

Competition in the mobile market.

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Mobile telecoms – “regulated competition”.



Not a monopoly utility.



Not a free market.

3G entry – major competition policy objective.

- France Telecom
- Oniway (EDP)
- Telefonica
- Three (HWL)
- Yoigo (TeliaSonera)



Source: European Commission.

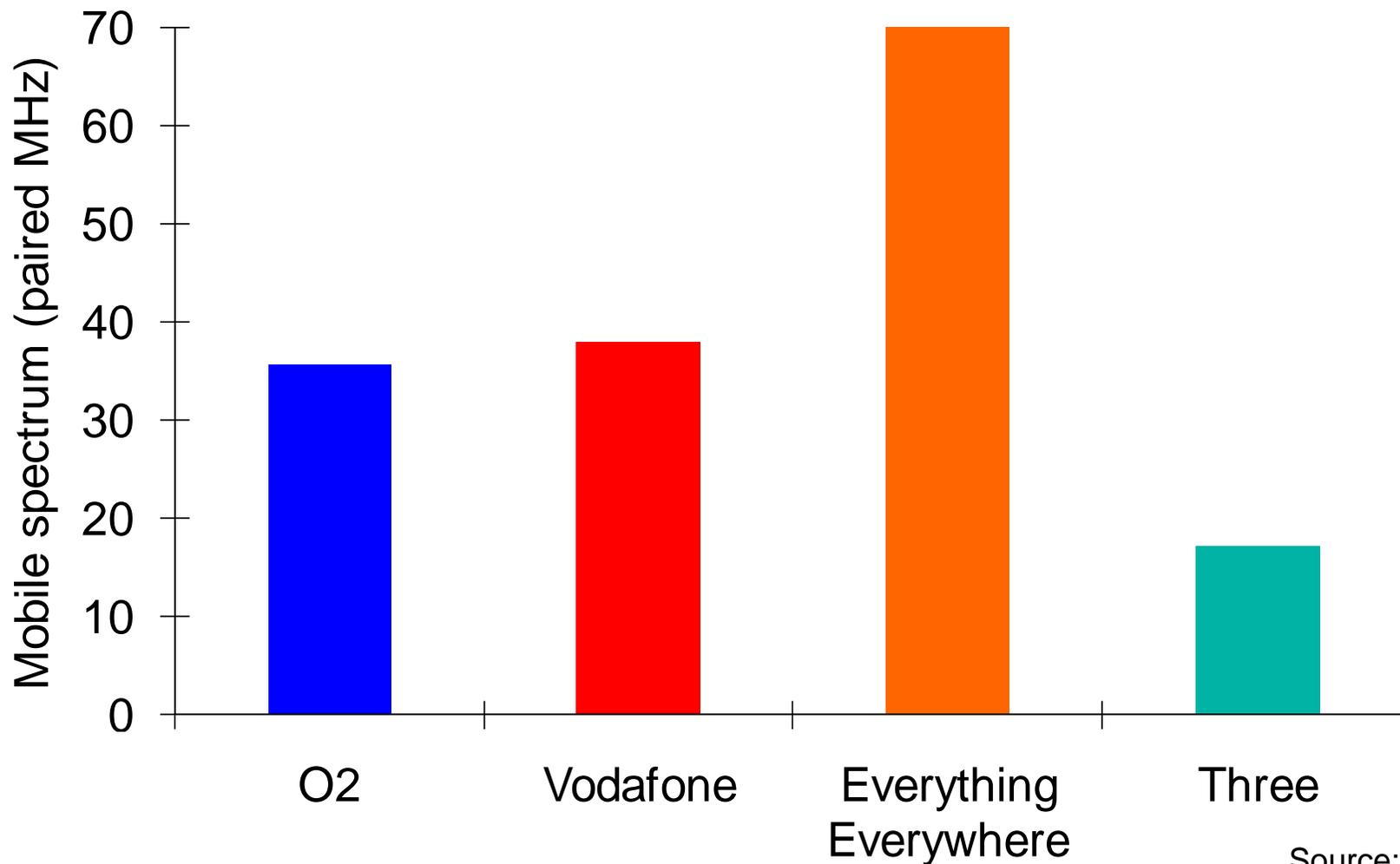
But less than half entrants surviving by 2011.

