

Ericsson's response to Ofcom's Mobile Citizens, Mobile Consumers consultation of 28th August 2008

Introduction

Ericsson welcomes the opportunity to respond to this consultation. A short discussion of Ericsson's views on general issues arising from this assessment of the mobile sector is set out below, followed by more detailed responses to Ofcom's specific questions.

General aspects

Ericsson believes that the UK has been well served by the mobile sector which offers a wide choice of competitive, good value and affordable services, as has been evidenced by the remarkable consumer uptake of these services.

Ericsson believes that the UK is now poised at the beginning of a new chapter in the mobile revolution as high data rate mobile broadband access services become a reality.

Cellular communications and the internet have been the most significant communications technology since the introduction of fixed telephony, having an impact on almost every aspect of our lives – how we work, how we spend our leisure time, how we learn, and how we access public services.

With the migration from cellular voice to data centric usage and the introduction of "flat rate" tariffs for mobile broadband access services, we are now seeing consumer take up curves similar to those of first generation fixed line broadband (ADSL).

In Sweden where the mobile broadband market is slightly ahead of the UK in terms of timing, we are seeing the following developments:

- 78% of new broadband subscriptions are mobile
- 14% of all mobile subscriptions are now mobile
- 20% of new mobile broadband subscriptions are cancelling their fixed broadband service.

Within this context, where mobile broadband is becoming recognised as a fast growing reality, rather than a market projection, there are two essential issues which can be addressed by regulation. Firstly it is necessary to ensure the availability of sufficient spectrum to meet the demand for mobile services and to prevent spectrum scarcity from holding back and distorting the market. Secondly, to ensure that the demand for mobile broadband can be met by services provided at affordable prices, it is essential that the spectrum used is internationally harmonised so that economies of scale can deliver affordable infrastructure and terminal devices.

Responses to specific questions

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

The rapid growth of demand for high data rate mobile broadband access services suggests that more spectrum will be needed to meet future demand, both in the bands below 1GHz for coverage as well as above 3.4GHz for capacity. In the medium term it is estimated that channel bandwidths of 2 x 20MHz will be required for each operator in order to deliver high peak data rates to consumers. In the longer term, 100MHz channel bandwidths will be required for each operator to support future services using very high data rate applications.

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

The UK mobile sector is highly competitive and this has resulted in considerable beneficial innovation, including the introduction of mobile broadband access. It is expected that this will lead to a flowering of new applications, services and content similar to that previously enabled by fixed broadband. There is a growing consensus that access to communications and information using broadband access is a basic human right and that the two elements of mobile broadband access and the internet will converge to provide this. For UK citizens this means that the internet will be available everywhere, all of the time, and for everyone.

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

Convergence of broadcasting and fixed and mobile communications calls for converged regulation that treats these services in a similar equitable manner. Regulation should take care to focus on services rather than technologies – for example a mobile network can carry multimedia services, including radio and TV programs, and can also provide fixed access. Regulation should focus on ensuring that consumers have access to an informed choice of competitive and innovative services. This is best achieved through a competitive market as is the case in the UK. Ofcom should be vigilant to ensure that the market remains competitive, and that consumers' interests are protected, but should only consider imposing remedies after all other approaches, such as voluntary codes of practice, have been explored. Ofcom should also ensure the availability of sufficient spectrum to meet the demand for mobile services and to prevent spectrum scarcity from distorting the market. In addition, it is essential that the spectrum should be internationally harmonised so that economies of scale can deliver affordable infrastructure and terminal devices.

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

The competitive UK mobile sector has been more lightly regulated than traditional fixed telecommunications and has responded with high levels of growth and innovation in services and tariff schemes. This suggests that further deregulation may be appropriate where market assessment shows functional competition, however, deregulation should not be a primary objective.

Question 3.1: What do you think are the features of a well-functioning mobile market? What evidence do you see that those features are present in the UK market?

In the consultation document, Ofcom sets out a vision for the mobile sector which includes:

- A wide choice of competing providers of mobile and wireless networks which we are able to be used reliably while commuting, traveling, at home or in the office
- Easy and reliable mechanisms to allow consumers to switch between competing network and service providers
- A wide choice of good value and affordable mobile and wireless services (voice and data) - including mobile internet access that is, to the extent technically feasible, as open and flexible as today's fixed internet
- A diverse range of high-quality content and, where appropriate, protection from harmful content
- Coverage across as much of the UK as is economically feasible (and, potentially, going further where that is socially desirable)
- Protection from unfair practices and scams, including those infringing citizens' interests in protecting their personal information, identity or location

This would seem to be a good description of a well-functioning mobile market - with the exception of potentially extending coverage beyond what is economically feasible which is a matter for policy together with an efficient market and regulation.

Evidence suggests that, in the main, this is description of the current UK mobile market. From time to time issues arise such as the recent abuse of cash back schemes, such issues are best addressed by focusing industry attention on them in order to produce an effective code of practice, such as has been the case with protection against harmful content, rather than by responding with additional regulation.

Question 3.2: What measures are most appropriate to assess whether the mobile sector is performing well for citizens and consumers?

In addition to existing technical method of assessing market competitiveness, it is appropriate to consider consumer reactions. At one level the relative take up of services can be considered a proxy for good performance. At a more detailed level consumer satisfaction surveys may reveal differences in relative performance across different

areas of the sector. However it is important that care is taken to establish that any apparent signs of consumer dissatisfaction are factually based rather than simply either perceptions or the result of increasing consumer uptake.

