The new UK competition authority: perspectives and challenges for the digital sectors.

Mark Falcon, Three

IIC UK Chapter event, 13 May 2014

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About Three.

Hutchison
Whampoa
Ltd

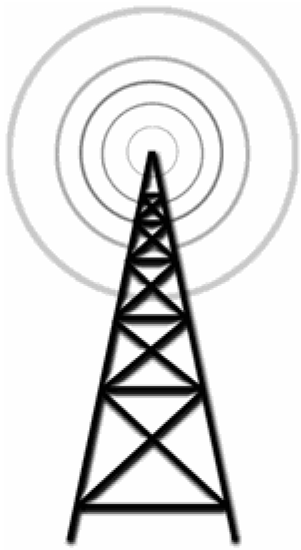
Mobile: neither utility nor free market.

✘

✘

Scarce/ monopolistic upstream inputs.

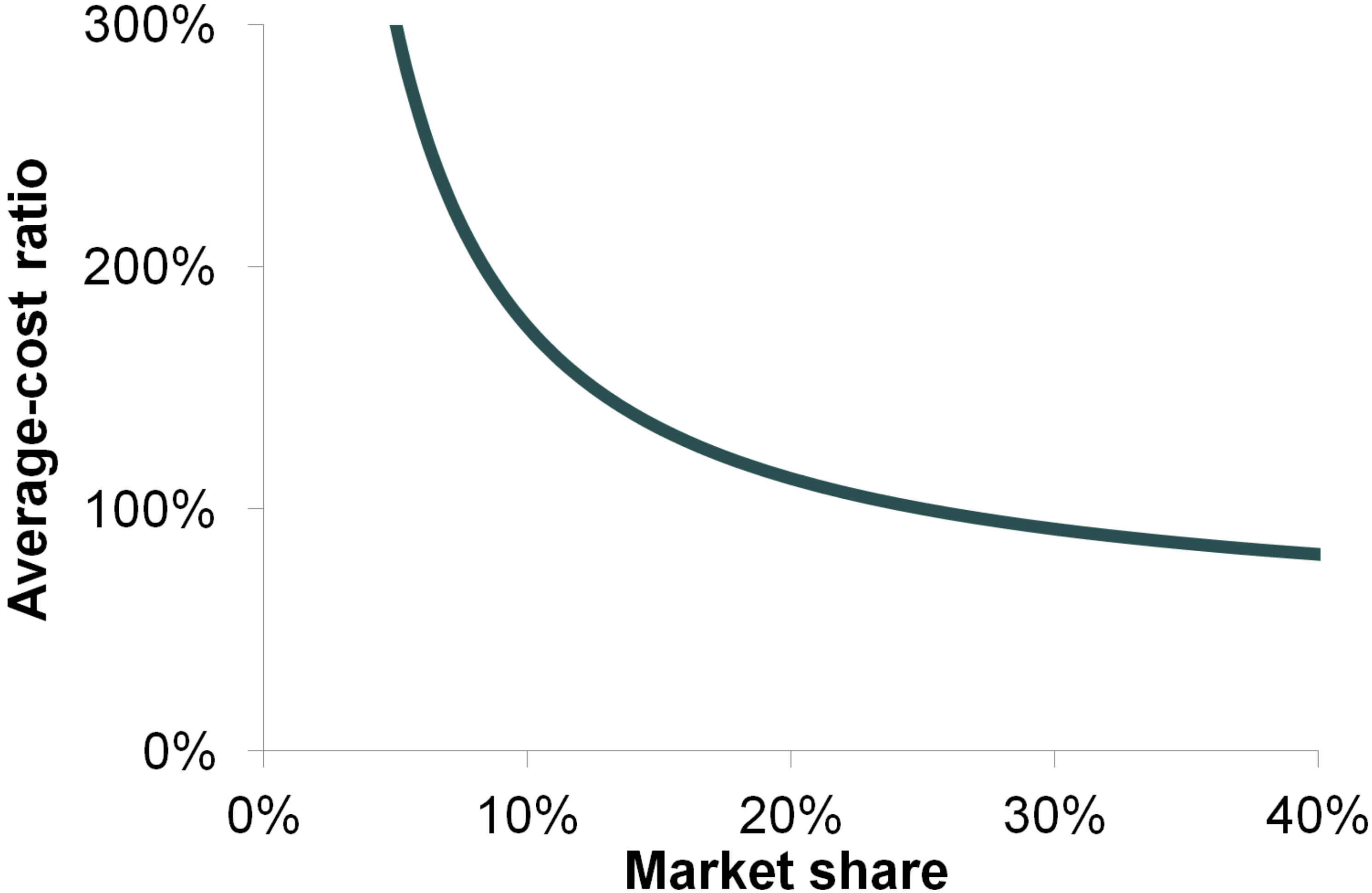
Backhaul



Sites

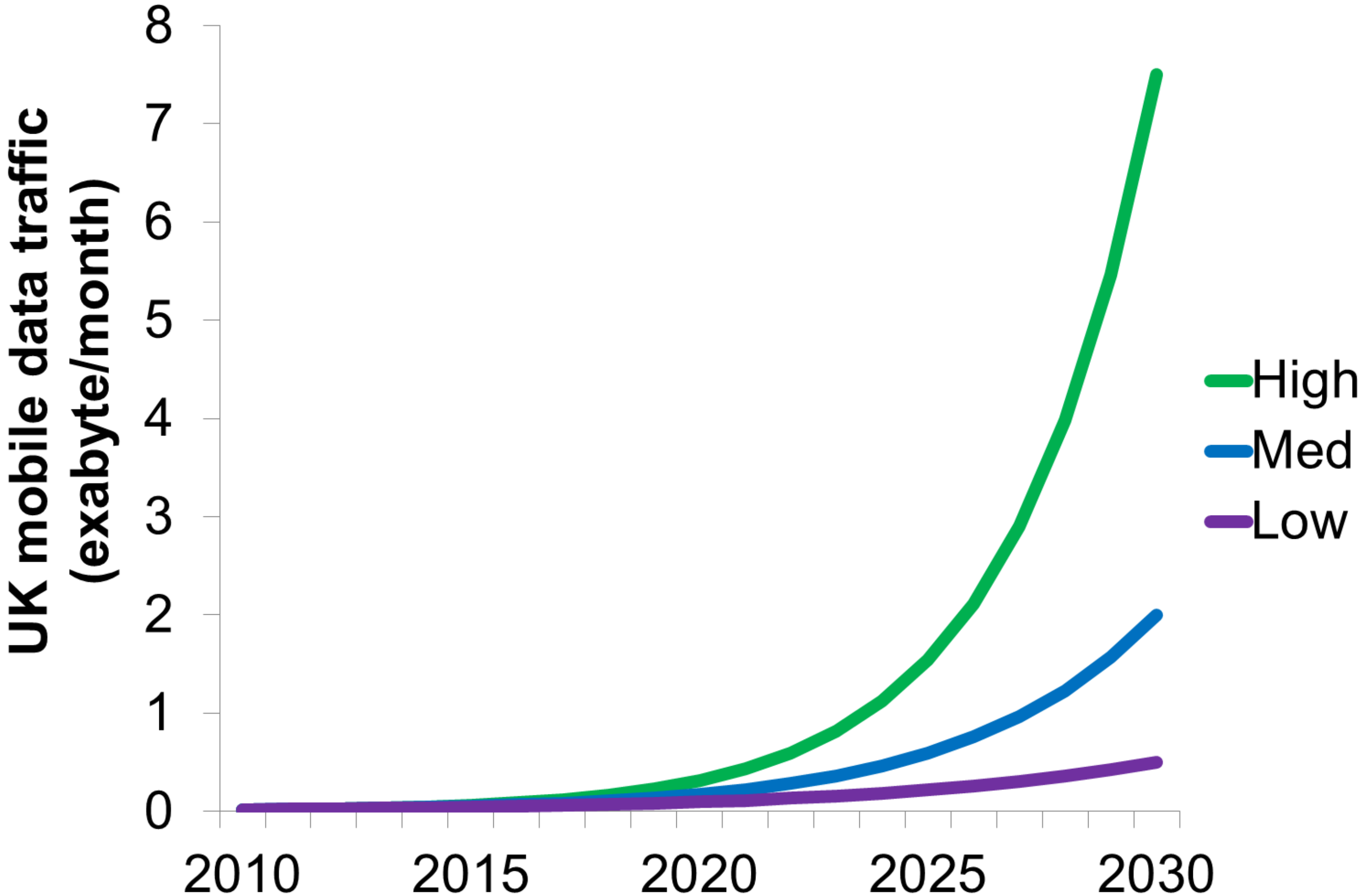
Spectrum

And large network scale economies.



Source: Enders Analysis.

Consumer demand: it's going up.