■ Three (HWL)
■ Yoigo (TeliaSonera)

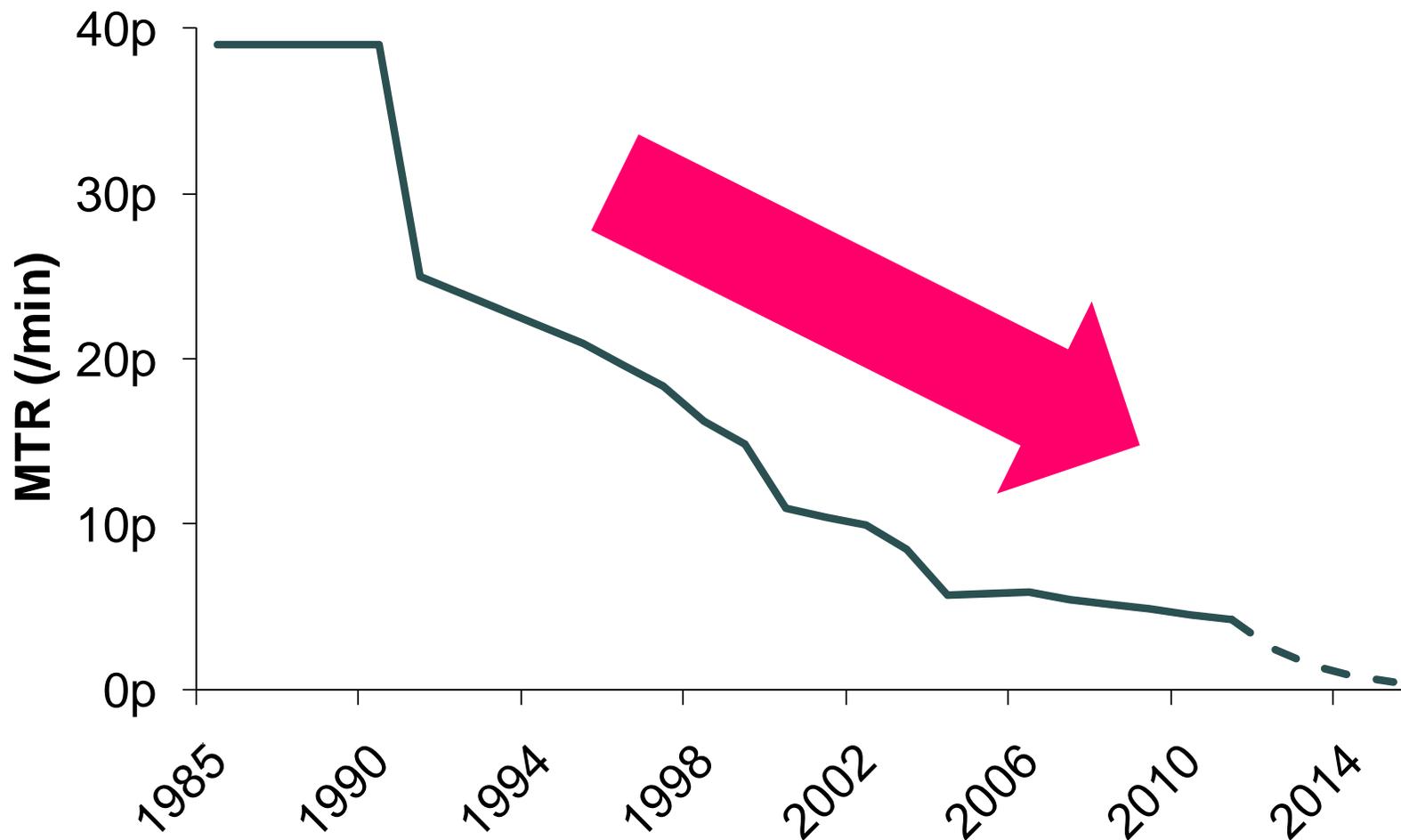


**Need to create
sustainable
competition.**

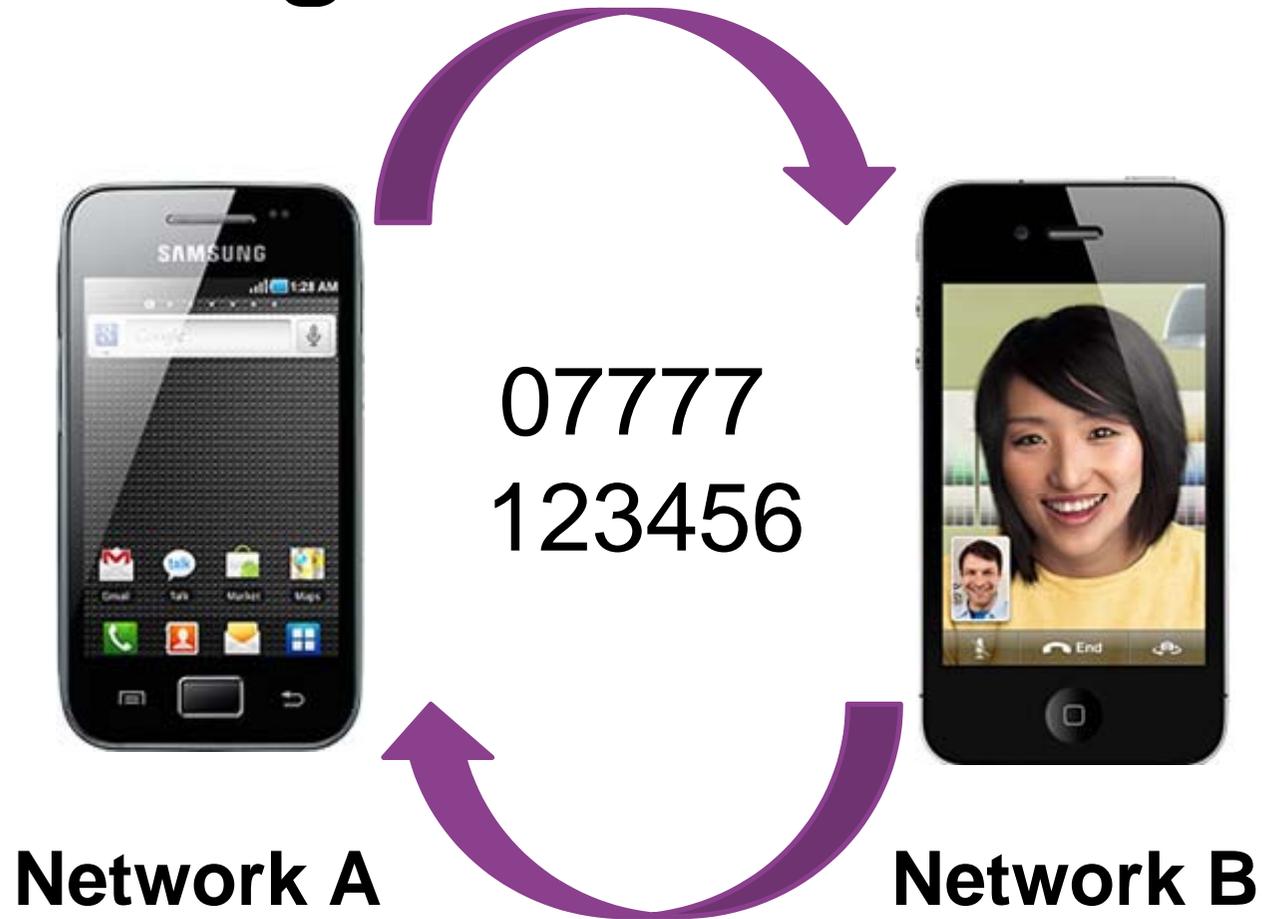
