

Mobile Sector Assessment: ***Mobile citizens, mobile consumers***

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What did we look at

Principal question

Should Ofcom revise its approach to regulation of the mobile sector, in order to respond to the changing market environment?

Primary questions

What are the implications of market change for mobile and wireless services?

How are consumers and citizens affected by developments in the mobile sector?

What are the purposes of mobile regulation, and where should its focus lie?

What is the scope for deregulation, competition and innovation in the mobile sector?

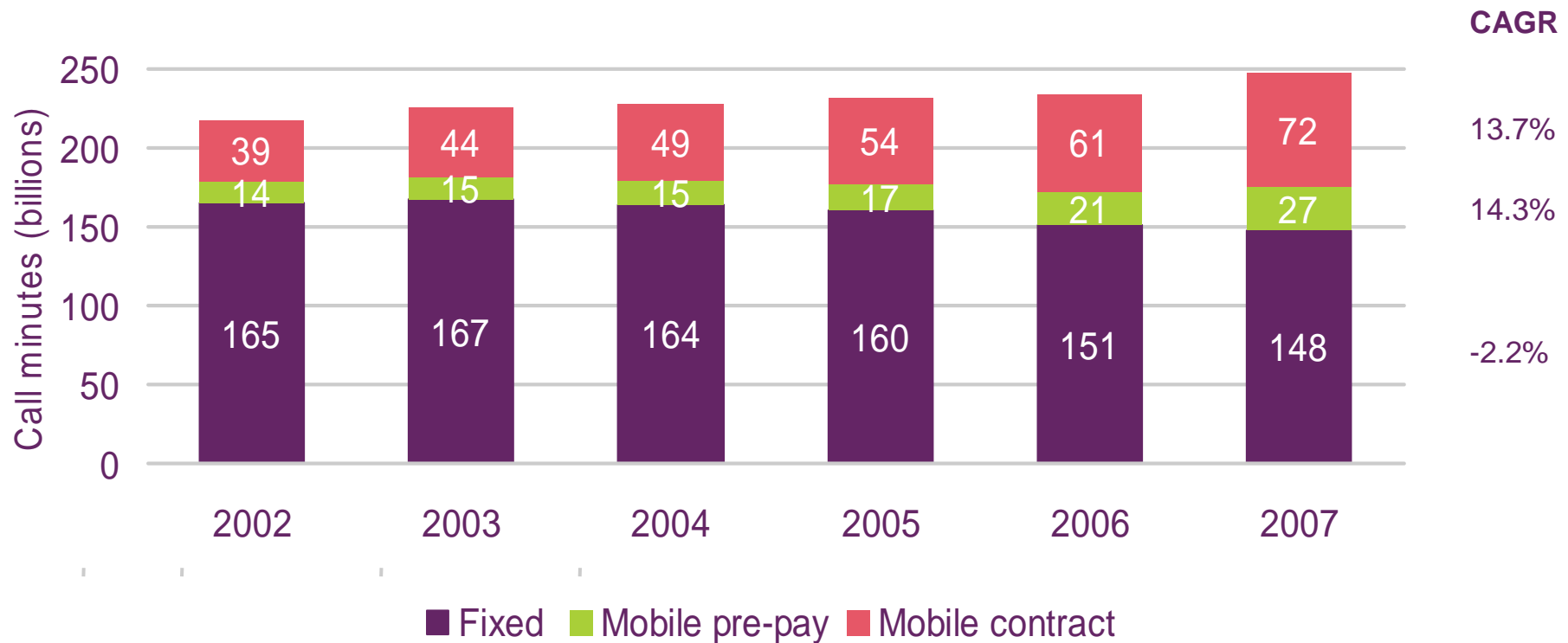
Our consultation focuses on these three questions

Our vision for the UK mobile and wireless sector

- A wide choice of *networks* and a wide choice of *services* on those networks
- Easy and safe switching
- A mobile internet that is as open and flexible as technology allows
- Diverse content and applications (including protection from harmful content)
- Coverage
- Consumer protection from mis-selling, scams and new risks including personal information

We have “gone mobile”

