



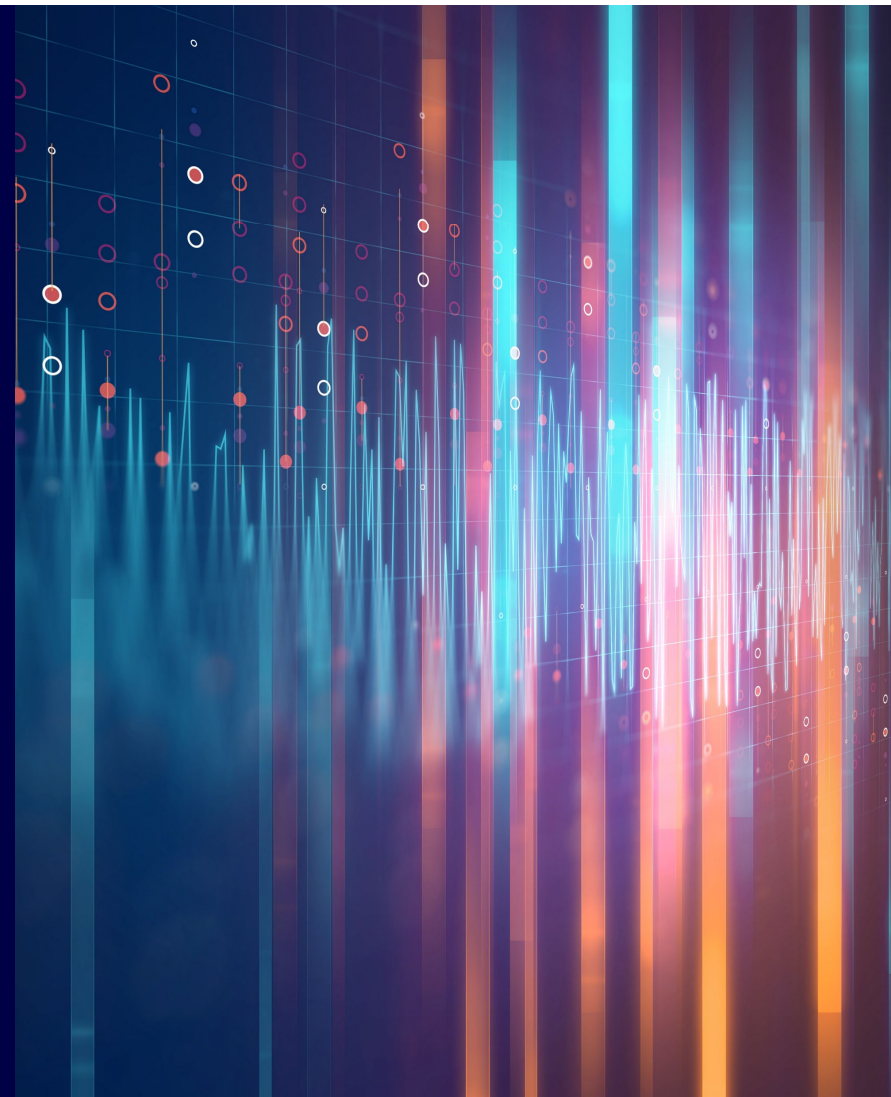
Ofcom: Analyst & Investor Briefing

Melanie Dawes, Chief Executive

Lindsey Fussell, Group Director Networks & Communications

David Willis, Group Director Spectrum

5 October 2023



Agenda

Welcome

Melanie Dawes

**Fixed and mobile
telecoms regulation**

