

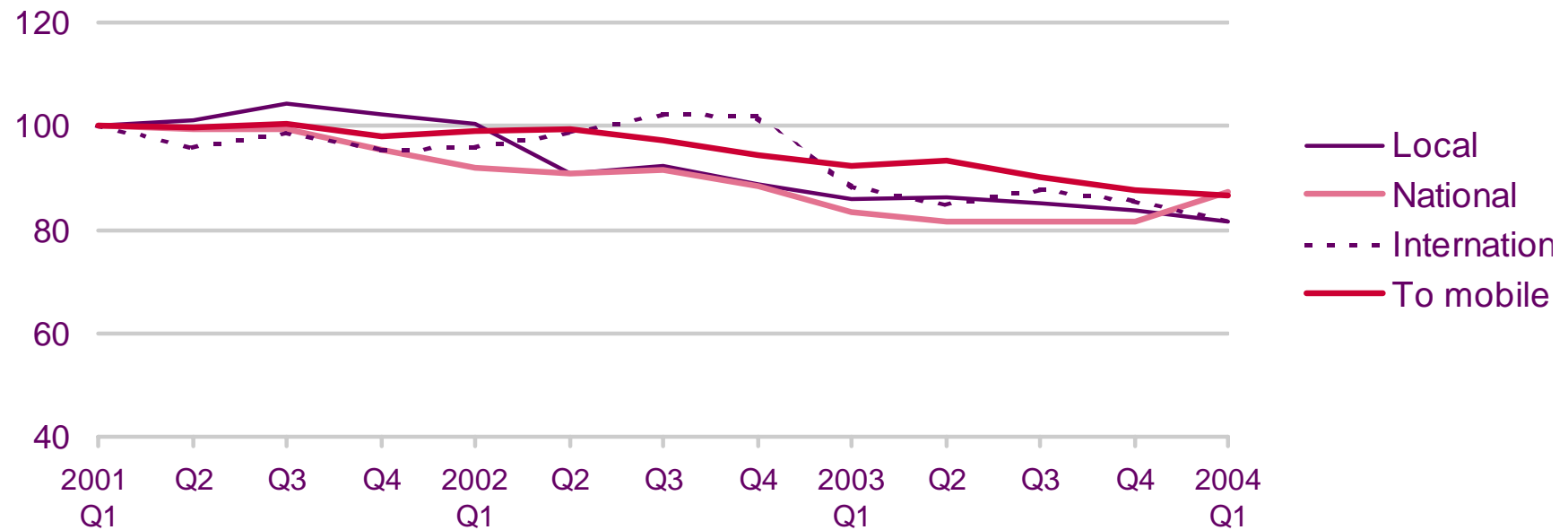
Delivering a well-functioning telecoms market to consumers

Ed Richards, Senior Partner

15 December 2004

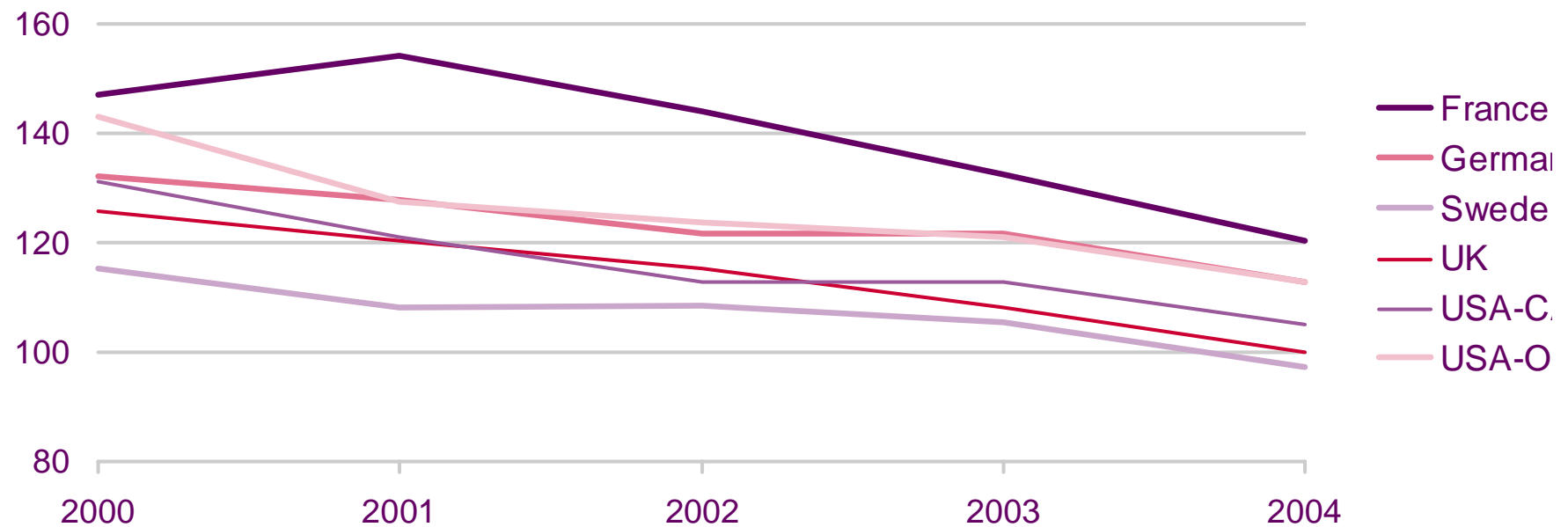
UK fixed telecoms call price trends, 2001-2004