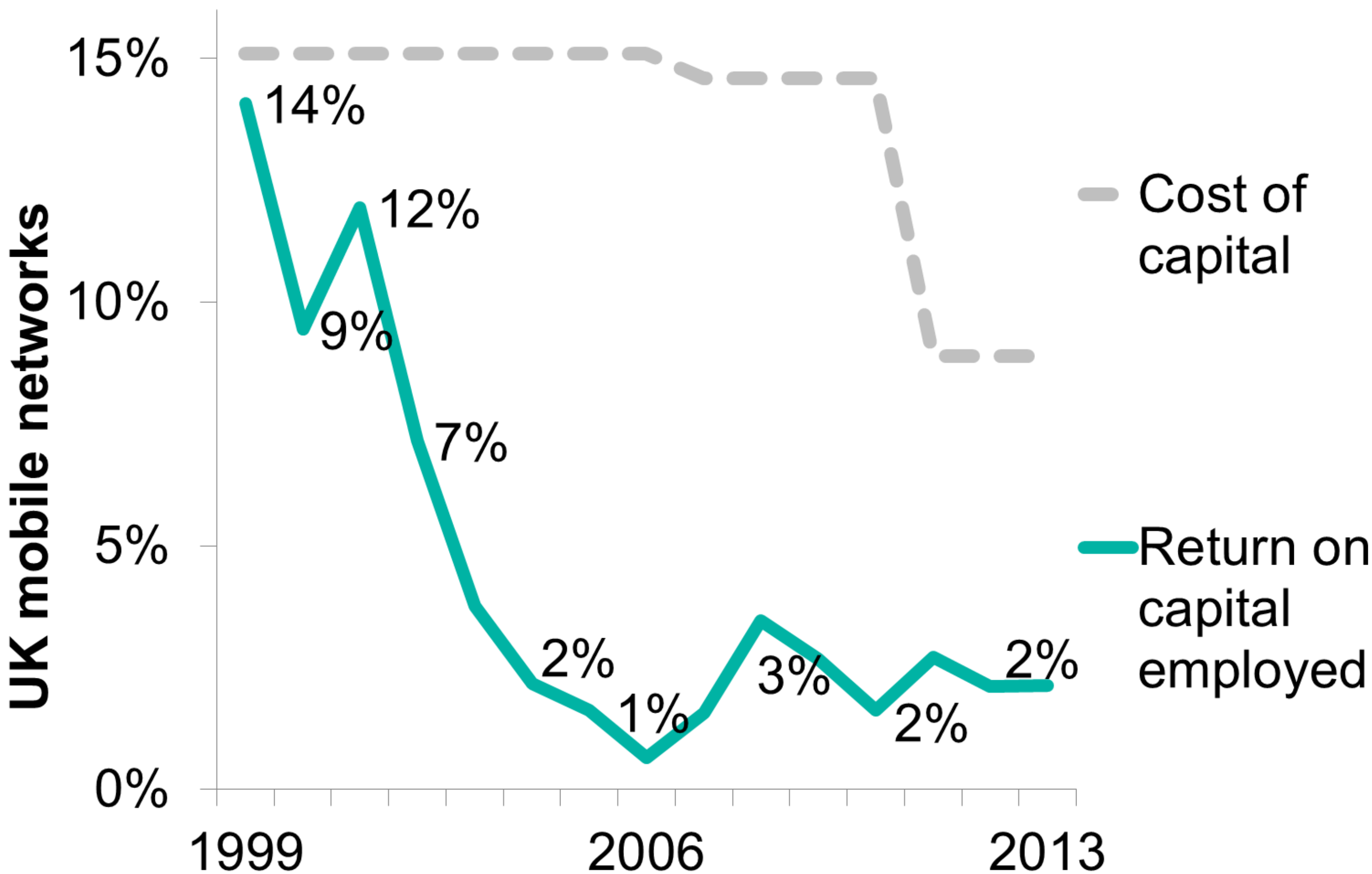
Source: Ofcom (ITU/Real Wireless).

Political demand: just a few things.