Lindsey Fussell

Spectrum

David Willis

Questions

Melanie Dawes



Welcome

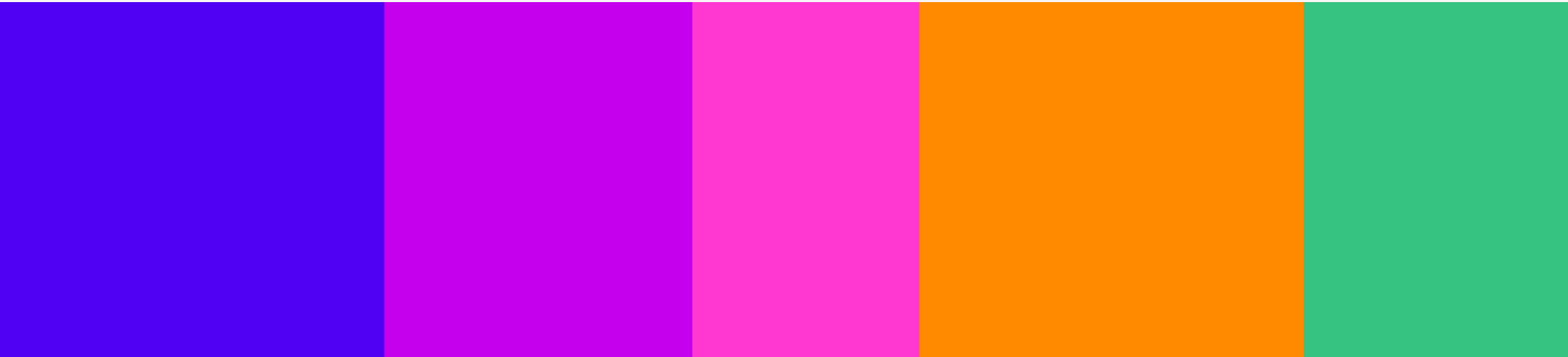
Dame Melanie Dawes
Chief Executive

Fixed and mobile telecoms regulation

Lindsey Fussell

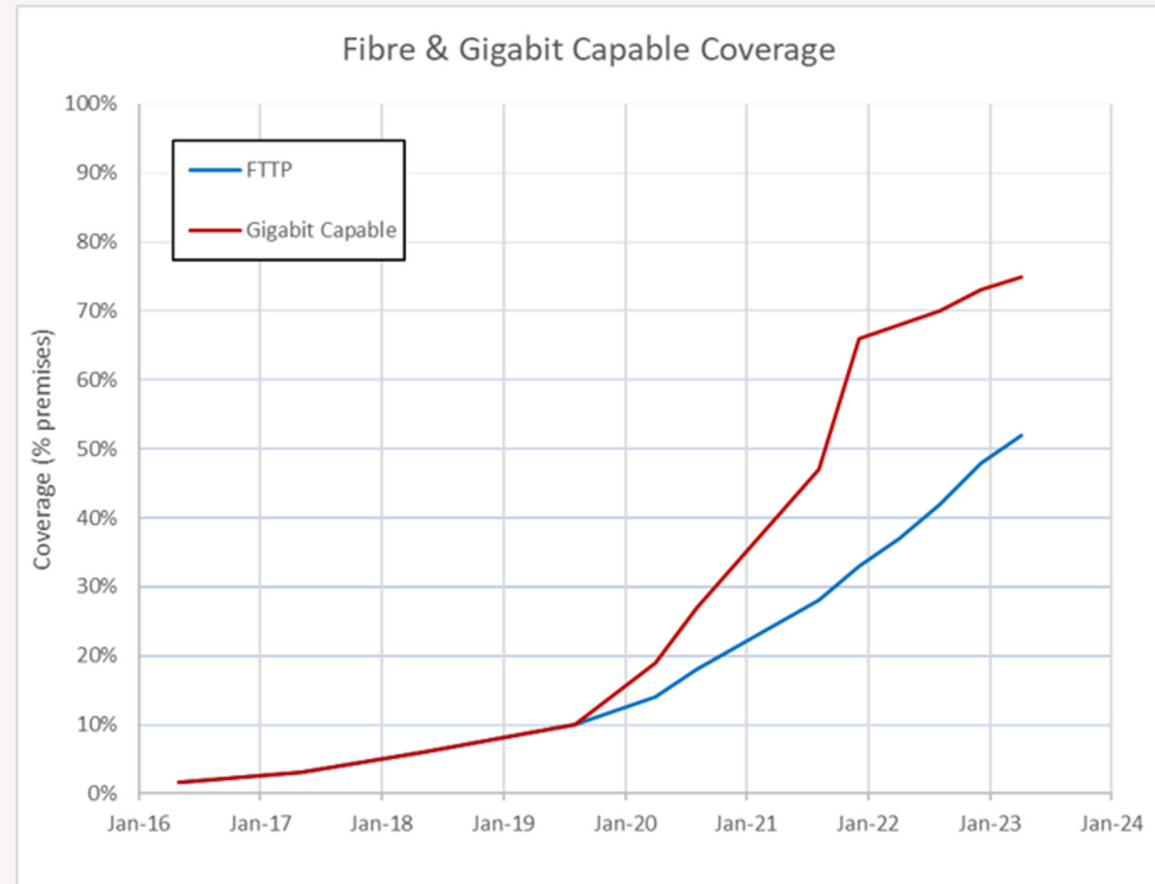
Group Director Networks &
Communications