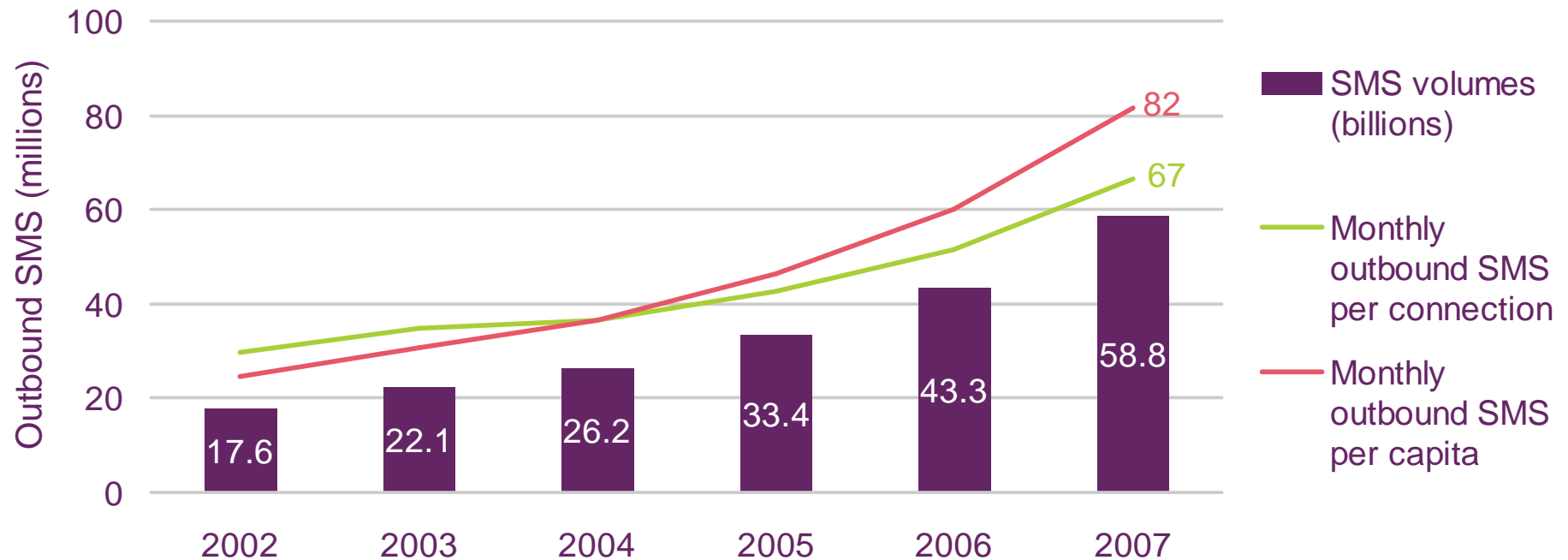
Fixed and mobile call volumes



Source: Ofcom / operators. Note: Includes estimates where Ofcom does not receive data from operators