Index 2001 Q1=100

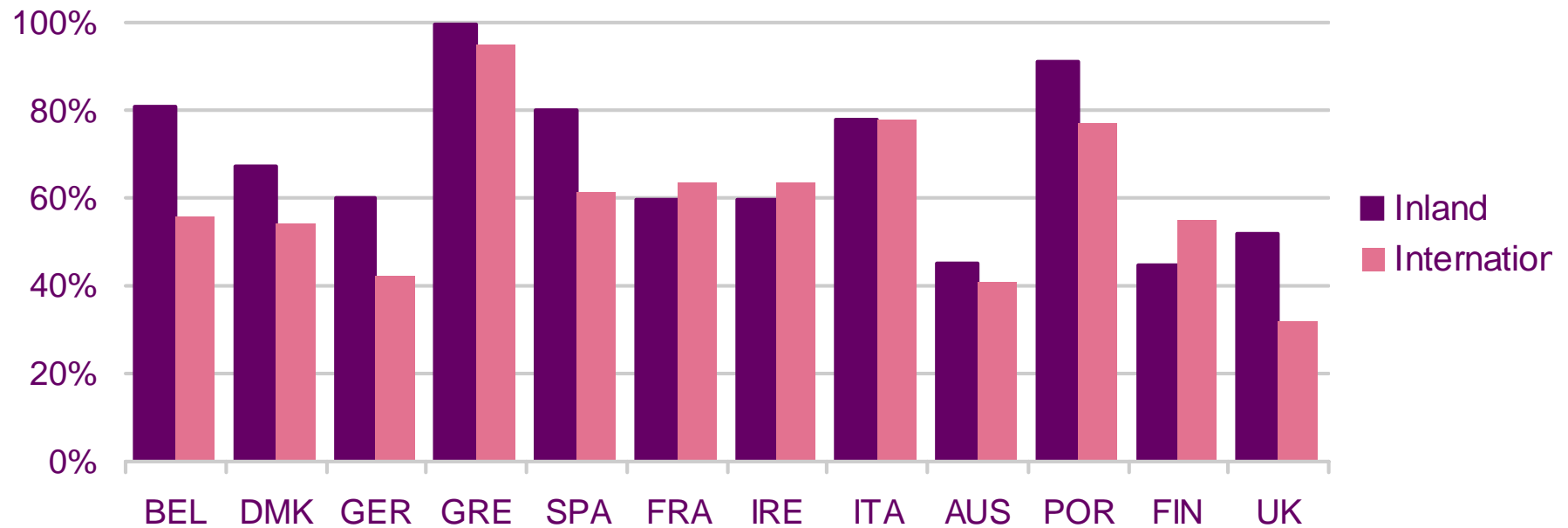


Comparison of residential fixed telecoms prices

Index UK 2004=100

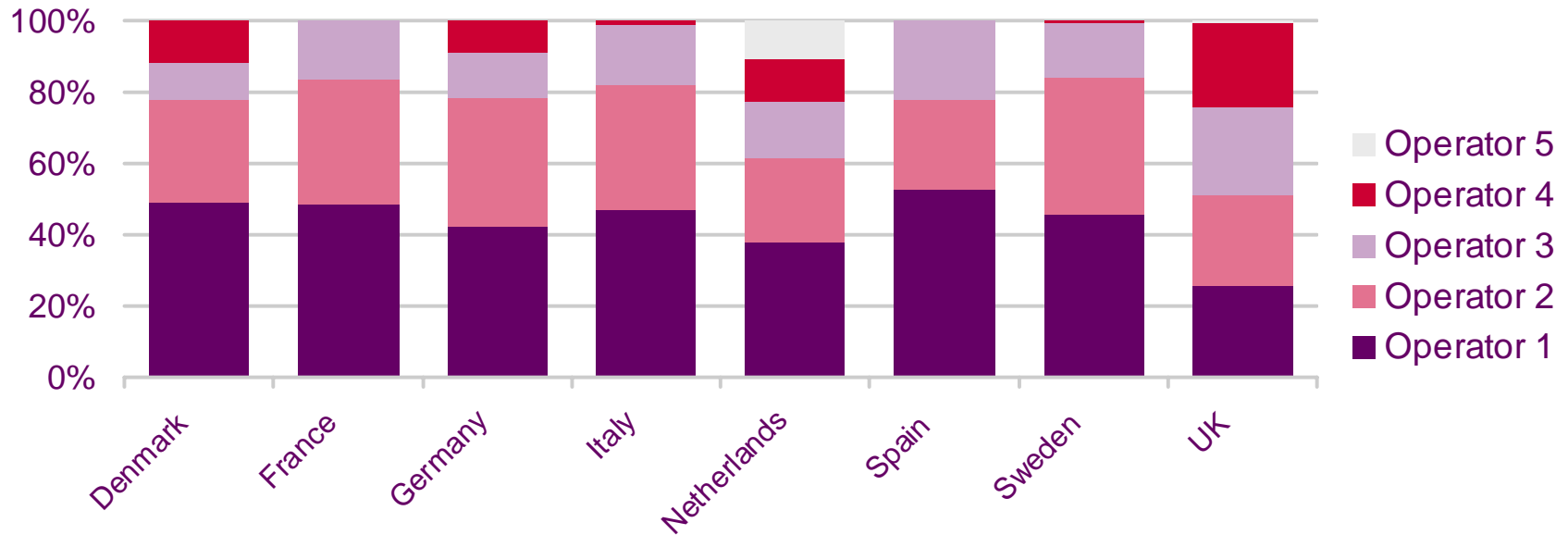


European incumbent share of voice call volumes



