

## **Welsh Assembly Government response to Mobile Citizens, Mobile Consumers**

The Welsh Assembly Government welcomes the opportunity to respond to this assessment of the current mobile market.

Ofcom figures from May 2008 show an acceptable level of 2G mobile coverage in Wales, with 97% availability from at least one operator. However, Ofcom notes that Wales has the second lowest level of geographic 2G coverage from four providers at 46% (UK average 76%). This demonstrates limitations in both consumer choice and the ability to purchase a truly pan-Wales mobile service. Roll out of 3G mobile services continues, although this is being concentrated in denser urban areas first. As in other rural parts of the UK, Wales' more mountainous rural areas with thinly scattered populations present specific challenges to telecommunications service delivery, in both economic and technology terms.

### **Section 1 – Executive Summary**

The Welsh Assembly Government agrees on the whole with the findings contained in Section 1. The mobile industry is changing rapidly and the impact of convergence on the mobile industry is having a beneficial effect on both the industry and consumers. The development of new services and applications, especially mobile broadband, has had the effect of opening up the communications market to citizens and consumers by providing them with a greater choice of bundled packages, cheaper call and texts, and greater choice of services. However, there is still a disparity between those citizens and consumers who have contracts and those who use a pay-as-you-go service that needs to be addressed, as the costs of new data services appears to be disproportional between the two groups and not comparable to the cost of similar fixed line services. Ofcom needs to remain vigilant about the effects that pricing structures have on potentially excluding certain sectors of society.

In order for the benefits of these new developments to be enjoyed equally by all there is still a need for greater coverage, especially in rural areas. In Wales, the geographic coverage of 3G services is the lowest in the UK<sup>1</sup> yet take up of 3G handsets by Welsh consumers is the highest in the UK. This demonstrates the demand that exists for 3G services in Wales, the industry now needs to respond.

The Welsh Assembly Government agrees with Ofcom's vision for effective regulation as outlined in paragraph 1.14. In particular, the need for extensive coverage is recognised in Wales, although this does not necessarily have to be achieved through extensive infrastructure build. Better recognition of the benefits of mast sharing by the industry would be welcomed.

The focus for the Welsh Assembly Government is on working with both Ofcom and the mobile industry to allow natural deployment of the mobile phone infrastructure under normal market conditions. Where there are coverage issues the Welsh Assembly Government seeks to engage with the industry to understand the barriers and subsequently with Ofcom to encourage a regulatory approach to addressing these barriers.

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<sup>1</sup> Communications Market Report: Nations and Regions Wales (May 2008)

### **Section 3 – Today’s UK Mobile Markets**

The ability for new entrants to gain access to the mobile market is crucial to stimulate competition and create a well-functioning mobile market. Currently, there are many obstacles to investment for new entrants in terms of spectrum, technical standards and backhaul costs. Removing these obstacles, or at least reducing them, should be a focus for Ofcom in order to stimulate investment and encourage competition.

The release of spectrum should go some way to addressing these barriers. The availability of spectrum will have an effect on competition in the mobile market place if Ofcom can ensure that the release of spectrum will lead to increased service availability in under-served areas, such as rural Wales. Ofcom should also encourage operators to co-operate to stimulate investment in areas where it may not be economically viable for one operator to provide a service, however, collaboration would encourage investment to make this a viable option, for example, through RAN sharing agreements.

Ofcom should work to overcome the legal barriers preventing the repeal of the GSM Directive. This should lead to universal availability of 3G services using existing infrastructure, encouraging innovation in a potentially larger market and fostering inclusion.

### **Section 4 – Consumers**

Research carried out by the Welsh Assembly Government in March 2008 shows that Welsh citizens and consumers are generally satisfied with their mobile services. This compares with the findings of Ofcom’s research quoted in this Assessment. However, there is a significant minority who are unable to receive mobile services due to poor geographic coverage. It is the same minority who are disadvantaged by poor access to broadband services, exacerbating the perceived divide between the telecommunications ‘haves’ and ‘have nots’.

The regulator should continue to work closely with the mobile industry to identify areas of concern (such as, but not limited to, mis-selling) to ensure that consumers are protected from these activities.

The recent regulatory changes to roaming charges and number portability are welcomed by the Welsh Assembly Government and show that the regulator is already responding to consumer concerns. In order to maintain this balance, it is important that the regulator continues to work closely with the industry.