SMS usage is soaring and data continues to grow

Outbound SMS volumes

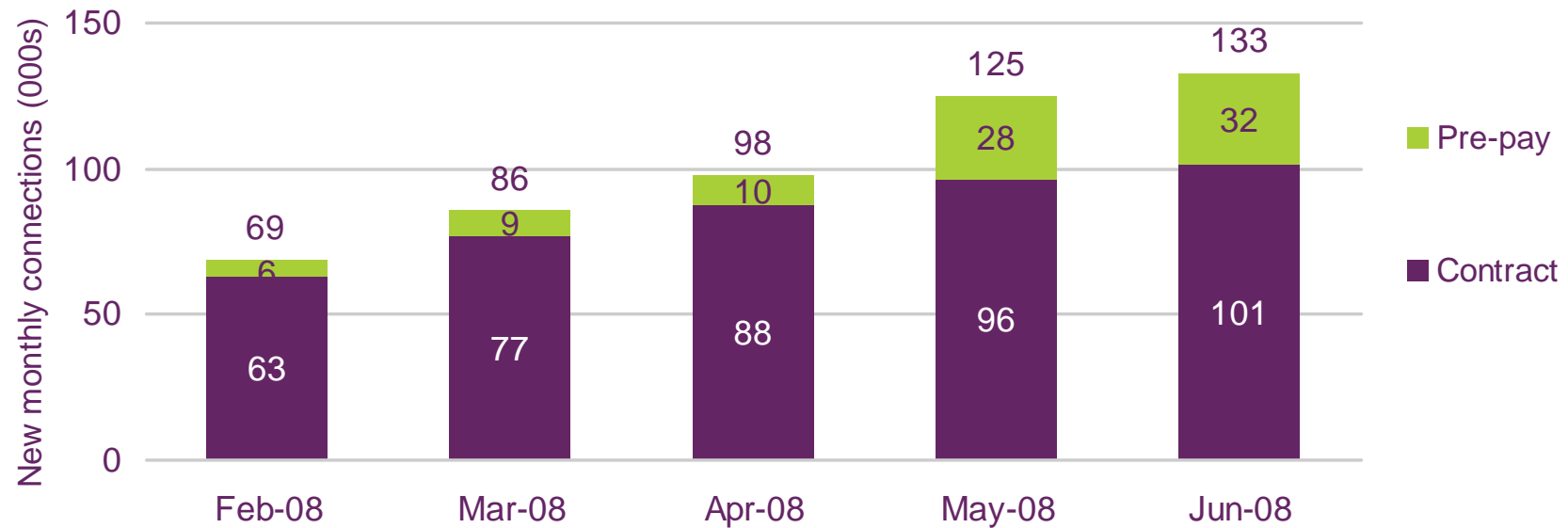


Source: Ofcom / operators

Note: Includes estimates where Ofcom does not receive data from operators; excludes H3G; figures have been restated from the 2007 Communications Market Report to reflect more accurate data

Mobile broadband growth is accelerating

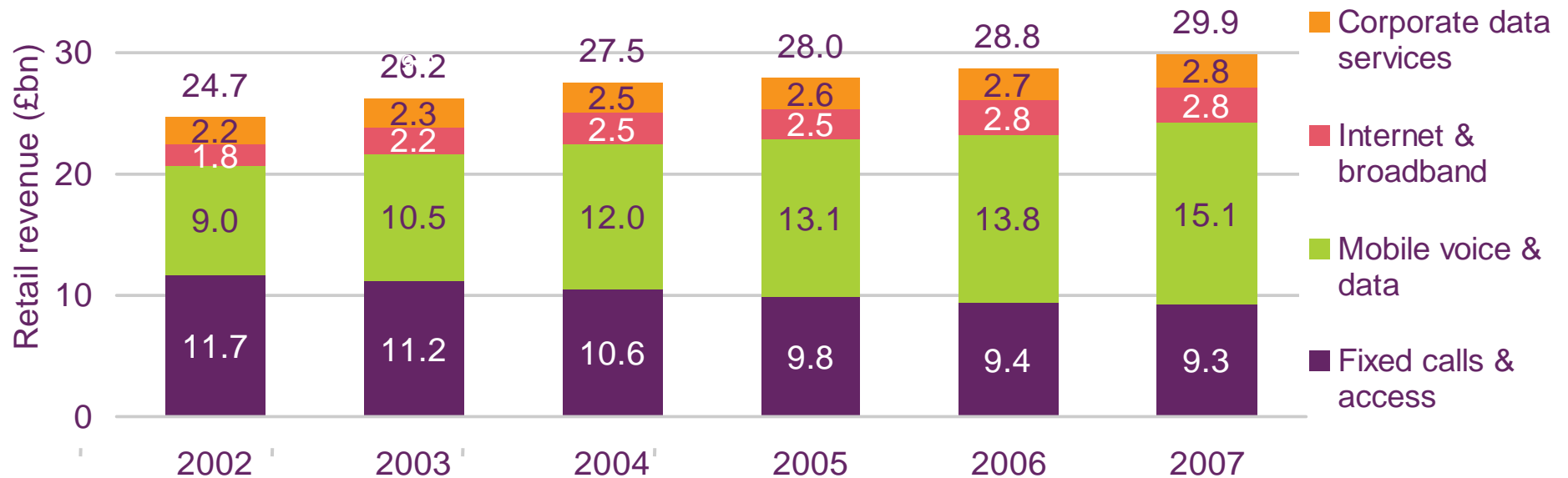
New mobile broadband connections



Source: GfK

As a result, the mobile sector has grown

UK telecoms industry retail revenue



Source: Ofcom / operators

Most consumers are content with their mobile service, but a sizable minority, 1.4m, are not