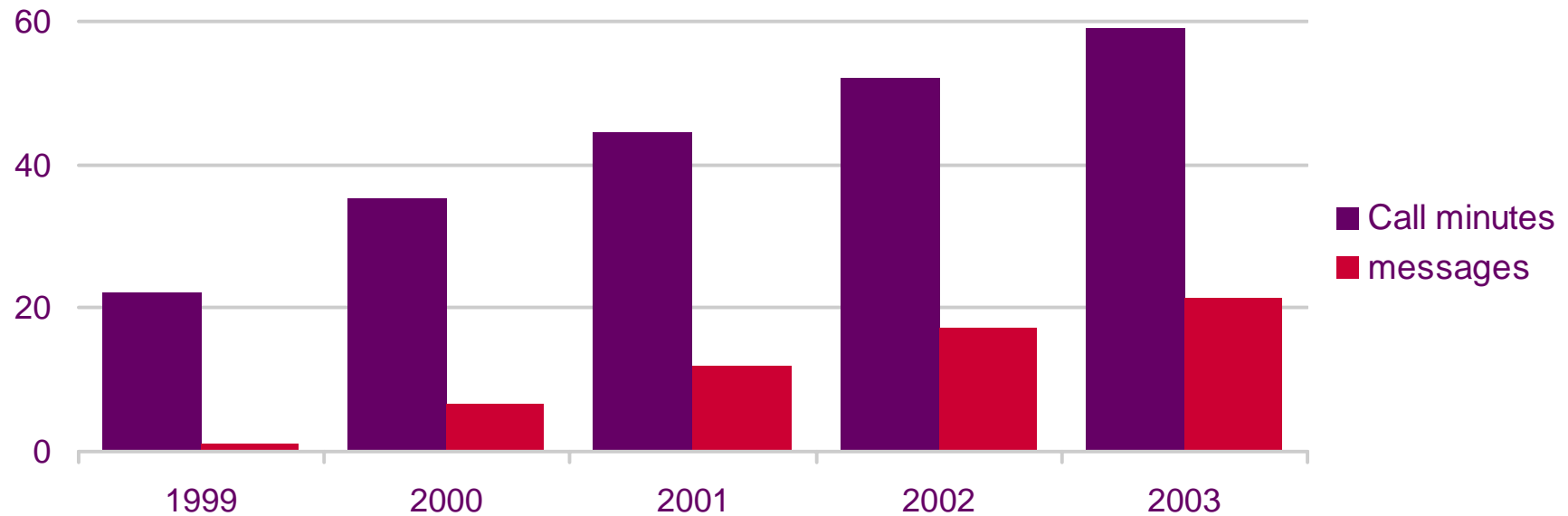
Mobile operator market shares

Share of active subscribers



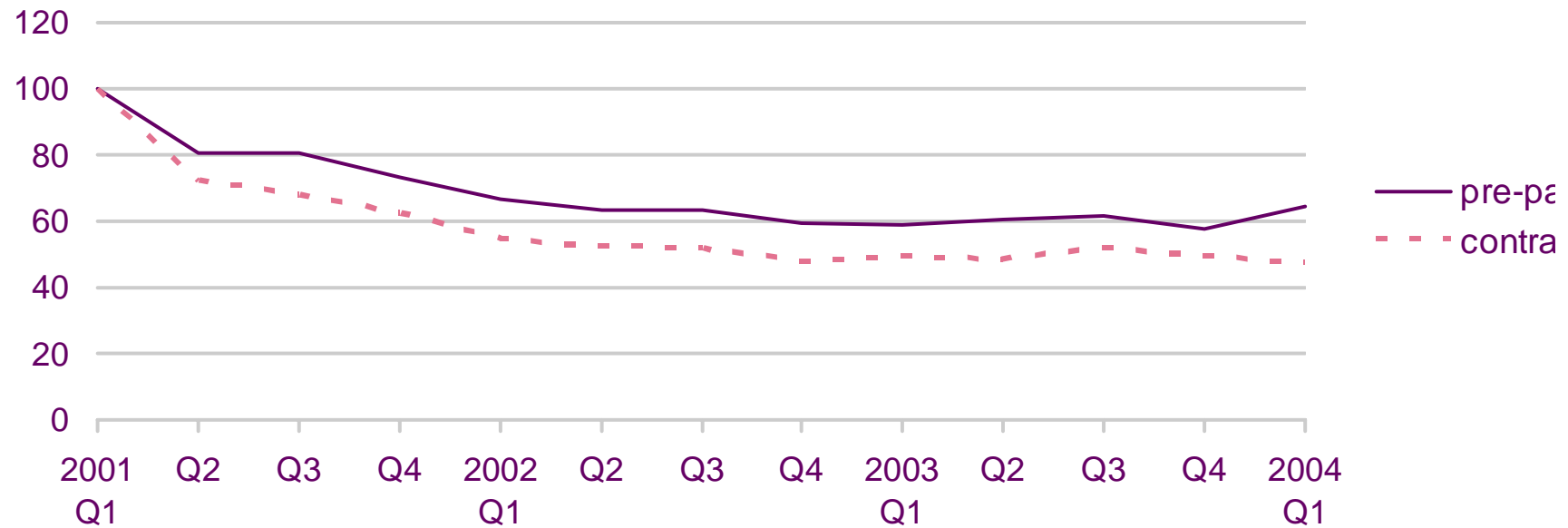
Mobile volume growth, 1999-2003

Calls and messages
(billions)