Fixed line regulation



Investment and Competition

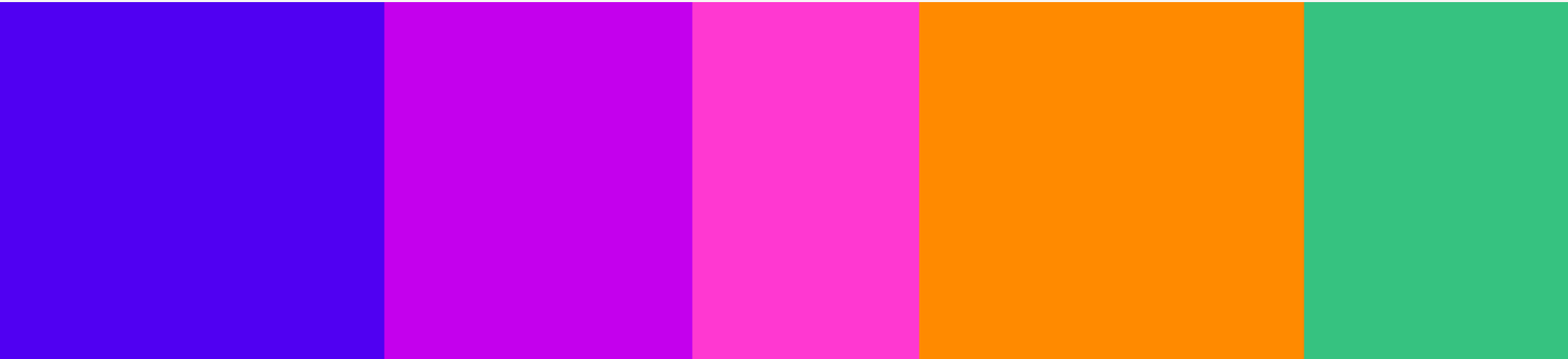
- Strategy completed in 2016
- Radically changed our regulatory approach to telecoms, resulting in WFTMR 2021
- Seen significant investment over the past few years, by incumbents and new entrants
- Issues:
 - Tougher economic conditions
 - Take-up low for some altnets
 - Keener pricing – Equinix
 - Potential market consolidation (altnets)
- Long-term investments → we set a long-term regulatory framework to reflect this