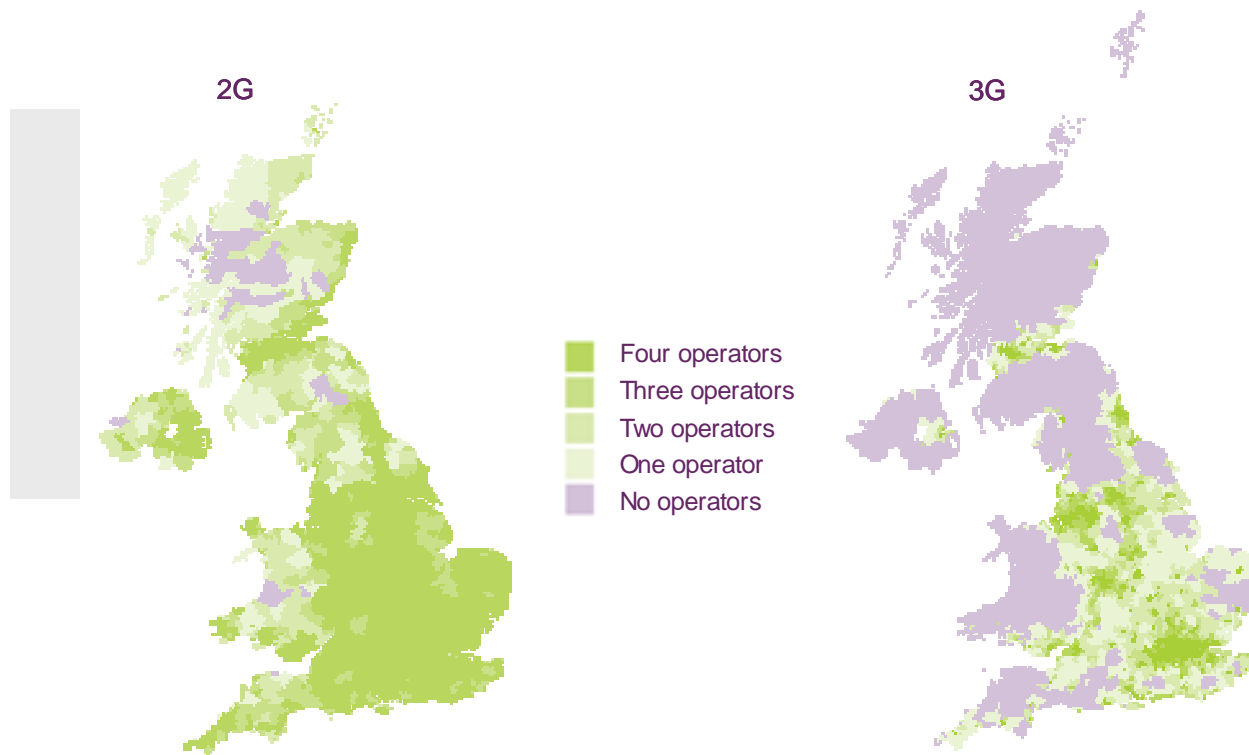
Mobile overall satisfaction and VfM, over time



- Ofcom OAT data:
 - Rising complaints (as witnessed by other agencies)
 - Respond to persistent consumer issues as appropriate
- Consumers' main areas of concern are:
 - Tariffs,
 - Poor customer service, and
 - Bill errors.

Not all citizens benefit from mobile to the same degree

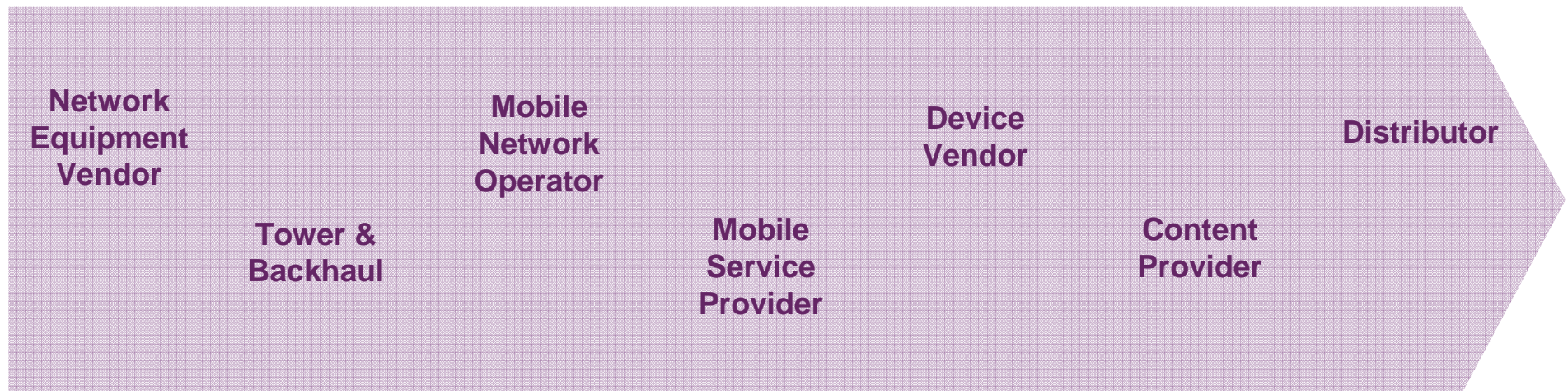
2G and 3G Mobile coverage



Citizen issues for consideration include:

- ‘not spots’
- involuntary **exclusion**:
- **privacy and security**;
- access to mobile phones by **children**.