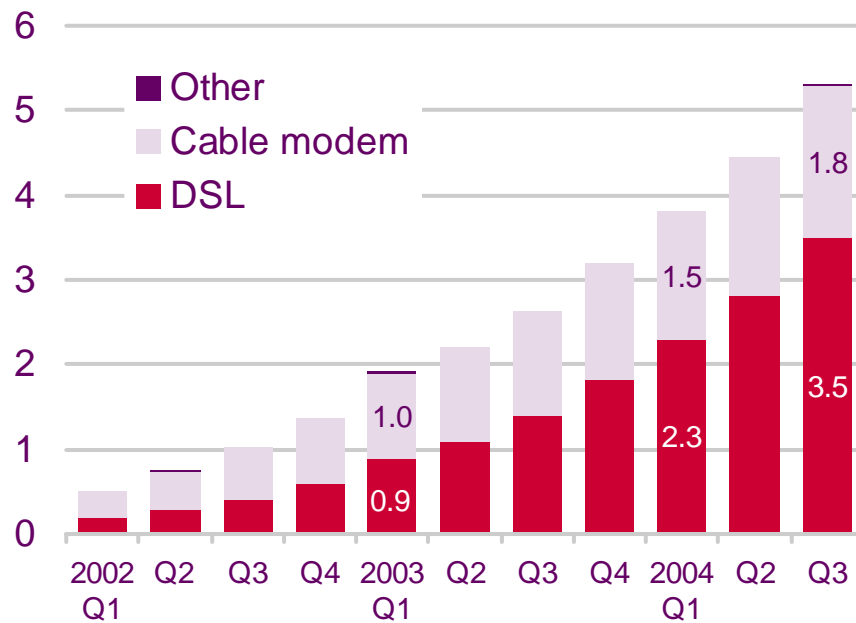
UK mobile telecoms price trends, 2001-2004