1. Need equal allocation of scarce spectrum.



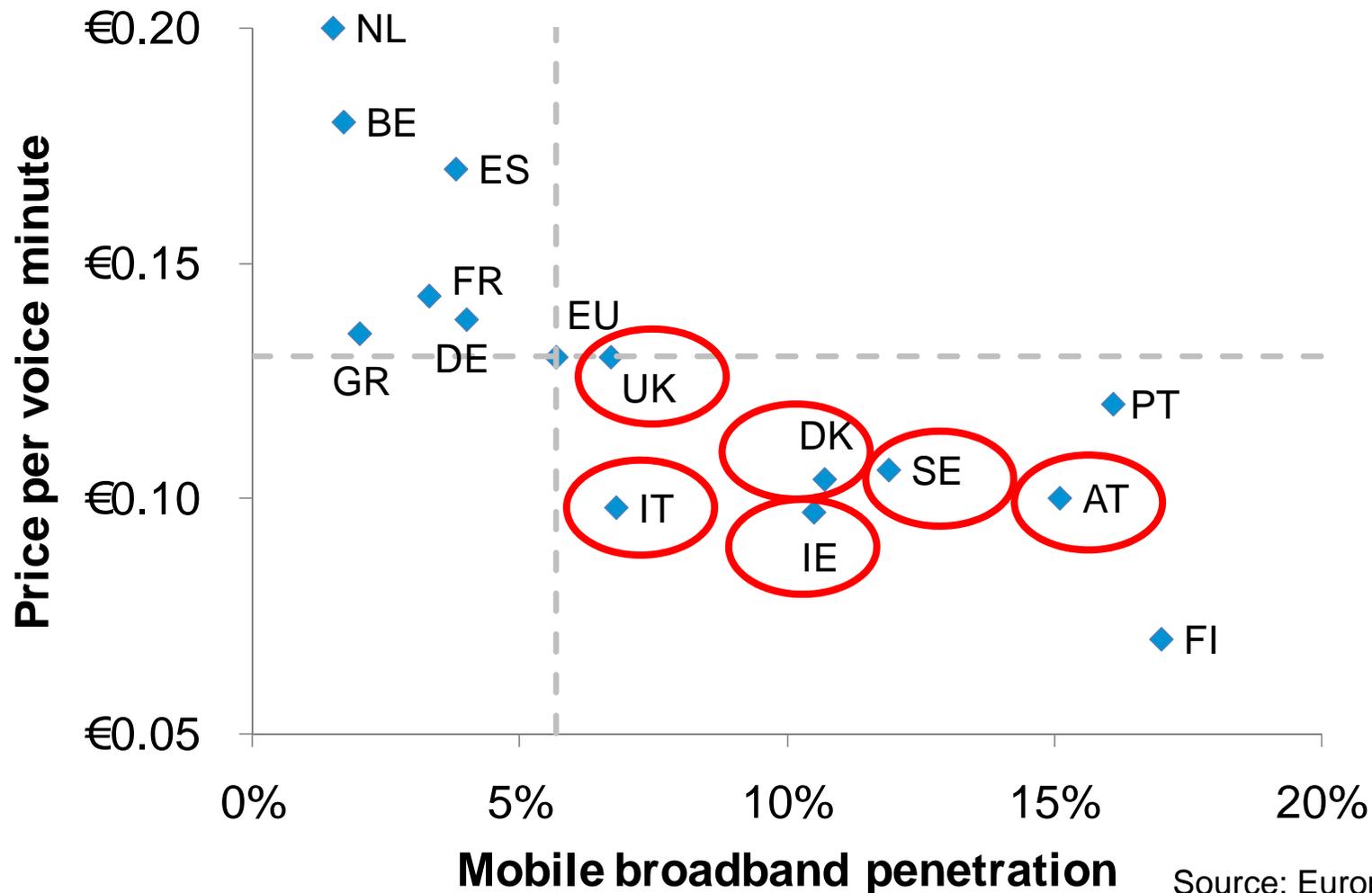
2. Need cost-based mobile termination rates.