Question 3.3: How will market dynamics change as a result of trends such as availability of new spectrum, mobile broadband and new ways of delivering voice services?

The availability of new spectrum will enable continued growth in mobile broadband access services. Whilst mobile broadband access will not replace fixed broadband networks, particularly not where fibre and very high bandwidth next generation access systems are deployed, mobile broadband access services will alter the relative market dynamics as speeds match or exceed those delivered by first generation fixed broadband, and where reach is extended to fixed broadband “not spots”.

Question 4.1: What is your experience, as an individual consumer or an organisation that uses mobile services?

No comment.

Question 4.2: How should regulators and policy-makers respond to signs of rising consumer concern?

Regulators and policy-makers should take care to establish that signs of rising consumer concern are factually based rather than simply either perceptions or the result of increasing consumer uptake. Where it is established that consumer concern is factually based, this should be presented to the industry to develop a consensual, proportionate response.

Question 4.3: What are the important factors to consider in striking a balance between protecting mobile consumers and enabling markets to work flexibly? Have we got this balance right in today’s mobile market?

No comment.

Question 5.1: How does the use of mobile services affect our participation as citizens in society?

As is noted in the consultation paper, mobile is now the most pervasive telecoms technology. With further developments of electronic payments and growth of mobile

broadband offering mobile access to a wide range of services, the potential for exclusion for those who do not have a mobile device will increase.

Question 5.2: What factors should we take into account in thinking about access and inclusion issues in mobile markets?

No comment.

Question 5.3: What factors should we take into account in thinking about new services, and how those services may affect issues like protection of children, privacy and security?

No comment.

Question 5.4: Have you been affected by issues about coverage or 'not spots'? How has it affected you?

No comment.

Question 7.1: What do you see as the most influential trends and features of mobile and wireless markets in future?

The most significant trend in mobile markets in the near future will be continued growth in mobile broadband take up, including the use of multimedia based services. This will be similar to the growth that has been experienced in the fixed broadband market. Whilst it is not expected that mobile broadband will totally replace fixed broadband, particularly where very high bandwidth next generation access systems are deployed, the growth in mobile broadband will alter the relative market dynamics as speeds match or exceed those delivered by first generation fixed broadband, and where reach is extended to fixed broadband "not spots".

Question 7.2: What new policy and regulatory challenges could the trends identified in this section bring? Which policy and regulatory challenges could they address?

No comment.

Question 8.1: Should Ofcom do more to promote competition in mobile and wireless markets?

No comment.

Question 8.2: Ofcom's strategy in telecommunications is to promote competition at the deepest level of infrastructure that is effective and sustainable. How might this strategy be applied, given future developments in the mobile sector? Under what circumstances, if ever, would it make sense to consider access regulation for mobile platforms?

It would seem to be inappropriate to consider access regulation for mobile platforms except where the existence of significant market power, acting against consumer interests, can clearly be demonstrated. Also, it is not clear that promoting competition at the "deepest level" is an optimal response in every situation – promoting competition at the "right level" or "appropriate level" may be a better approach, particularly when a consumer interest point of view is adopted.

Question 8.3: What role can competition play in ensuring that future development of the mobile internet provides an open and flexible environment for a wide range of services? Should Ofcom explore open access requirements to ensure opportunities for innovation? What role might 'net neutrality' play in the mobile sector?

In a competitive environment the "net neutrality" issue is best addressed by ensuring that the level of "neutrality" or transparency on offer is made clear to consumers.

Question 8.4: What role might competition play in addressing questions about transparency of prices, services and contractual conditions offered to consumers of mobile and wireless services? What role should regulation play in addressing these questions?

No comment.

Question 8.5: What is the best way to promote content standards and ensure privacy protection for increasingly complex content and transaction services? How will privacy issues fare in a world where services are more personal and more complex?

No comment.

Question 8.6: Will the mobile termination rate regime need to evolve or change more fundamentally? What is the best approach to adopt?

No comment.

Question 8.7: If competition does not reduce international roaming charges sufficiently, how should regulators respond, if at all?

In a competitive market, if it is efficient to reduce international roaming charges, then the market should deliver this outcome. If competition does not deliver desired outcomes then this is a matter for policy makers rather than regulators.

Question 8.8: How might universal service and universal access need to adapt in a world where we increasingly rely on mobile services? What role might mobile play in universal access delivery in future?

Mobile clearly has the potential to play a part in the delivery of universal access. However, in determining the way forward for universal access in an increasingly broadband digital world, it is important to separate the policy issues of service definition, availability and funding from the technology deployed to deliver such outcomes.

Question 8.9: Can markets and commercial agreements address issues such as 'not spots' and emergency access? If not, what role might be played by a regulator to address these issues?

Competitive markets and commercial agreements will not necessarily result in universal availability – there will always be those marginal areas and consumers which do not present an attractive business opportunity. However the extent to which levels of availability, beyond those provided by a competitive market, are desirable and the measures which might be adopted to deliver such availability would seem to be matters of policy rather than regulation, although regulation may well have a role to play in delivering outcomes once policy is set.

Question 8.10: How might access for particular groups (such as the elderly and disabled users) need to evolve in future? What role can competition play in addressing these questions?

No comment.

Question 8.11: Do you have any comments regarding our proposed way forward and the objectives of the next phase of this Assessment?

No comment.