Index: 2001 Q1=100

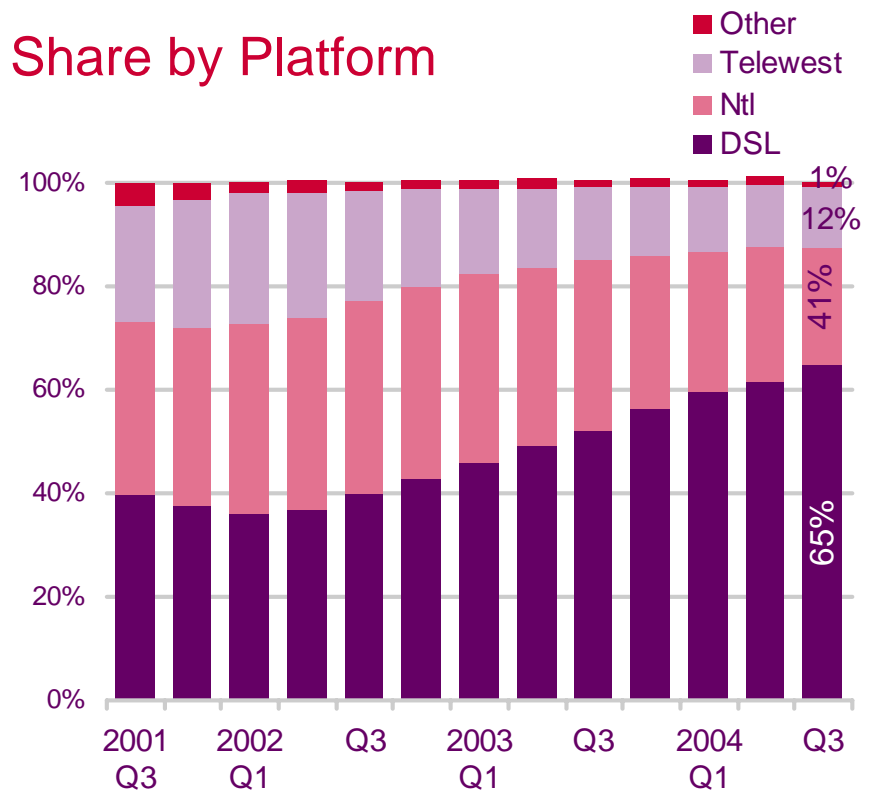


Customer Growth

UK Broadband Customers

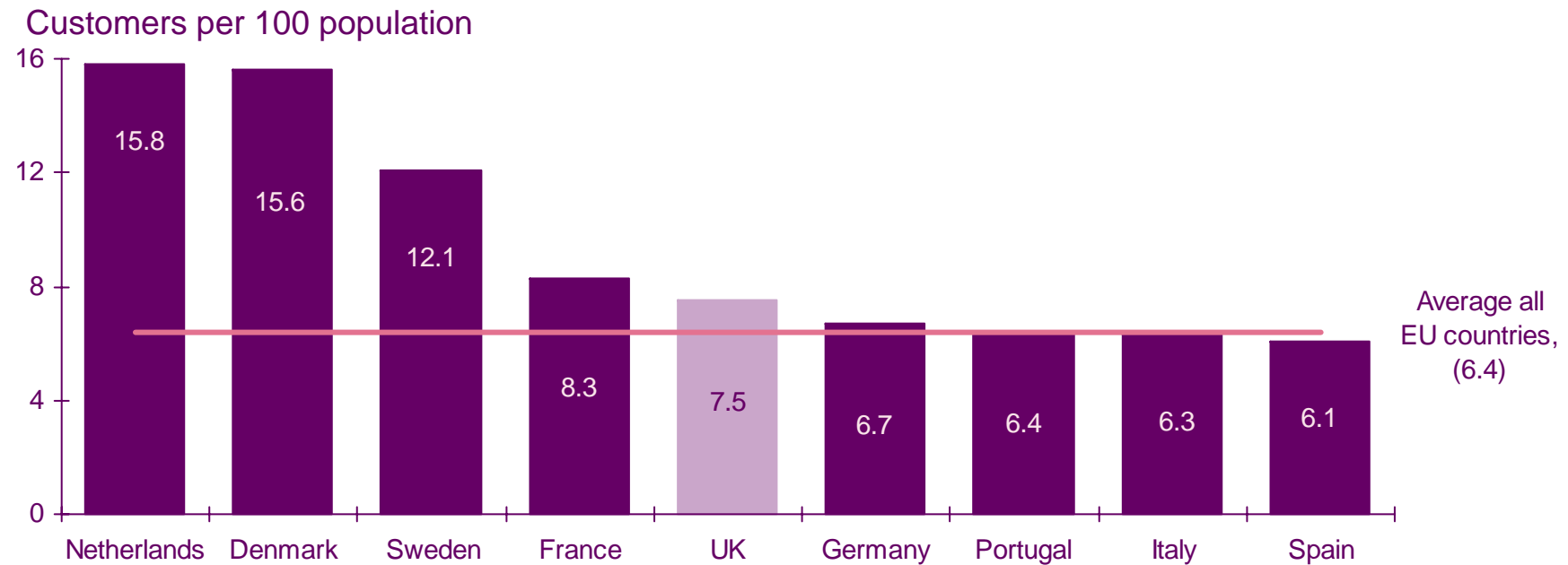


Share by Platform



Source: Ofcom Market Intelligence

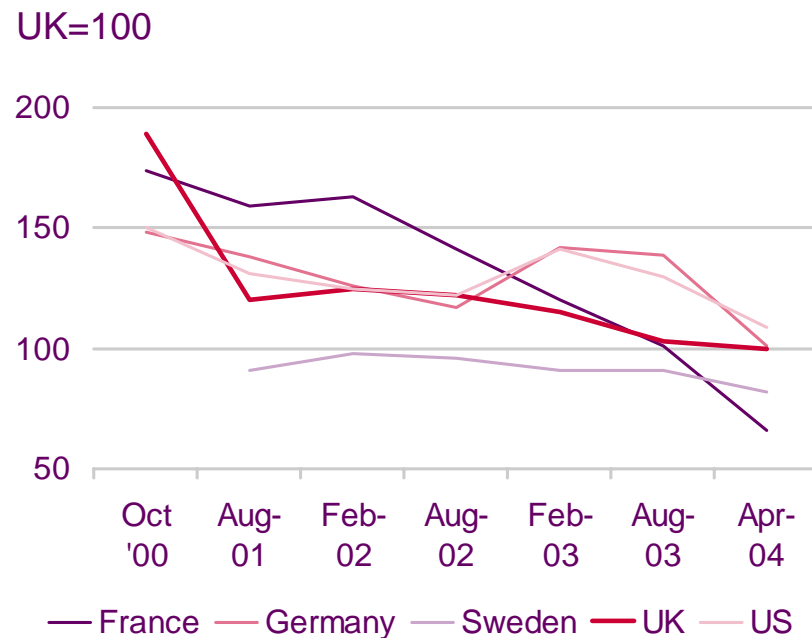
Broadband internet penetration comparison