Examples of entrants across the mobile value chain

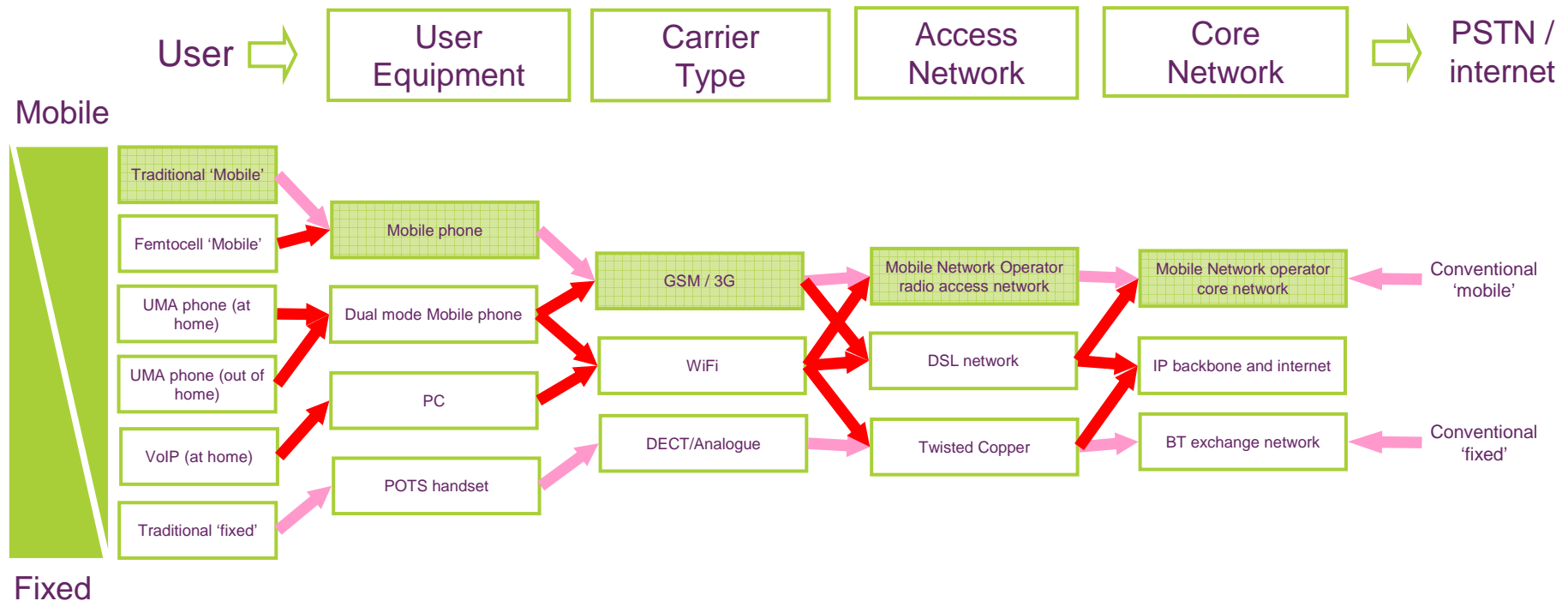


Geo



New technologies may change market dynamics

Examples of different voice transmission methods



How might the mobile termination rate regime need to evolve?

The context and case for change

The context

- European debate about termination rates
- Ofcom facing issues about mobile termination (MSA) and fixed termination (fixed line network charge controls, NGN interconnection)

The case for change

- We see increasing pressure on the termination rate regime after 2011 from:
 - Fixed/mobile convergence
 - Competition in a more diverse and complex mobile market
 - Growing regulatory burden and risks of regulatory failure

What might the future regime look like?