WFTMR 2026 – 2031

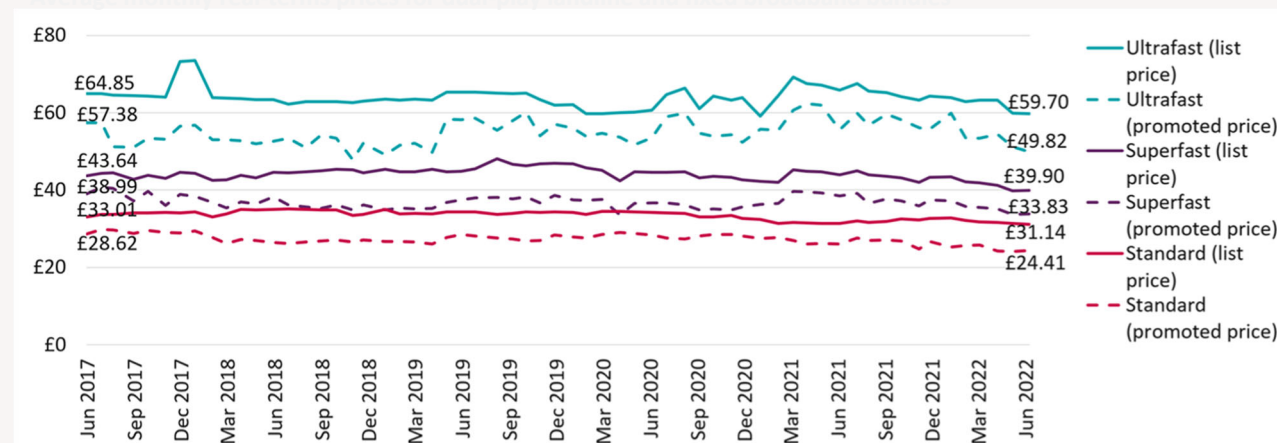
- Next year we will start process of developing the regulatory framework for 2026 to 2031
- Have said that we would expect to continue with current approach, if market is developing broadly as expected (reflecting long-term nature of investment)
- Potential areas to consider likely to include:
 - Expected ongoing investment (commercial v Government)
 - Areas that could potentially be de-regulated (sufficient network competition)
 - Copper retirement rules
- Separate to the WFTMR, the Government is expected to be subsidising rollout in commercially unattractive areas (BDUK – Project Gigabit)

Pricing



Fixed broadband and mobile pricing

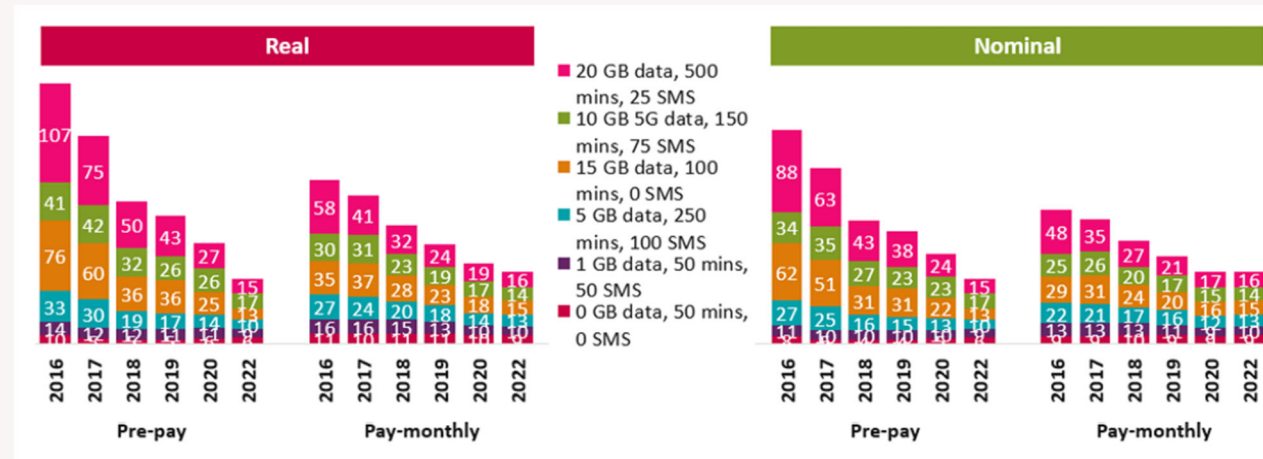
Average monthly real-terms prices for dual-play landline and fixed broadband bundles



Dual play bundle (fixed broadband and voice) prices have fallen in real terms over five years.

However, nominal list and promoted prices for superfast and ultrafast broadband have increased following in-contract price rises (by £3-7 per month in 2021 and £<1-3 per month in 2022).

Weighted average monthly pre-pay and pay-monthly mobile price, excluding handset cost



The real terms and nominal monthly average prices of pre-pay and pay-monthly mobile connections have fallen over the last six years.