3. Need ease of customer switching.



Large consumer and economic benefits at stake.



Source: European Commission.

Thank you.



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**Westminster eForum – Competition in the mobile market,
1 March 2011**

1. Thank you chairman. Good afternoon.

2. The mobile market is best described as “regulated competition”.

It is neither a monopoly utility – nor a free market. Firms are not free to enter as they wish. This is because operators need radio spectrum. And this is a scarce public resource, only on offer from time to time.

This means that competition in the mobile market is mainly a function of government and regulatory policy, not just market forces.

And in a market like this – the most effective way to increase competition is to mandate new entry.

3. New 3G licences were therefore a major policy objective to promote competition and development in European mobile markets when 3G just starting, around 2000.

In 11 countries, governments mandated new licences for 3G entrants. In four of these – Austria, Germany, Italy and Sweden – new licences were created for not just one, but *two* new entrants, on top of the existing operators.

The major winners of new 3G entrants were France Telecom, Telefonica and Three, part of Hutchison – acquiring 13 new licences between them.

Whereas in other countries, new 3G licences were offered, but there was little market interest.

Some of these – notably France, Netherlands and Belgium – have tried again recently to attract new entry.

4. However, by 2011, only 7 of the original 15 3G new entrants are left surviving in the market.

And of these, 6 out of 7 are the countries where Three is the surviving entrant – UK, Ireland, Denmark, Sweden, Italy and Austria.

The only remainder is Yoigo in Spain, which only actually launched services quite recently.

In all other cases, either

- new entrant operations were closed down
- businesses were acquired by incumbents, or
- licences were handed back.

So what went wrong?

5. What went wrong is that it's insufficient just to create new licences.

Policy makers and regulators need to create the conditions for sustainable market competition.

It is no good attracting new entry only to see them leave shortly after.

Sustainable competition in the mobile market requires three main ingredients.

6. First – the equal allocation of scarce spectrum.

The UK currently has probably the most unequal allocation of mobile spectrum in Europe.

And it is also one of the only countries in Europe not to have redistributed 2G spectrum between operators.

7. Second – cost-based mobile termination rates.

David is going to tell us something about Ofcom's proposals on this in about two weeks' time.

8. And third – making it easy-as-possible for customers to switch mobile operator while keeping their number.

The UK currently has one of the most difficult systems for consumers changing mobile operator.

All of this means governments and regulators resisting incumbents that would like to reduce competition and keep out disruptive new entrants.

9. And this is important because – there are very large consumer and economic benefits at stake.

Recent data show that in the European countries that have seen effective new entrants – mobile prices are materially lower and mobile data penetration materially higher than the EU average.

This is not a coincidence.

For example, a recent JP Morgan study attributed the almost twofold difference in smartphone pricing in Germany and the US compared to the UK as due to the presence of Three – and the role of effective regulators.

The benefit to the UK economy alone is worth £3-6bn a year in lower consumer prices – or over £100bn in net present value terms.

So we urge regulators to champion competition – and to resist the lobbying efforts of powerful incumbents that would like to see competition go away.

10. Thank you.