### **Section 5 – Citizens**

As previously stated both Ofcom and Welsh Assembly Government research has identified that the vast majority of citizens own at least one mobile phone. How citizens use their mobile phones has changed rapidly over the past few years with the growth of data services and the Welsh Assembly Government recognises that citizens no longer view mobile devices as just a phone. The recent rapid growth in mobile broadband services demonstrates this.

However, it is important to recognise that there is still a significant minority that do not have easy access to a mobile phone, either because they do not own one or the network coverage is poor. Policy makers should bear this in mind when

developing new policies and similarly, the industry should also consider this when developing new services to ensure that those who do not have mobile access are not disadvantaged or unable to access essential services.

As discussed earlier in Section 1, 2G coverage in Wales is on a par with the rest of the UK and at an acceptable level. However, the Welsh Assembly Government believes that the focus must surely shift to the provision of 3G services with the development of new services and applications becoming more popular. Due to its mountainous terrain, Wales suffers from mobile notspots and this will probably never be fully eradicated. The Welsh Assembly Government has evidence of citizens who complain that they are unable to access mobile services where they live and this may affect their ability to call the emergency services, especially those in areas where the fixed line telephony network is also not reliable.

## **Section 7 – Scenarios**

A static scenario seems unlikely because of the reduction in profit associated with traditional services. It seems sensible to assume that some consumers will move to mobile for voice and broadband at home and on the move; some will retain fixed broadband (as they want bigger download limits/faster speeds) and may retain fixed voice or use a mobile/femtocell type solution. Unquantifiable innovation is also likely but its impact is difficult to predict.

The balance of the above scenarios (and the potential impact of any new mobile infrastructure build which is currently fairly static) is as dependent on developments in NGA/NGN infrastructure and markets as it is on mobile developments. Therefore, as we have said in previous consultation responses (Future Broadband<sup>2</sup>, Wholesale Broadband Access Market Review<sup>3</sup> and Business Connectivity Market Review<sup>4</sup>) to ensure the development of an appropriate regulatory framework Ofcom will need to adopt a holistic approach to regulation; no longer simply considering these markets in isolation, as interdependencies will increase significantly and rapidly.

## **Section 8 - Implications**

The Welsh Assembly Government believes that more can be done to promote competition in the mobile industry. However, as stated in paragraph 8.5, the release of spectrum to facilitate competition is outside the scope of this Assessment.

Ofcom should continue in its role by monitoring the market and regulating to both promote competition and to minimise the extent/impact of market failure. However, we do not believe that the market will address the issue of notspots completely without intervention. The focus of the Welsh Assembly Government is on working with Ofcom and the mobile industry to maximise the commercial deployment of network infrastructure in such notspots. Notspots could be minimised through the increased use of national roaming agreements, allowing citizens to access any network. In addition, Ofcom could facilitate mast sharing between operators to increase network coverage without the need for new masts.

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<sup>2</sup> <http://www.ofcom.org.uk/consult/condocs/nga/responses/WAG.pdf>

<sup>3</sup> <http://www.ofcom.org.uk/consult/condocs/wbamr07/responsesother/wa.pdf>

<sup>4</sup> <http://www.ofcom.org.uk/consult/condocs/bcmr/responses/wag.pdf>

The Welsh Assembly Government acknowledges that there has been improvements in mobile services recently including improved network rollout and new technologies such as RAN-sharing. However, it is too early to tell if these have had a significant impact on coverage and/or availability. Ofcom should proactively work with the industry to consider the impact of emerging next-generation mobile technology, LTE or 4G mobile systems in a rural context now in order to determine the likely adequacy of mobile coverage and to consider the possible need for standard products or a revised regulatory framework as early as possible.

Ofcom should also consider the role that mobile operators can play in the delivery of any revised USO for telephony to reflect the pace of convergence. Additionally, Ofcom should consider including mobile operators as key stakeholders, alongside traditional fixed line telecommunication operators, in an industry-wide debate on a UK universal service obligation for broadband.

Any revised USO needs to include broadband in order to be relevant, as it may lead to further development of 3G/LTE services. Operators would then have to compete on services and pricing rather than coverage, which will ultimately benefit consumers (both citizens and businesses).

Ofcom should urgently consider the need for a change in regulation to address the emergency roaming situation that currently exists. Given that emergency roaming already exists as standard in other European countries, it is not acceptable that this situation does not apply to the UK. Ofcom should also consider revising the mandating the national roaming agreements, if urgent engagement with industry does not deliver this within a reasonably short timescale.