Key interventions

Auto Switch (2019)

Social tariffs
(2020 onwards)

**End-of-contract
notifications and
annual best tariff
notifications (2020)**

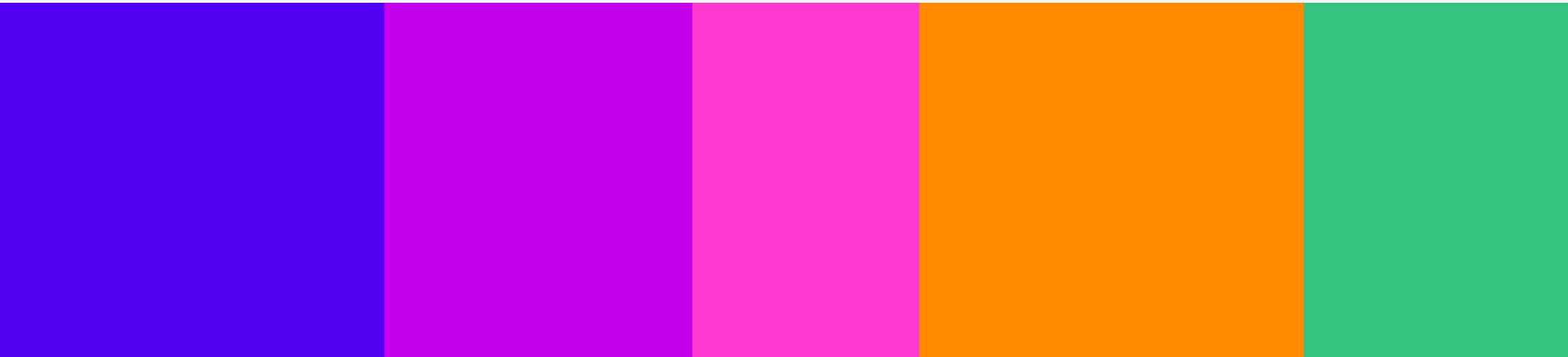
**Voluntary pricing
discounts on broadband
and mobile for out-of-
contract customers**
(2020 onwards)

**Better contract
information on pricing
and stronger rights to
exit contracts (2022)**

**One Touch Switch
April 2023**
(planned go live
14 March 2024)

**Consultation on
inflation-linked
in-contract price rises**
(December 2023)

Net neutrality



Our review of net neutrality

What is net neutrality?

Principle of the Open Internet:

- end users control the content they access, not their ISPs
- content providers distribute content without permission from ISPs

To achieve this, net neutrality imposes restrictions on how ISPs manage their networks.

Our review:

consultation published October 2022

- Rules support the Open Internet and innovation in content services
- But restrictions on ISPs can impact developing new services and effectively managing networks
- Rules are in legislation – changing these is a matter for Government and Parliament

Our proposed new guidance creates options for innovation in new services and more efficient networks

Zero Rating

Allow offers where certain content doesn't count towards data allowance

Retail Offers

Allow different quality of service products for different customers

Specialised Services

Allow services that optimise traffic delivery, including innovative new features on 5G

Traffic management

Clarify techniques ISPs can use to efficiently manage traffic

We plan to publish our final decisions on the review shortly

The charging debate and “fair share”

The charging debate and net neutrality

- Rules do not explicitly prohibit charging
- But they restrict traffic management that ISPs could use to enforce a charging regime – so no effective lever to negotiate with content providers