- Options include:
 - **Incremental costs only** (e.g. the European Commission's draft Recommendation)
 - **Reciprocity between fixed and mobile** (similar to the US model)
 - **Bill and keep**: set termination charges to zero by regulation
 - **Deregulate mobile termination**: no regulation of mobile termination rates after 2011
 - **Deregulate all termination**: full deregulation would allow both fixed and mobile networks to freely negotiate two-way traffic exchange.
- All these approaches carry important **risks** and transitional **challenges**
- A non-exhaustive list of options is in the consultation: "*Mobile citizens, mobile consumers*" <http://www.ofcom.org.uk/consult/condocs/msa08/msa.pdf>

Next steps

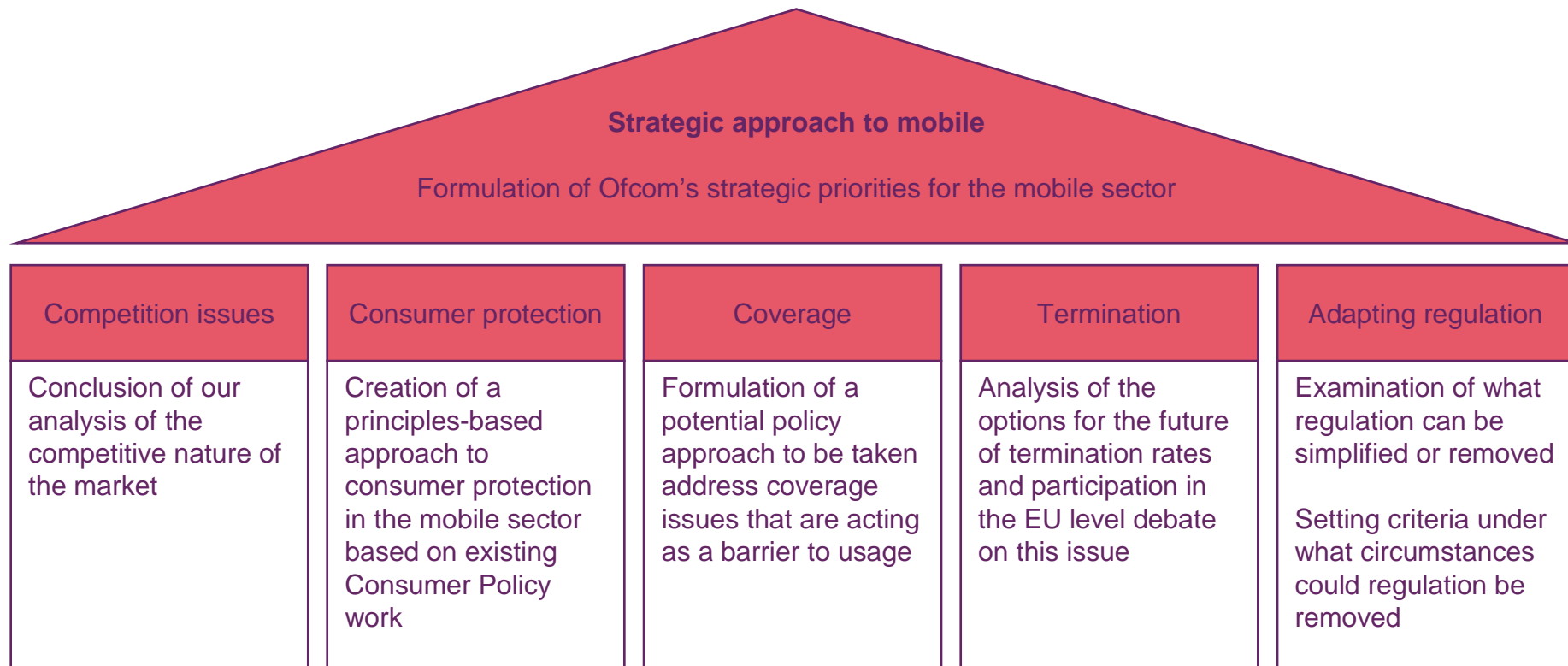
Consultation period

- Stakeholder meetings *September to November*
- MSA Conference at Westminster Media Forum *25 September*
- Other external events (speaking events, conferences) *September to November*
- **Consultation Close** *6 November*
- Ofcom International Conference *21 and 22 November*

- MSA Phase II

MSA II aims to address five key issues

Stakeholder responses to MSA I may add additional issues



- Consultation document:
<http://www.ofcom.org.uk/consult/condocs/msa08/>
- Interactive Executive Summary:
http://comment.ofcom.org.uk/msa_summary/
- Blog:
<http://comment.ofcom.org.uk/mobileblog/>