



Mobile Sector Assessment

Project Guidelines

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Ofcom's Mobile Sector Assessment

1.1 This paper sets out the project guidelines for Ofcom's Mobile Sector Assessment (MSA).

Project Overview

1.2 As set out in our draft Annual Plan for 2008/9 (published 11 December 2007), the mobile sector is facing significant change.¹ We believe that the time is now right to conduct an assessment of Ofcom's overall approach to regulation of the sector in the medium term, with two main objectives:

- First, to consider possible approaches to the future regulation of the mobile communications sector, including scope for the promotion of competition and reduction of regulation.
- Second, to define the principles informing Ofcom's work for the next phase of the market's development.

1.3 We are carrying out this assessment because mobile and wireless markets are changing:

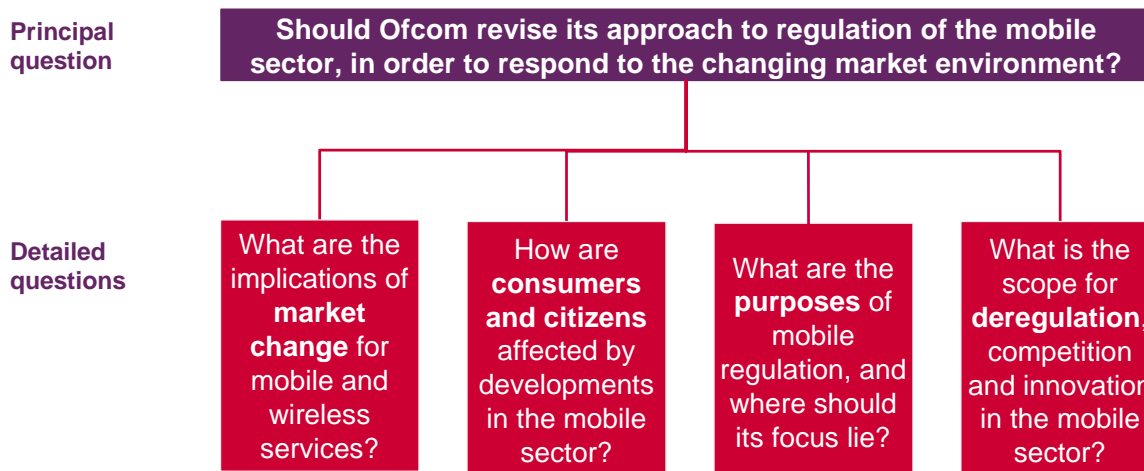
- Convergence (of services, technology and commercial relationships) is gathering pace
- Spectrum release and liberalisation are bringing about change
- Moves towards infrastructure-sharing are changing the commercial landscape for mobile operators
- New entrants and new technologies could alter the shape of the marketplace
- Consumer protection issues are becoming more important
- These issues are being discussed in Europe and indeed globally, in ways that could affect the interests of citizens and consumers in the UK.

1.4 The Assessment is intended to contribute to, and facilitate, a wider public debate about the future of mobile and wireless services. It will be forward-looking in its perspective. It will consider a broad range of issues, including the implications of continuing convergence, the aims of regulation, identifying the scope for deregulation, innovation and competition in the mobile market and the implications of the continued growth in mobile and wireless services for competition more generally.

¹ 'Mobile' is intended to have a wide meaning, in this context. For example, we intend in the assessment to consider the impact of new wireless services using licensed or unlicensed spectrum. In these Guidelines, the term 'mobile' refers to the services supplied by the 5 mobile network operators (and other future services that are similar) and 'wireless' refers to a wide range of other services, that may not necessarily resemble traditional mobile services but that are delivered via radio-communications and that it may be relevant to consider in the Assessment.

Scope of the Assessment

1.5 The scope of this Assessment is summarised in the figure below.



1.6 We want to assess whether we should revise our approach to regulation of the mobile sector, in order to respond to future changes in the market environment. In carrying out the Assessment, we will consider the opportunities for deregulation and will reflect our well-established regulatory principles. These include a bias against intervention and the promotion of competition.

1.7 In assessing the primary issue, we will consider four broad questions:

- *What are the implications of **market change** for mobile and wireless services?*

The mobile market is changing rapidly – with convergence becoming a reality, greater competition, technology change and service innovation. These drivers have the potential to shift the way in which both commercial and public policy decisions are made. We will consider the possible scenarios for the development of mobile and wireless networks over the next five years and beyond, and will examine what these trends might mean for services, products and competition.

- *How are **consumers and citizens** affected by developments in the mobile and wireless sectors?*

The shift to mobile services has delivered many benefits to consumers, but some features of the way in which services are offered have raised a number of consumer protection issues. We will assess the extent to which consumers' expectations are met by mobile services, and will also consider where the key consumer policy issues are likely to arise. We will consider whether changes in the market may create both new forms of consumer benefit and new pressures for consumer protection going forward.

- *What are Ofcom's **purposes** in regulating mobile networks and services, and what does that imply for the point(s), if any, in the **mobile value chain** that regulation should focus on?*

Given the prospects for innovation at different levels of the mobile value chain, the traditional regulatory approach may cease to be appropriate in the future. We will review the current basis for regulation in the mobile sector, and examine how this has applied to the different points of the value chain. We will consider the

future prospects for competition and innovation at the various stages of the value chain, and the extent to which there may be a need in future for a different regulatory approach (if indeed any is needed at all) to different parts.

- *What is the scope for **deregulation, competition and innovation** in the mobile sector, and what does this mean for the future approach to regulation?*

Our work on the first three main project questions will help inform our perspectives on these issues. In drawing our conclusions about the future approach to regulation, our approach will affect our regulatory principles – including a bias against intervention, but with a willingness to intervene firmly, promptly and effectively where required.

- 1.8 The Assessment will take place in the context of Ofcom’s wider policy programme in the mobile sector. It will not revisit decisions Ofcom has already taken, but will be forward-looking. Our approach to spectrum policy remains as set by the Spectrum Framework Review. While the Assessment will consider the changing environment resulting from changes in spectrum availability, we do not anticipate this Assessment affecting existing or planned future award programmes.

Our approach

- 1.9 We will carry out a comprehensive assessment, with close stakeholder engagement and consultation at every stage:
- We are interested in comments on these guidelines. The process for providing comments is set out below. We are keen to engage directly with as many interested stakeholders as possible, in order to hear your views.
 - We intend to publish a report setting out our initial findings of this Assessment in Summer 2008. We will seek comments from stakeholders on the contents of this report, and will consult formally on any policy proposals being made.

Points of contact

- 1.10 The Project Director for the Assessment is David Stewart, and the Project Manager is Khalid Hayat.
- 1.11 To let us know your thoughts, to ask questions or request further information about the Mobile Sector Assessment, please email khalid.hayat@ofcom.org.uk, preferably on or before 31 March 2008.