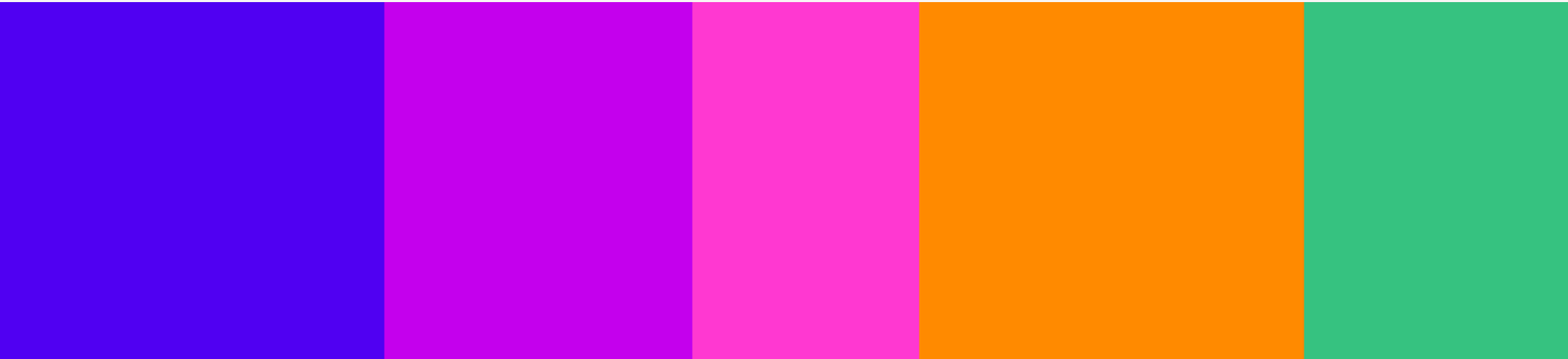
Why have this debate now?

- Large content providers drive traffic increases
- Content providers may lack incentives to use networks efficiently
- There may be an investment gap

Our initial views

- We have looked narrowly at charging in the context of incentivising efficient network use – debate elsewhere has focussed on contributions for network use or investment in network upgrades or roll-out
- There could be benefits to a charging mechanism if leads to more efficient network use
- But little evidence of inefficient network usage or ISPs not being able to fund network investment
 - Noting expansion of 5G and fibre into rural areas has other funding approaches (public schemes)
- Practical considerations – a charging mechanism would be complex to implement and require significant regulatory intervention

Mobile markets



Ofcom's future approach to mobile markets

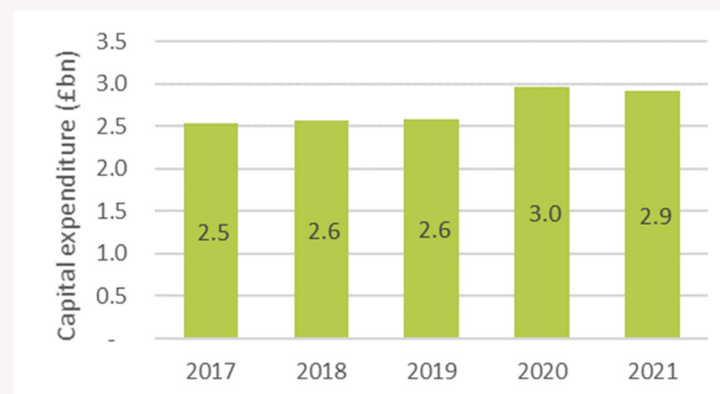
Key findings

- Competition important in driving investment
- Recent industry performance suggests scope for MNOs to earn positive returns from future investment
- Competition across the value chain is becoming more important; the impact over the medium term is uncertain
- Significant ongoing investment key for future connectivity needs
- As demand emerges for new (5G enabled) services, competition will play an important role in driving infrastructure investment to support them
- Challenges in deploying full (standalone) 5G in areas of lower demand

Our approach

- Monitor how well mobile markets are functioning and outcomes delivered
- Provide greater regulatory certainty to improve incentives to invest
- Clarifying our position on mobile consolidation – it depends on the effectiveness of competition post-merger, not just number of competitors
- Clarifying our plans around future spectrum for mobile networks

Consistent investment



Consumers getting more for less

Mobile services

(inflation adjusted)

Average mobile use and prices since 2017:

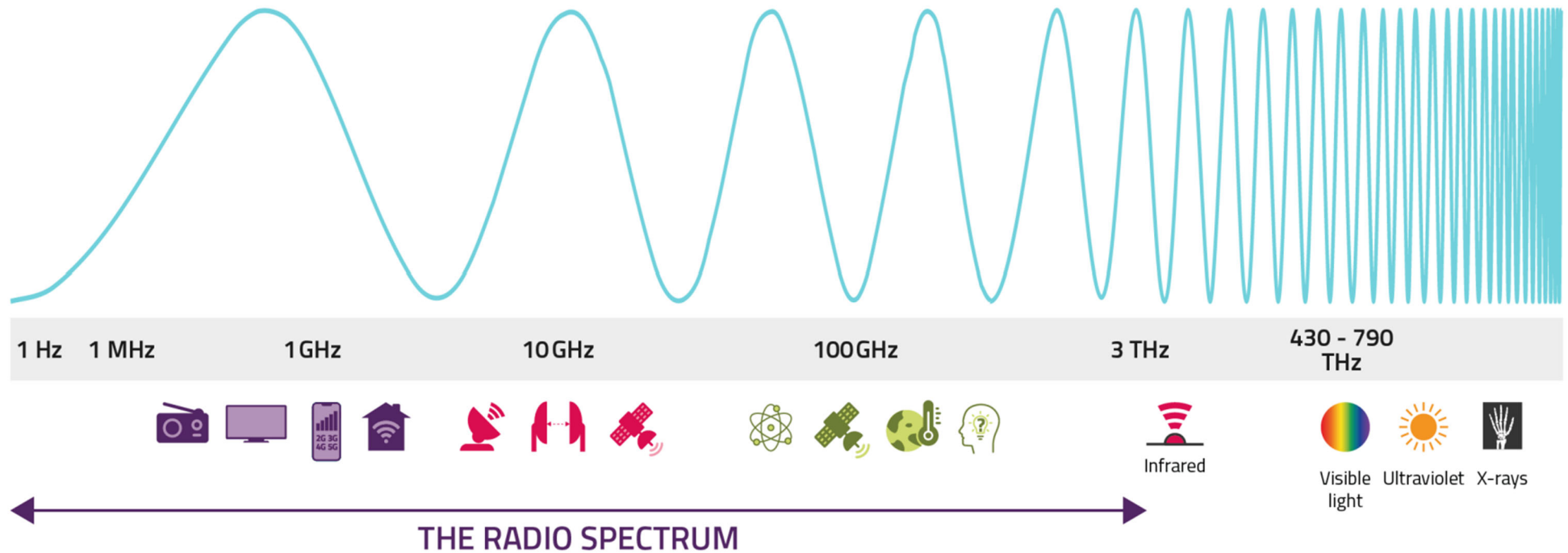


Spectrum

David Willis

Group Director Spectrum

Achieving optimal use of a finite resource



Horizon
scanning

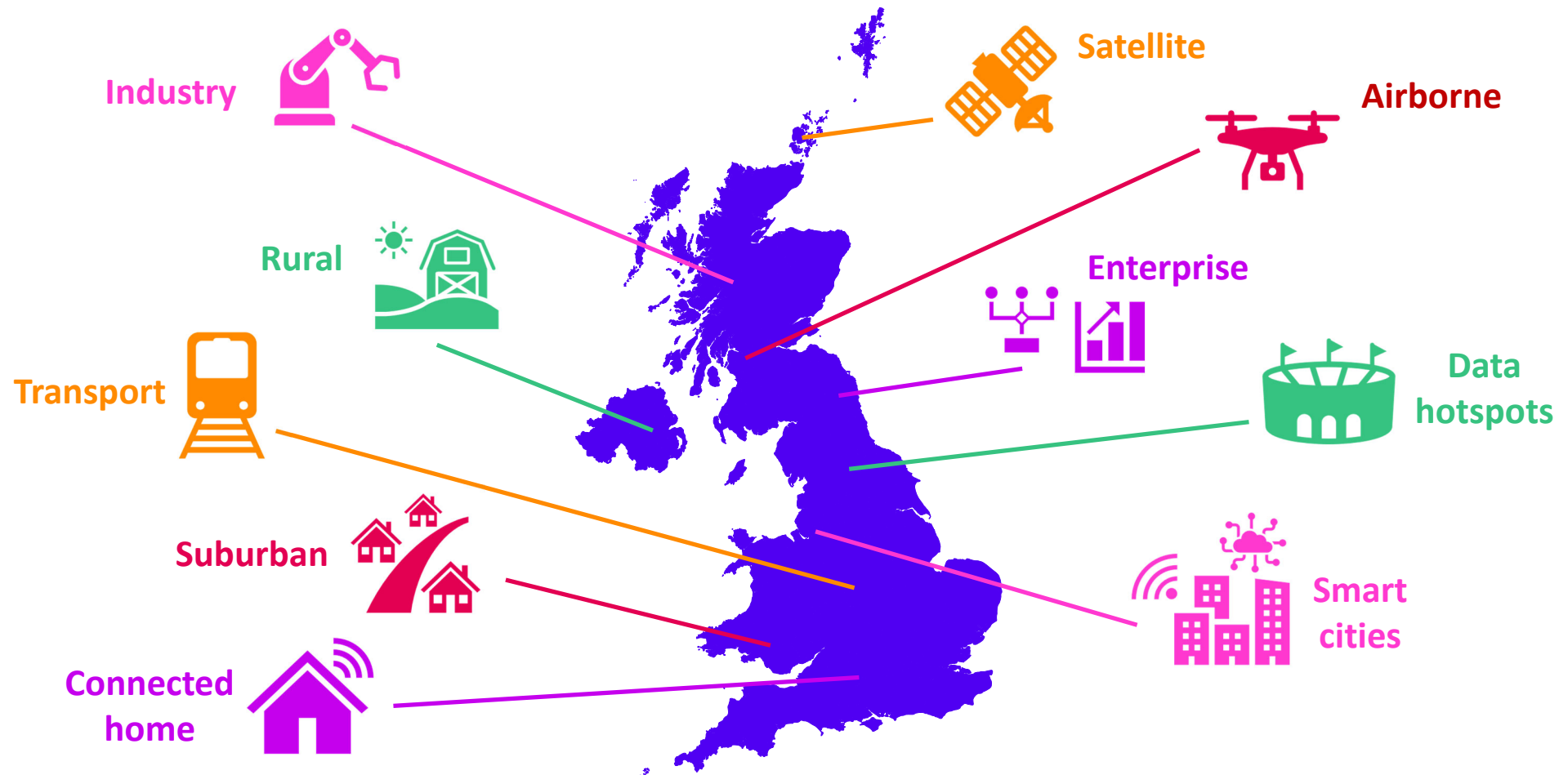
Spectrum
allocation

Authorisation

Maintenance

Continued
efficiency

Increasing diversity in demand and supply requires flexible spectrum management



