

Strategic Review of Telecommunications

Stephen Carter

15 December 2004

Five fundamental questions for the Review

1. In relation to the interests of citizen-consumers, what are the key attributes of a **well-functioning** telecoms market?
2. Where can effective and **sustainable competition** be achieved in the UK telecoms market?
3. Is there scope for a significant **reduction in regulation**, or is the market power of incumbents too entrenched?
4. How can OFCOM incentivise efficient and timely **investment in next generation networks**?
5. At various times since 1984, the case has been made for structural or operational separation of BT, or the delivery of full functional equivalence. Are these still relevant questions?

Key principles for telecoms regulation

Key principles for telecoms regulation

Ofcom should:

- Promote competition at the deepest levels of infrastructure where it will be effective and sustainable
- Focus regulation to deliver equality of access beyond those levels

Key principles for telecoms regulation

Ofcom should:

- Promote competition at the deepest levels of infrastructure where it will be effective and sustainable
- Focus regulation to deliver equality of access beyond those levels
- As soon as competitive conditions allow, withdraw from regulation

Key principles for telecoms regulation

Ofcom should:

- Promote competition at the deepest levels of infrastructure where it will be effective and sustainable
- Focus regulation to deliver equality of access beyond those levels
- As soon as competitive conditions allow, withdraw from regulation
- Promote a favourable climate for efficient and timely investment and stimulate innovation, in particular by ensuring a consistent and transparent regulatory approach

Key principles for telecoms regulation

Ofcom should:

- Promote competition at the deepest levels of infrastructure where it will be effective and sustainable
- Focus regulation to deliver equality of access beyond those levels
- As soon as competitive conditions allow, withdraw from regulation
- Promote a favourable climate for efficient and timely investment and stimulate innovation, in particular by ensuring a consistent and transparent regulatory approach
- Create scope for market entry that could, over time, remove economic bottlenecks

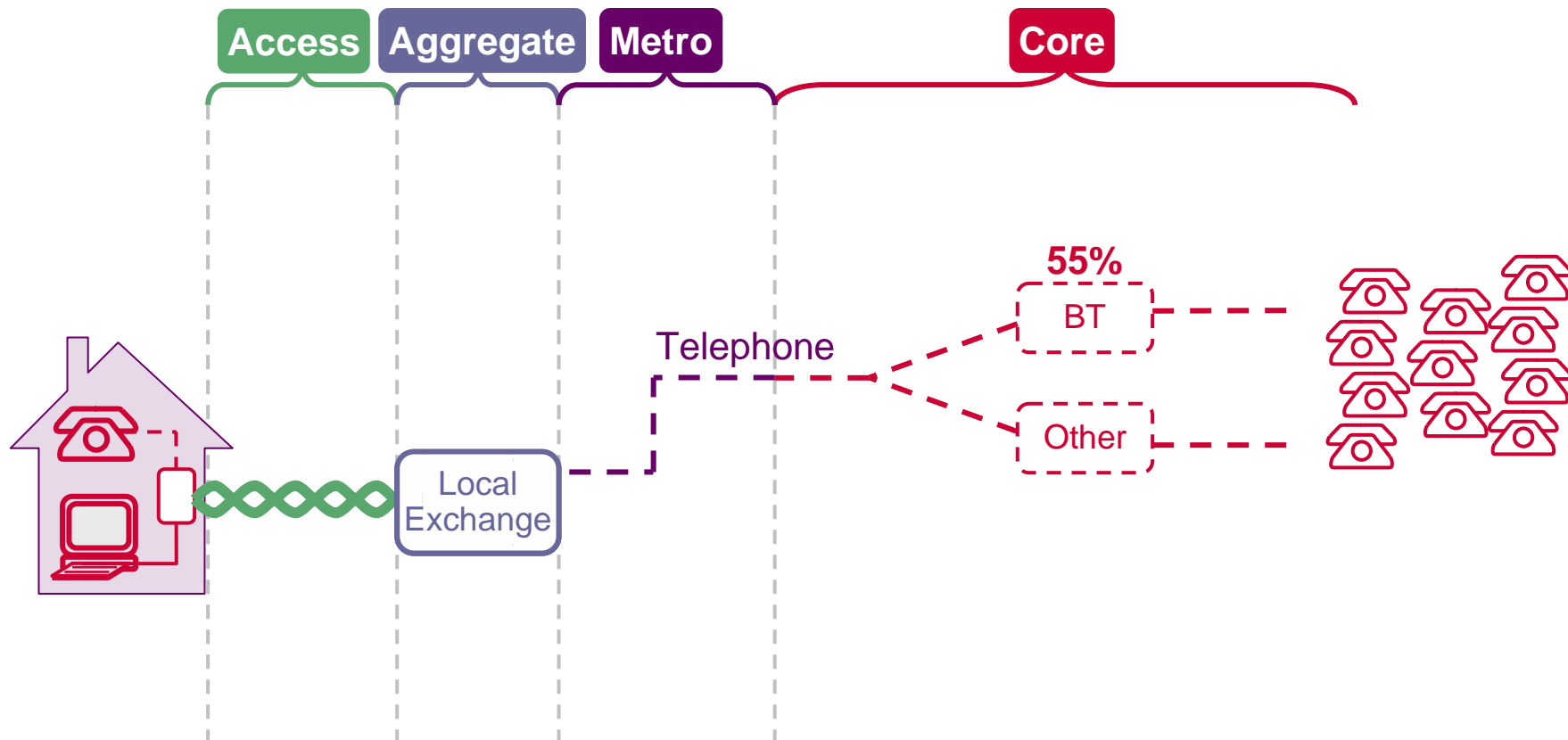
Three options

- Option 1: Deregulation
- Option 2: Reference under the Enterprise Act
- Option 3: Real equality of access

Preferred option: Real equality of access

- Focus regulation to deliver real equality of access to enduring economic bottlenecks
- Significant deregulation elsewhere
- New regulatory contract with BT and the industry

Access, aggregation and core networks



Consumer protection increasingly important

Effective competition

- access to clear and reliable information to allow informed choices between suppliers
- simplified processes for switching suppliers

Universal service

- importance of ‘safety net’ for vulnerable consumers
- need may emerge for new arrangements for funding and provision of current USO
- future scope of USO