

## **Mobile citizens, mobile consumers**

### **Response to Ofcom consultation by the Carphone Warehouse Group PLC**

**6 November 2008**

#### **1. Introduction**

We welcome the comprehensive and detailed research and analysis carried out by Ofcom and presented in its consultation document. There is of course no question that mobile phones have transformed the way in which people go about their daily lives although further technological developments in the future are bound to bring regulatory challenges that need to be addressed by Ofcom.

Whilst the mobile phone technology has been brought to the UK consumer by the mobile operators and their investment in networks, we believe that the Carphone Warehouse has played a unique and significant role in how consumers avail themselves of this technology. We believe the Carphone Warehouse has been the place to go to find someone to guide you through the complexities of the mobile phone market: to identify the right combination of handset, network and tariff to suit your needs. We have never considered ourselves to be retailers of hardware; our DNA is much more about helping customers understand technology.

Today, most customers who come into our stores have owned several mobile phones before; they understand the market much better and come to us because we offer choice and impartial advice. However, there are new areas of technology and services which are just beginning to reach critical mass, but where consumer knowledge and awareness remains relatively low. The strong growth we have seen in mobile broadband and smartphones over the last 12 months is the first tangible evidence of this; but at the same time, homes are increasingly host to wireless broadband networks with a multiplying array of devices and services that connect to them. Carphone Warehouse also provides mobile services under our own MVNO brand.

Since 2006, the Carphone Warehouse has commissioned an annual research report to better understand the impact of mobile phones on our customers' daily lives. However, with technological advancements across mobile telephony, Internet and television, we believe it is becoming increasingly difficult to isolate the specific impact of mobile phones on people's lives. In 2008, we have therefore developed the research into the wider technological lives of our customers.<sup>1</sup> We do not intend to repeat the research findings in this consultation response but would invite Ofcom to take part of our Mobile Life reports to inform, as appropriate, its further thinking in this area.

In the following sections, we comment on the issues arising from Ofcom's consultation that matter most to the Carphone Warehouse, including responses to the four primary questions raised by Ofcom.

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<sup>1</sup> [http://media.corporate-ir.net/media\\_files/irol/12/123964/pdf/MobileLifeEuroReport2008.pdf](http://media.corporate-ir.net/media_files/irol/12/123964/pdf/MobileLifeEuroReport2008.pdf)

## **2. Regulatory issues**

We welcome Ofcom's objective to think about how the mobile and wireless markets are likely to develop in the future and how regulation should adapt to cope with such change. Our starting point is we believe that an independent retailer of mobile services like Carphone Warehouse will continue to serve an extremely important role in providing a wide range of services and impartial advice to consumers. It is important that the role of independent retailers is reflected in, or at least not undermined by, Ofcom's policy development and indeed any future changes to regulation.

As far as our retail business is concerned, it is worth mentioning that the regulation of the mobile sector has so far tended to have a limited direct impact on the Carphone Warehouse, mainly because the regulatory obligations tend to fall on the mobile operators as communications providers under the Communications Act 2003 (excluding our MVNO business where regulation naturally does have an impact since we are the communications provider in that context). As far as our separate fixed-line business is concerned, mobile regulation does obviously have a more direct impact on our business for instance with regard to the setting of mobile termination rates.

We do not have any immediate views as to whether there is a need for changing the current regulatory framework for setting mobile termination rates. What we would say is that any changes in this area are almost certainly going to have a knock-on effect on fixed-line operators like Carphone Warehouse. To this end, we understand that Ofcom has initiated an internal project to examine wider issues around call termination (including fixed call termination) and look forward to participating in this work-stream, particularly with regard to issues around fixed call termination, as a key external stakeholder.

Finally we would note that the Ofcom consultation offers some market research information to show that consumers are starting to use mobile and fixed services in an increasingly interchangeable manner. We do not believe this information is any way sufficient to suggest that fixed-mobile substitution is happening in the competition law sense. Much more detailed evidence would be needed (for instance within the context of the current narrowband market reviews) to be able to draw any reliable and meaningful conclusions around fixed-mobile substitution.

## **3. Responses to Ofcom's primary questions**

### **Question 1.1: What are the implications of market change for mobile and wireless services?**

We largely agree with Ofcom's analysis that the mobile sector is becoming more complex. As mentioned above, the strong growth we have seen in mobile broadband and smartphones over the last 12 months is the first tangible evidence of this; but at the same time, homes are increasingly host to wireless broadband networks with a multiplying array of devices and services that connect to them. As an independent retailer, we do not participate directly in development of new mobile technology, products and services. Our contribution is to provide impartial advice to consumers, a

role that can only grow in importance with the growth in product complexity that customers need help to understand.

**Question 1.2: How are citizens and consumers affected by developments in the mobile sector?**

We believe that citizens and consumers have benefited enormously by the way in which the mobile sector has developed. The sector is dynamic, innovative and competitive which has resulted in an ever-increasing array of customer choice in terms of price, products and services.

**Question 1.3: What are the purposes of mobile regulation, and where should its focus lie?**

We believe that mobile regulation should follow the same principles as other Ofcom regulation, i.e. proportionate, targeted and consistent. We believe that price regulation of mobile termination rates, certainly under the current calling party pays arrangement, will continue to be necessary in some form.

We also welcome Ofcom's work around mobile misselling and the introduction of a mobile code of practice. Although this regulation will add costs to our business as a mobile retailer as well and also ultimately to consumers, we would agree that some level of regulation is proportionate given the level of complaints in the industry.

**Question 1.4: What is the scope for deregulation, competition and innovation in the mobile sector?**

The mobile sector is probably one of the least regulated ones and it is therefore difficult to see any scope for further deregulation.