Our Spectrum Pipeline

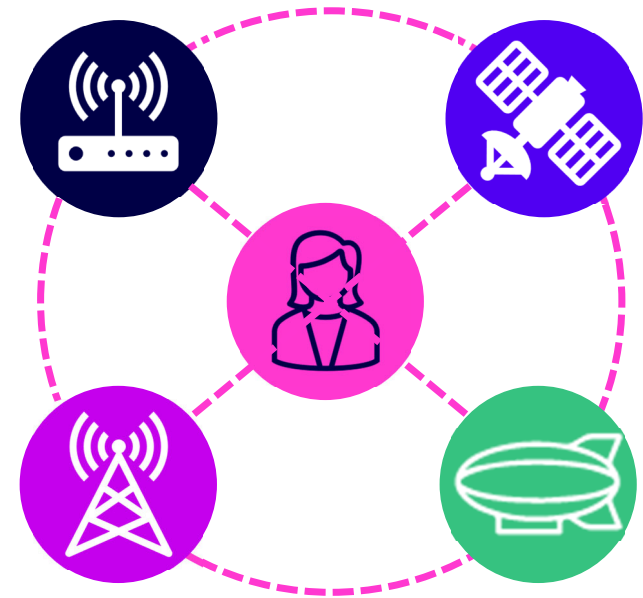
mmWave spectrum for Mobile

1400 MHz for Mobile

Upper 6 GHz for hybrid Mobile and Wi-Fi

Spectrum for local networks

Next Generation Wireless Broadband
(including 6G)



Questions





Thank you

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