- Ubiquitous coverage
- Always sufficient bandwidth
- Always on

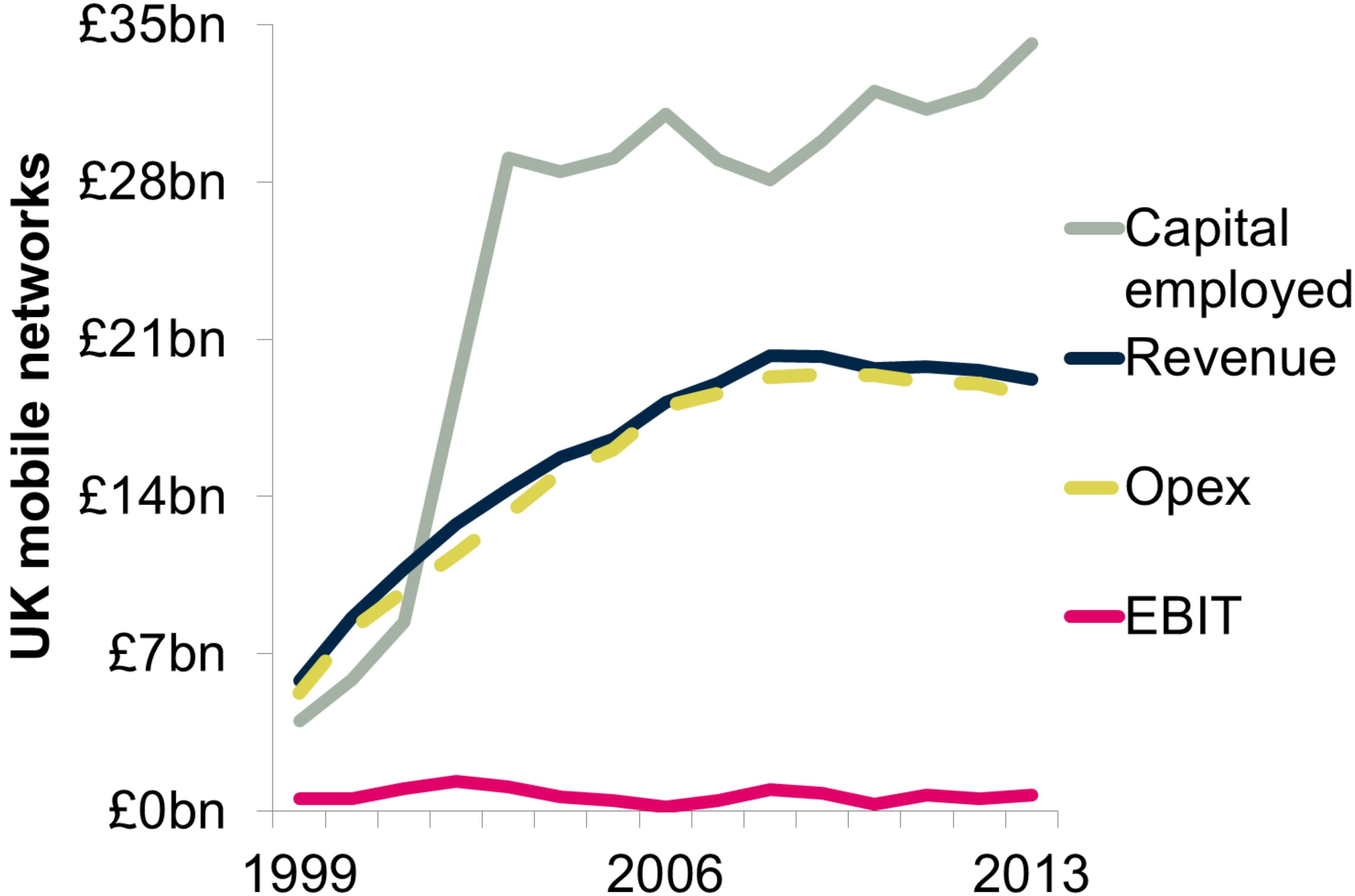
Source: HM Government.

