deploying fibre. A relatively small number of these altnets account for the majority

[6] Ofcom, Connected Nations update: Spring 2026

[7] Figures include Openreach's copper-based network (which is not gigabit-capable). The other providers' networks will be gigabit-capable.

of the build by altnets to date, with a long tail of smaller altnets. Several altnets have experienced financial difficulties and some have already consolidated.

23. Given the large number of companies that have entered the market, Ofcom considers that consolidation is likely to continue to be a feature of the market in the coming years, and could help those consolidated providers achieve greater scale and become stronger competitors, supporting network competition in the long term. However, competition concerns can arise depending on the specific details, including the market position and geographic location of the relevant parties.

## 4. Consolidation and merger control

24. Under the UK framework, Ofcom and the CMA have distinct roles. Ofcom establishes ex ante regulation to address significant market power and promote competition and investment in communications markets. The CMA is the decision-making body under the UK merger control regime. Where the CMA investigates a telecommunications merger, Ofcom might provide market evidence and technical expertise, including evidence relevant to potential competitive effects and claimed efficiencies.

25. These roles are complementary. Sector regulation establishes the environment in which operators invest and compete, while merger control assesses the competitive effects of individual transactions.

26. This distinction is particularly relevant given the stage the UK fibre market has reached. Some consolidation can create greater scale without necessarily eliminating significant rivalry. However, a transaction involving networks which would otherwise compete materially might remove a competitive constraint which the regulatory framework has sought to foster. Consolidation therefore needs to be considered transaction by transaction rather than on the basis of a general proposition that it is necessarily good for competition or investment.

27. These issues arise in the CMA's ongoing investigation of the anticipated acquisition by nexfibre of Substantial.[8] The CMA is assessing the effects of bringing the relevant networks together against the competitive conditions it considers likely to arise without the transaction. The CMA published its interim report in October 2026 and has provisionally concluded that the transaction might be expected to result in a substantial lessening of competition in the wholesale supply of fixed broadband. The assessment remains ongoing and the findings are not final.

28. A key focus of the inquiry so far has been the counterfactual. This matters because the status quo cannot necessarily be assumed to continue, particularly given the stage the market is at. The CMA has provisionally considered that, absent the transaction, CityFibre (another altnet) would most likely acquire Substantial. Its provisional competition assessment therefore compares the transaction with a market which itself involves further consolidation. Against that counterfactual, the CMA provisionally considers that the transaction would weaken competition in the wholesale supply of fixed broadband.

[8] By way of context, nexfibre is a joint venture between InfraVia Capital Partners, Liberty Global and Telefónica. Liberty Global and Telefónica together own Virgin Media O2 (VMO2). nexfibre is a wholesale-only provider of full fibre broadband to ISPs. Its network covers 2.6m premises. VMO2 operates the second largest fixed network in the UK (predominantly cable), and offers retail fixed broadband services. VMO2 is nexfibre's anchor (and currently only) customer. Substantial operates a full fibre network covering over 3m premises. It also offers retail fixed broadband services.

## 5. Conclusion

29. The UK's experience with the transition to full fibre illustrates how sector regulation can seek to make competition and investment mutually reinforcing.

30. The transition from copper to fibre gave the UK an opportunity to make not only the provision of broadband services, but network investment itself, more contestable. Access to ducts and poles lowered barriers to competing network investment; wholesale price regulation sought to balance consumer protection with investment incentives; and longer-term regulatory signalling provided greater certainty for investments with long payback periods.

31. The results have been significant. The UK has seen substantial investment in fibre and new network competition is developing. However, network competition takes time to become sustainable. Ofcom’s objective remains sustainable competition where economically viable, with the goal of allowing competition rather than regulation to drive good outcomes for consumers. The regulatory framework seeks to maintain an opportunity for reasonably efficient altnets to compete and increase take-up, while allowing Openreach to compete fairly.

32. Consolidation also forms part of this next stage. A fragmented market structure means that some consolidation is likely and might allow alternative networks to obtain the scale required to compete sustainably. The role of merger control is to assess the competitive effects of individual transactions, including against the appropriate counterfactual and taking account of relevant efficiencies.

33. Sector regulation has sought to create the conditions for competition to emerge; merger control is being applied as the market structure created by this investment evolves.