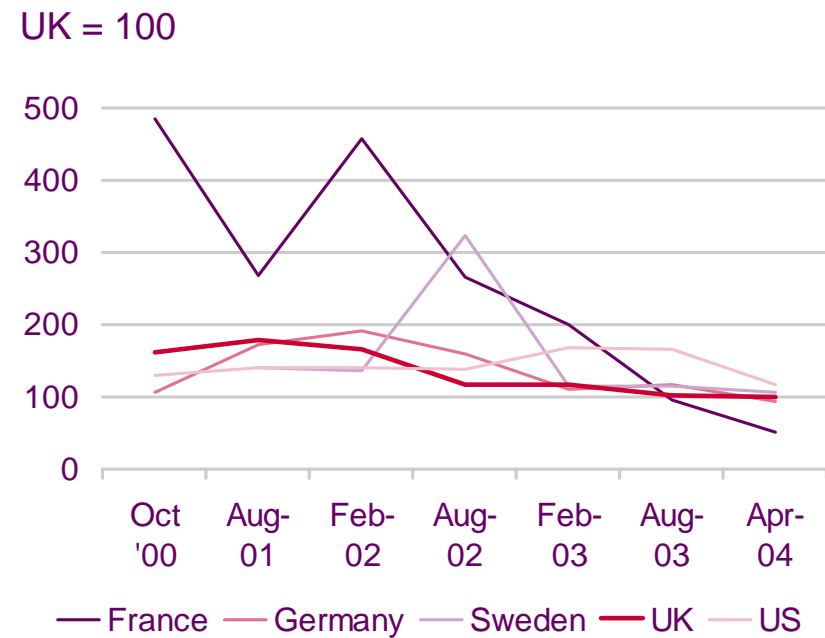
Source: Ofcom Market Intelligence, ECTA

Price evolution

Residential Broadband Prices

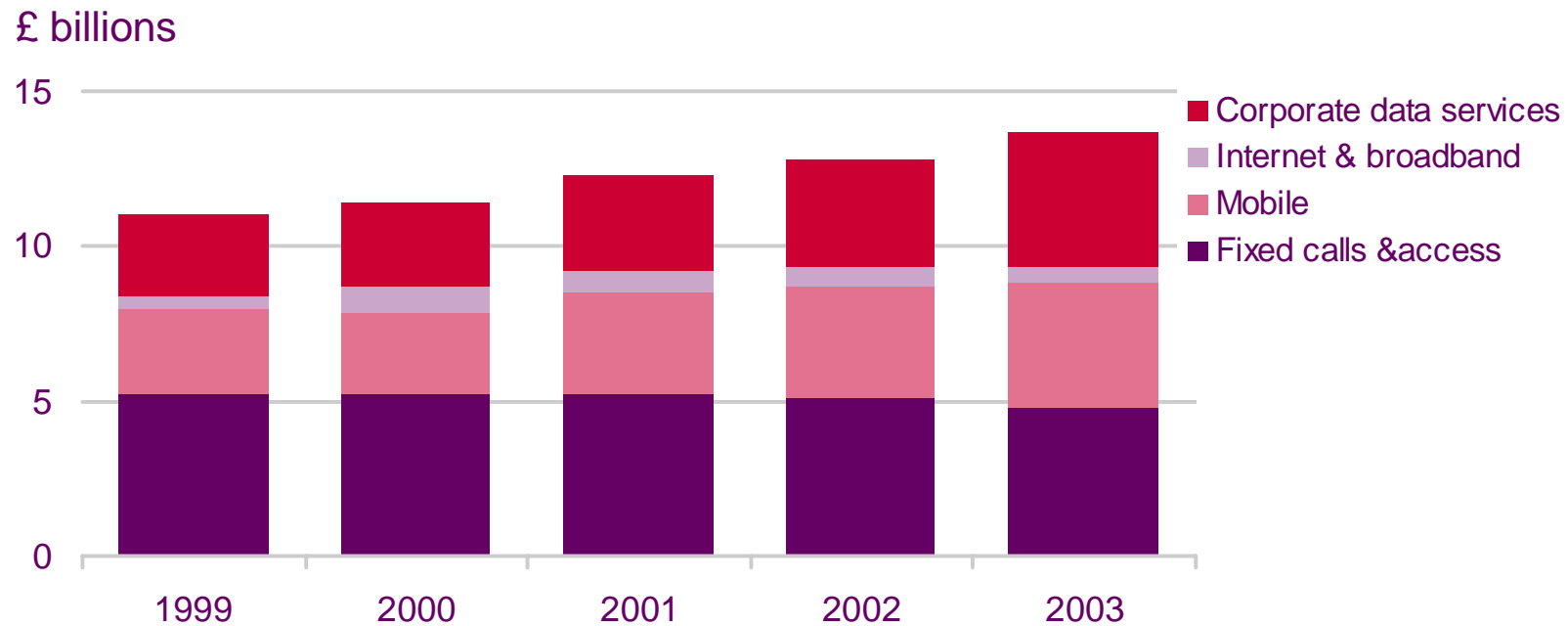


Business Broadband Prices

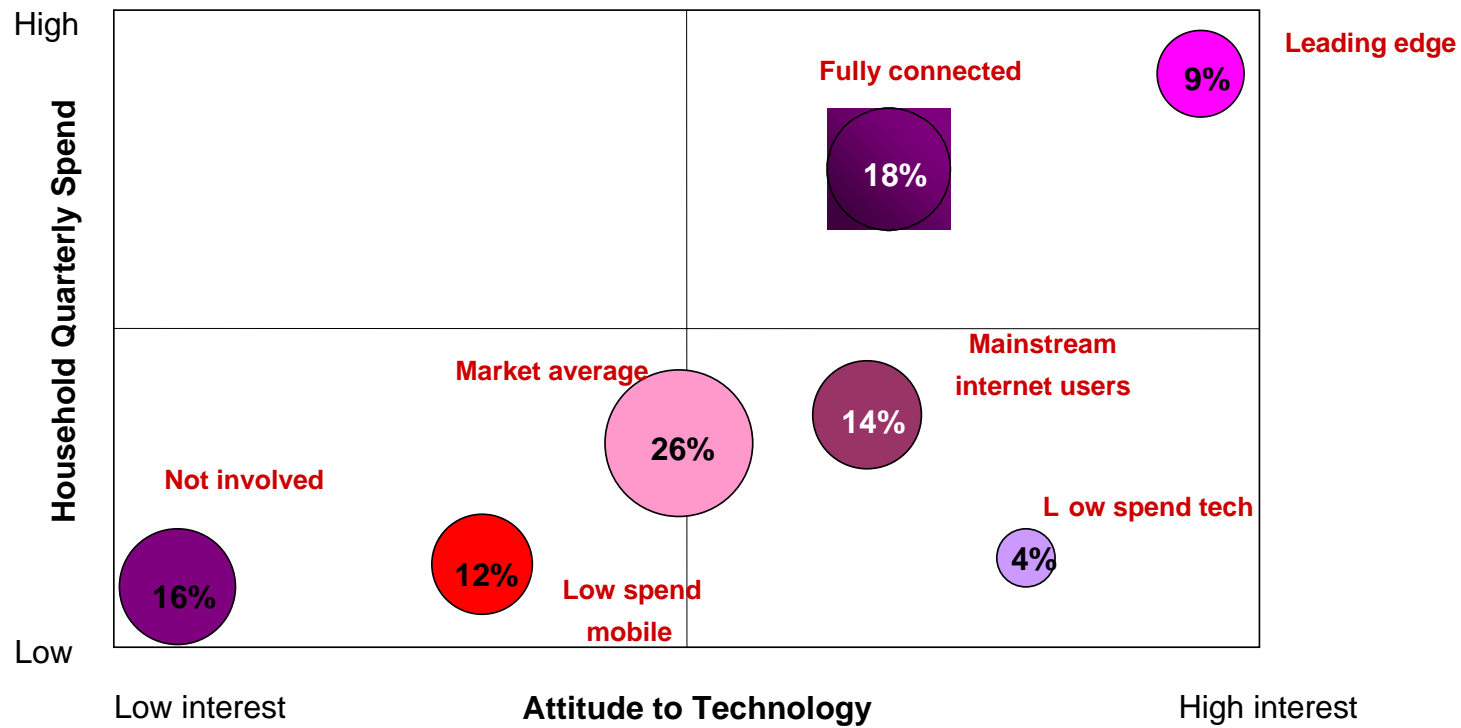


Source: Ofcom Market Intelligence

Total business spend on telecoms services, 1999-2003



Increasingly diverse consumers



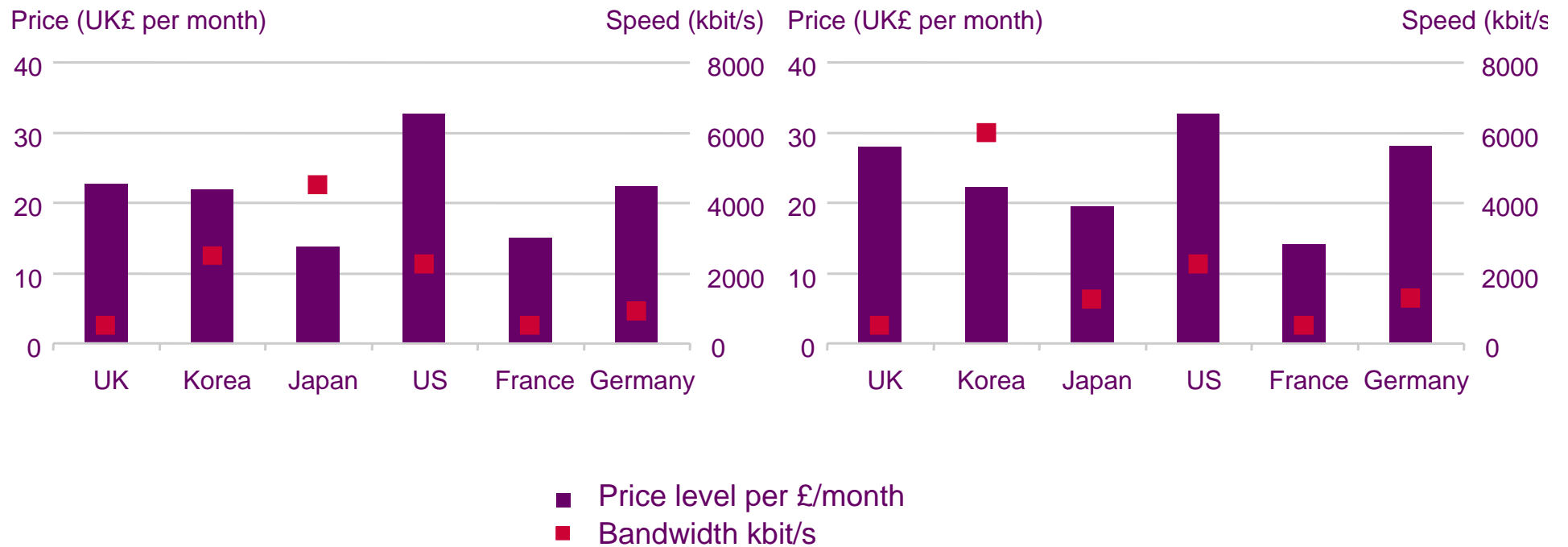
Innovation driven by highly “involved” consumers

		Highly Involved		Less Involved		
		Leading Edge	Fully connected	Low £ Tech	Low £ Mobiles	Not Involved
Attitudes	Keep up with technology	79%	65%	77%	37%	24%
	Know about new tech	57%	40%	45%	17%	14%
	First to buy new tech	46%	30%	24%	13%	5%
Behavior	Broadband at home	71%	16%	24%	8%	3%
	Multi-chan. TV at home	71%	82%	61%	26%	17%
	Replace fixed w/ mobile	70%	67%	58%	27%	2%
	Replace fixed w/ SMS	72%	62%	85%	30%	1%
	% Total Replacements	31%	28%	6%	4%	1%

