

# Stuart McIntosh

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**Promoting effective competition and efficient investment**

1 July 2013

# The regulatory challenge...

- How to **promote competition** and also ensure **incentives for investment** in new networks



- Do these two conflict or is it possible to balance them successfully?

# UK experience: c.5 years ago...



- No superfast broadband (speed of 30Mbit/s or more) available to UK residential consumers
- 3G coverage was still expanding but there were spectrum issues around LTE

# NGA ...

£Billions needed for NGA with greater risks for investment given uncertainty about demand etc

- How to promote competition at deepest level (where it would be effective and sustainable)?
- How to avoid 'heavy-handed' regulation which could deter investment?

# In 2010, on competition...



- BT required to wholesale its 'active' product – **Virtual Unbundled Local Access (VULA)**
  - So ISPs can compete downstream and get degree of control similar to taking over a customer's line
- BT obliged to give access to its ducts & poles
  - So others could use for NGA where BT did not
- Underpinned by Functional Separation and EOI

# To promote investment...

- We did not regulate VULA price
  - This was to promote efficient rollout and use of NGA network (and allow recovery of costs)
- We also measured and published providers' broadband speeds
  - To help consumers make informed decisions and incentivise investment in faster broadband

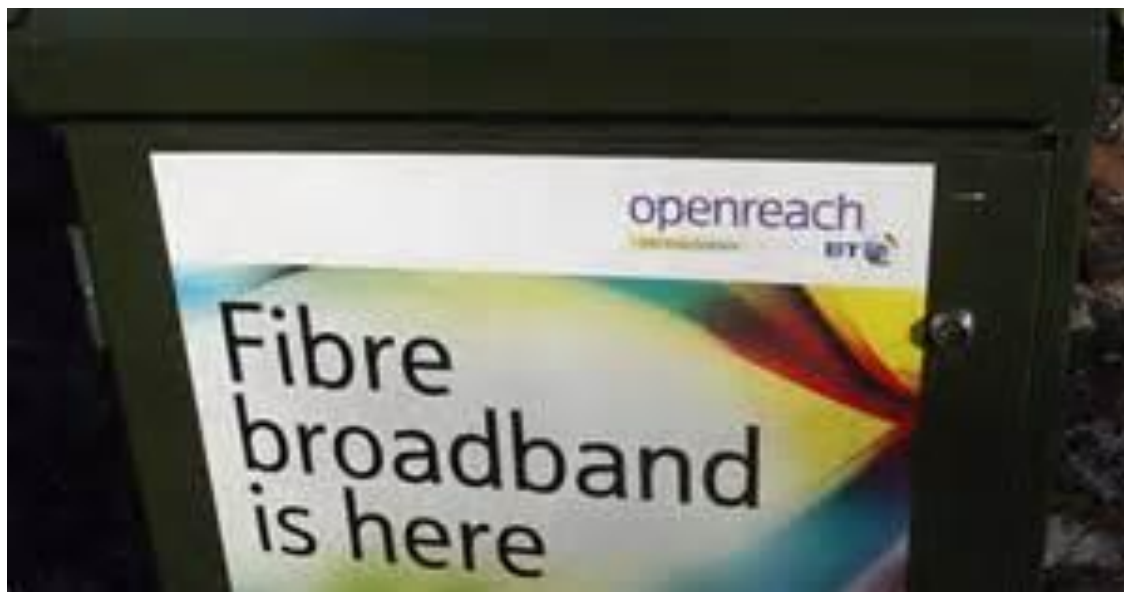
# Outcomes...

- Virgin Media cable upgraded - DOCSIS 3.0
- 'Up to 100Mbit/s' download speeds
- Available to c.50% of population



# Outcomes...

- BT deployment of FTTC (fibre to the cabinet)/VDSL2
- 'Up to 76Mbit/s' download speeds
- £2.5bn investment
- Aim: cover two-thirds of premises by Spring 2014





# Outcomes...



- SFBB now available to >65% of UK homes
  - Coverage likely to extend to 90%+ homes given Government financial support (procurements)
- 13% of residential broadband connections now superfast and take-up growing strongly
  - Priced at modest premium to current generation broadband

# LTE (4G) ...

UK starting to face 'capacity crunch' as data demands on mobile networks double each year...

...so MNOs need more spectrum and to use 4G (as a more spectrally efficient mobile technology)

- **How to provide spectrum for competing networks to drive 4G investment and choice?**

# On competition, we...



- Released suitable spectrum competitively and reserved spectrum for a fourth UK wholesaler
  - 250MHz auctioned: in 800MHz and 2.6GHz bands
  - Five licence awards, raising £2.3bn
- Plan to liberalise spectrum for operators
  - Will allow 900, 1800 and 2100 MHz bands to be used for 4G services

# On investment, we also...



- Placed a coverage obligation on one licence (O2) to ensure widespread services
  - Requires an indoor mobile broadband service to 98% of UK population by end 2017
- Recognised network sharing can benefit consumers
  - EE merger and deeper network sharing by Vodafone and O2

# Outcomes...

- MNOs plan to launch or extend 4G in 2013



- EE suggest they have >45% 4G population coverage(and they aim for 98% by end 2014)
- Vodafone/O2 aim for 98% indoor coverage end 2015
- Three to provide '4G at no extra cost'

# Overall...

- We have fostered competition in NGA and 4G
- And we have seen substantial investment in NGA and now on 4G – driving up availability
  - UK experience suggests it is feasible to promote competition and investment in new networks
- Public funding is also being used to deliver access to more rural and remote areas

Thank You