Supply: underwater and still sinking…



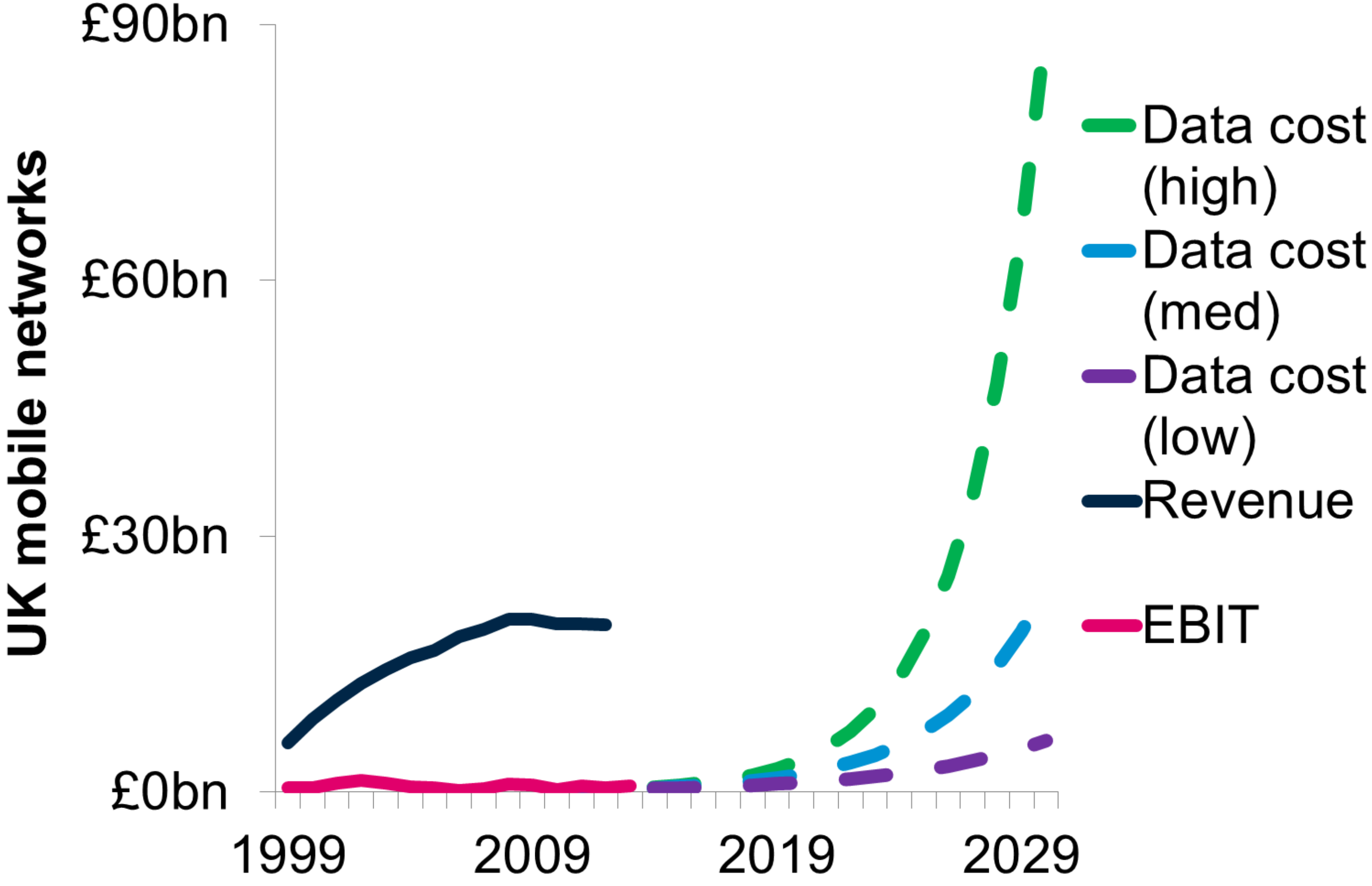
Source: statutory financial reports, Ofcom.

…Driven by huge capex and flat margins.



Source: statutory financial reports.

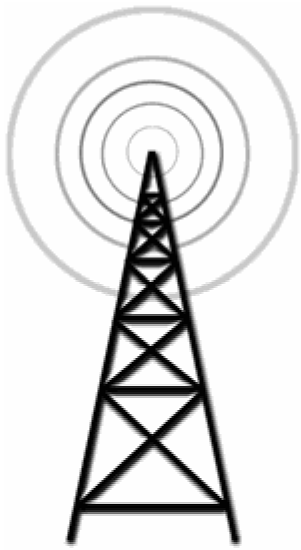
Future predicted demand not viable.



Source: statutory financial reports, Ofcom, Three.

Strategic options.

#1. Better regulation of upstream inputs.



- ✘ Semi-regulated: need better coverage
- ✘ Unregulated: ransom pricing
- ✘ Auctioned: scarcity/ foreclosure pricing

Mobile sites: extortionate rentals.

100m^2 farmland
£5

Electricity pylon
£100

Mobile mast
£10,000+

Source: Defra, Law Commission, Three.

Several possible ways to address this.

1. Legislative reform (DCMS)
2. Market investigation reference (CMA)
3. Concurrent competition powers (Ofcom)

Thank you.

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