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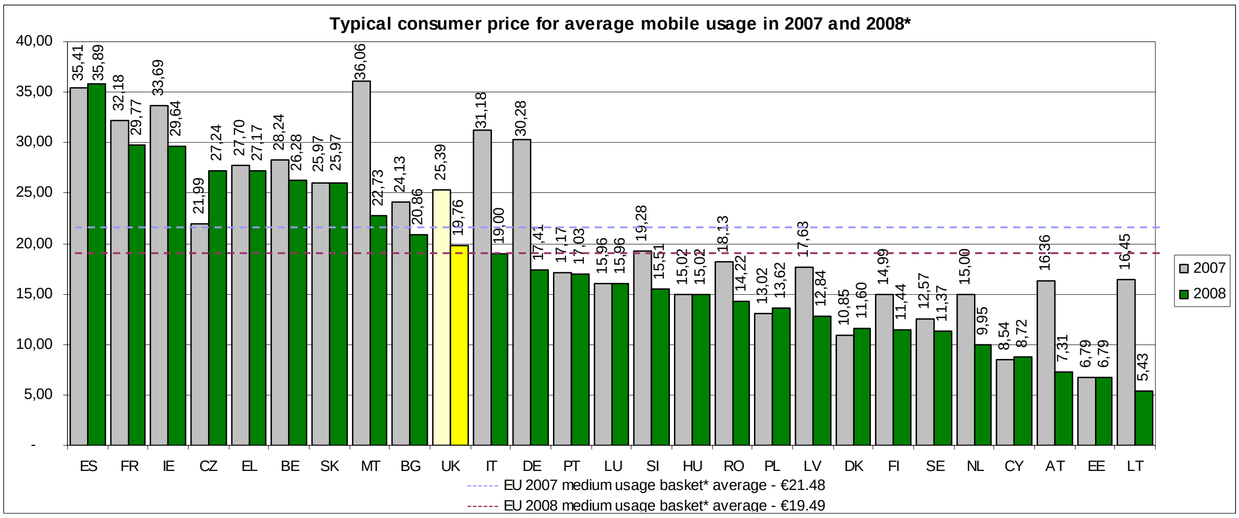
Towards a Single European Telecoms Market:

Focus on the United Kingdom

European Commission
Information Society and Media

Average monthly mobile bills fell as cheap as €19.76 in 2008, down from €25.39 in 2007. Despite the maturity of the UK telecoms markets, the UK broadband sector continued to grow with companies working to offer faster services and take up of mobile services as a percentage of population also continued to increase slightly to 121.19% (compared to 119% in 2007). In 2008, the UK became the first EU country where the national regulator withdrew regulation of the wholesale broadband access market in parts of the country where it was justified by the number of companies competing to offer broadband services.



*The above table relates to the cheapest offer in the medium usage basket using OECD methodology as of 2006. It consists of 65 outgoing calls per month + 50 SMS messages + 2-3 MMS. 21% of calls are to fixed line phones, 72% to mobile phones, 7% to voicemail. Where appropriate, it includes monthly rental, and any registration charges (post-paid offers, in particular).

Progress

Continuing progress in broadband

The UK broadband take up continued to grow and reached 28.4% of the population in January 2009 which is a 2.7 percentage point increase as compared to January 2008. A major cable company launched 50 megabit per second services and the fixed incumbent announced its investment plans for next generation broadband.

Strong competition in mobile and fixed markets

The penetration of mobile phone services further increased to 121.19%, up from 119 % in 2007. Competition is fierce: the largest mobile operator has 25% of all subscribers, which is the lowest for a leading mobile operator in the EU. The other three operators are within a few percentage points while the new entrant to the mobile market is the largest 3G operator. In the fixed voice market, the incumbent operator has a share that remains among the very lowest for an incumbent in the EU in terms of revenue and traffic volume.

Improved competitive conditions for alternative operators

The UK is so far the only Member State where the incumbent operator has functionally separated its network from the parts of the company which provide services. This approach is also being considered by other EU countries as it can improve competition if done in the right way. In 2008, the UK's national telecom regulator Ofcom adopted measures (Service Level Agreements and Service Level Guarantees) which strengthen the position of alternative operators using the fixed incumbent's network to provide services. This will increase competition and benefits for consumers.

Areas for Improvement

Enforcement of ePrivacy and data protection rules

The year 2008 was marked by controversy concerning the use by internet service providers of a behavioural advertising technology called 'Phorm' which works by analysing customers' web surfing to deliver targeted online advertising. The fixed incumbent admitted that trials of this system had taken place in 2006 and 2007 without informing customers, as required by EU data protection law. There were also criticisms of the limited response by UK enforcement authorities - the Information Commissioner's Office (ICO) and the police - to users' complaints about these trials. A new invitation-based trial of Phorm took place at the end of 2008 but very limited information was provided to the subscribers invited to take part. The Commission has raised concerns regarding the protection of privacy and personal data of UK citizens with the UK authorities and has asked for assurances that such practices will not be tolerated in the future.

Reform of number portability delayed

Under the UK number portability system (which allows customers to change operator while keeping the same number) calls are generally routed to the donor network, which then routes the call onward to the recipient network. Network operators usually negotiate arrangements and charges for call routing on an individual basis. At the end of 2007, Ofcom pushed the industry to set up a central database to ensure direct routing of calls and reduced the period for porting mobile numbers from the current two business days to two hours. This decision was overturned following an appeal by mobile operators in 2008, which is likely to delay the reform process.

Mobile phone users still excluded from "emergency roaming"

The UK is one of the very few EU countries where domestic mobile phone subscribers cannot call emergency numbers (112 or 999) over another available mobile network when they are out of coverage of their home network. Such "national emergency roaming" can be of particular help in areas where there is limited mobile coverage where, for example, only one operator has rolled out a network. It is therefore encouraging that Ofcom has started work in order to introduce this facility also in the UK.

TELECOMS SECTOR'S KEY FIGURES	EU	UK
Total value of sector (2007)	€356.85 billion	€56.7 billion
Nominal growth of sector (2007)	2%	4.02 %
Total capital investment (2007)	€52 billion	€8.93 billion
Fixed broadband penetration rate January 2009	22.9%	28.4%
Mobile broadband (data cards) penetration rate January 2009	2.8%	N/A
Mobile penetration rate	119%	121.19%
Average mobile termination rates	€0.0855	€0.074
Incumbent's fixed broadband market share January 2009	45.6%	25.4%
Incumbent's market share in direct fixed access	81.4%	78.8%
Total mobile ported numbers in 2008 only	14 million	N/A
Total fixed ported numbers in 2008 only	6.5 million	N/A
Average/typical broadband consumer price*	€36.89/month	N/A
Average/typical mobile communication consumer price**	€19.49/month	€19.76/month
Average/typical fixed telephony communication consumer price***	€36.13/month	€32.76/month

* Median basket price for broadband (2-4Mbps offers) using purchasing power parity (PPP)
** Average "medium usage pre&post-paid 2006 OECD basket" price for mobile communications. The figure for the United Kingdom refers to the cheapest available offer of the two largest operators on the market
*** Average "medium usage residential 2006 OECD basket" price for fixed voice communications

For further information

Full report on the Internet: http://ec.europa.eu/information_society/policy/ecomm/library/communications_reports/annualreports/14th/index_en.htm
More information on telecoms: http://ec.europa.eu/ecomm
Europe's Information Society Thematic Portal: http://ec.europa.eu/information_society
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