More complex business and consumer needs

	Historic requirements	Today's requirements
Citizens	<ul style="list-style-type: none"> • Availability and affordability of basic services 	<ul style="list-style-type: none"> • Availability and affordability of basic services • Rapid access to next generation services for economic competitiveness, better public services
Residential consumers	<ul style="list-style-type: none"> • Low prices, good reliability 	<ul style="list-style-type: none"> • Low prices, high quality • Choice • Innovation and rapid access to new technologies
Business consumers	<ul style="list-style-type: none"> • Low prices, good reliability 	<ul style="list-style-type: none"> • Low prices, high quality • Availability of complete managed solutions

International comparisons of broadband speeds and prices



Next generation broadband access deployments



- Fibre access to 10m homes by 2009



- KT's network capable of 50 to 100 Mbit/s to three quarters of households by 2010

Broadband access in France

n9uf
telecom



free
La Liberté n'a pas de Prix

Ofcom's proposed principles for telecoms regulation

Ofcom should:

- Promote competition at the **deepest levels of infrastructure**
- Focus regulation to deliver **real equality of access**
- **Withdraw** from regulation where appropriate
- Adapt regulatory remedies for **different** products and geographies
- Help market entry, for example using **new technologies**

Delivering real equality of access

Real equality of
access



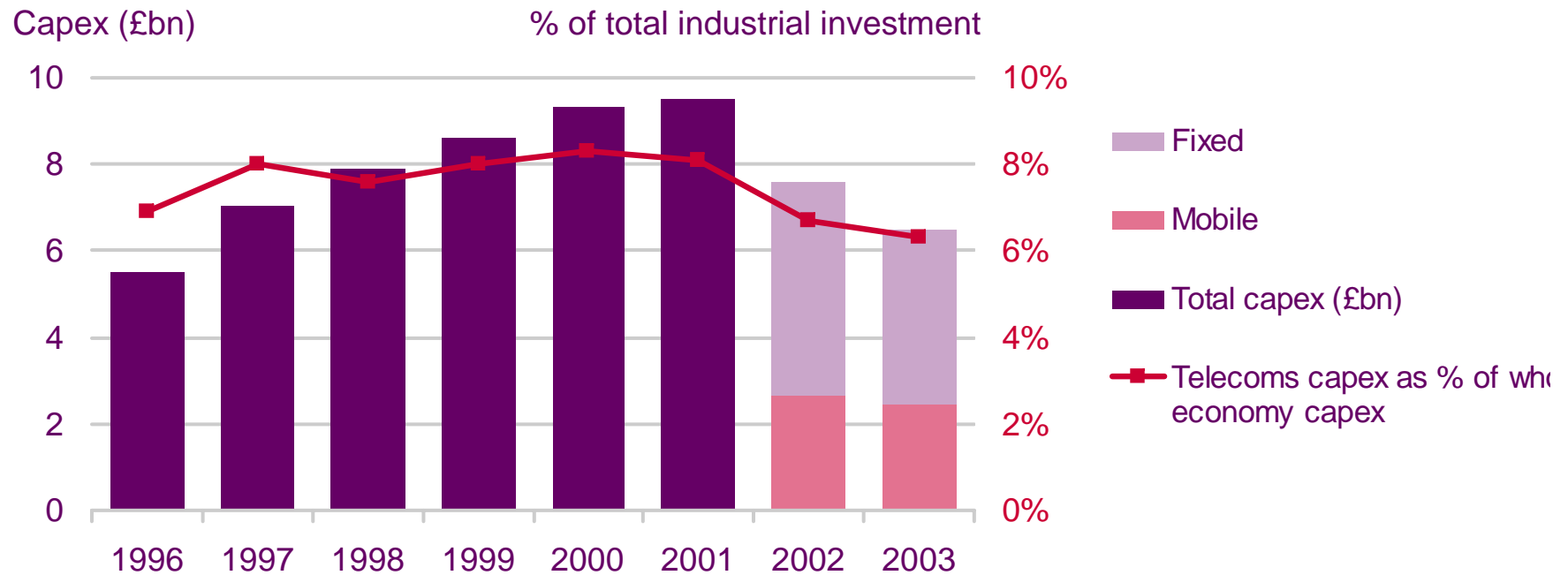
Product-level equivalence

- Access to same or similar set of regulated wholesale products as BT
- Same product, price, systems, product development processes

Behavioural and organisational change by BT

- Need to address incentives and means for unfair treatment
- Clear about necessary outcome; look to BT to provide detailed proposals

Investment by UK telecoms industry



Impact on UK productivity and competitiveness

- 84% of SMEs identify benefits from broadband adoption:
 - 46% from improved productivity
 - 45% from lower costs
 - 13% from increased sales
- CEBR: broadband responsible for £21.9 bn of GDP growth by 2015
- Lisbon agenda: *to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion*

Impact on citizens and delivery of public services

- Benefits to delivery of front-line services
- Sir Peter Gershon: *significant investment in ICT by both central and local government is streamlining the delivery of services to the public*
- Prime Minister: *bring the benefits of broadband technology to every home that wants it by 2008*