

## Department for Digital, Culture, Media and Sport Consultation:

### Reforming consumer advocacy in telecoms

#### Response from Mobile UK

October 2019

#### About Mobile UK

1. Mobile UK is the trade association for the UK's Mobile Network Operators (MNO) - EE, Telefonica UK (O2), Three and Vodafone. Our goal is to realise the power of mobile to improve the lives of our customers and the prosperity of the UK.
2. As mobile increasingly becomes the device of choice for running daily life both at home and at work, customers want improved coverage and greater capacity. Mobile UK's role is to identify the barriers to progress and work with all relevant parties to bring about change, be they Government, regulators, industry, consumers or citizens more generally.

#### Introduction

3. Mobile UK welcomes the opportunity to respond to the Department for Digital, Culture, Media and Sport's consultation on reforming consumer advocacy in the telecoms sector.
4. Mobile UK supports and endorses the response submitted by the wider group of fixed and mobile operators.

#### Mobile UK Response Overview

5. In summary Mobile UK:
  - Supports **Option 2** as the most appropriate and natural progression for enhancing consumer advocacy
  - Considers funding arrangements can continue to be through the levy system, which is established and efficient
  - Considers further work needs to be done to underpin the appropriate level of funding

#### Mobile Communications – the context: dynamic, capital intensive industry

6. The mobile communications market, while being part of the UK's critical infrastructure and integral to people's lives, is in most regards a fundamentally different proposition to the provision of utilities such as gas and electricity.
7. Over several decades, the industry has upgraded its capability continuously and taken consumers along an extraordinary path of continuous innovation.
8. Overall, the industry has been very successful at offering consumers groundbreaking products and services in a simple and useable way. And consumers, in the main, have been very quick and successful in adopting these new services. 95% of us have a mobile device (80% of which are smartphones), and total takeup is 131% per head of the population (it is said – more than the toothbrush.)

9. Additionally, the number of ‘things’ that are connected to mobile networks is set to increase rapidly, as items such as smart meters and other remote or mobile devices get connected to a mobile network.
10. The increase in coverage, capability and capacity of mobile networks has led to an explosion in demand for mobile data, with nearly three-quarters (72%) of mobile connections now 4G. The average volume of data consumed per subscriber now stands at 2.9 gigabytes per month up from 1.9 gigabytes in 2018.<sup>1</sup> All four MNOs are also initiating the rollout of 5G networks in 2019.
11. Mobile data use tripled over the period 2014-2017 and is expected to increase by a further 700% by 2021. Average mobile subscriber data use is predicted to grow to 18 gigabytes per month by 2021.
12. The industry is re-investing over £2bn annually in new network equipment (around 15% of all mobile revenues), to improve consumer satisfaction, capacity, footprint and performance. As the consultation document states in section 2.1, consumers in the telecoms sector, as a result of all this investment and innovation have enjoyed, over a long period, increasing value for money.
13. The telecoms sector, as already mentioned, is very different from the other sectors with which it is being compared, including in the UK Consumer Satisfaction Index (UKCSI).
14. In the UKCSI, the range between ‘high’ and ‘low’ performing sectors is 80%-70%, a relatively small range. While there is always room for improvement, it is questionable whether it is objectively valid to justify a significant change in the advocacy arrangements with the statement (on page 12) that ‘satisfaction in the sector is lower than it should be’.
15. Moreover, it also doubtful that the preferred Option 1 should essentially mimic the arrangements of the Utilities, a sector that ranks below the telecoms sector in the UKCSI.
16. Mobile UK’s preferred Option (Option 2) would be a much more natural and efficient evolution – enhancing the existing arrangements – rather than revolution, by handing the mandate to Citizens Advice or setting up an entirely new arm’s length body.
17. This approach will make the best of and build on the existing expertise within the Consumer Panel and, we argue, fit more seamlessly into the emerging consumer advocacy landscape (with new bodies such as Consumer Scotland, for example).

## Mobile UK Response

### Q1a - Do you agree with the proposed remit and activities of the new telecoms advocate, as described above?

18. Mobile UK’s view is that the primary function of the ‘Consumer Advocate’ is to carry out a **strategic role** in influencing Government and regulatory policy within the sectors it covers.
19. It must provide a distinctive voice and not duplicate the work of others. It must be remembered that Ofcom itself, after all, as an independent regulator, charged under the Communications Act to ‘further the interests’ of consumers.
20. Ofcom bases its regulatory approach by trying to promote competition, based on a thorough understanding of the complex dynamics at play in the sector. The Consumer Panel’s distinct role is to take an independent view of such dynamics while looking to the consumers’ short and long term interests.
21. Mobile UK agrees that the Consumer Panel should continue to perform this strategic advisory/advocacy role.

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<sup>1</sup> Ofcom –Communications Market Report, 2019

22. Concerning the other aspects of the proposed remit, Mobile UK believes there is further work to be done to meet the principles of best practice whereby intervention is targeted, justified and proportionate.
23. For example, the consultation document states that the Extra Help Unit in the utilities sector costs £1.8m and collects £2.4m for consumers. At a first look, this does not appear to be a very efficient way of approaching the subject, and the money might be better spent augmenting the advice work that Ofcom currently undertakes.
24. Mobile UK would also like to see more evidence that the ‘consumer advocate’ could undertake awareness campaigns on different technologies that would add value over what is already made available by Ofcom and the commercial providers, consumer bodies such as Which?, other channels such as retailers, magazines and TV, and the comparison sites, who are all in the business of ‘raising awareness’.
25. Mobile UK recognises that the role of consumer advocacy must evolve and we support the Government in this aspiration, but more evidence is required to justify extending the remit in the manner proposed.

**Q1b - Are there any additional activities that should be included in its remit?**

26. No comments

**Q1c - What are your views on how the new advocacy body should interact with other organisations, including Ofcom and the CCP?**

27. In response to Q2, Mobile UK supports Option 2 (enhancing CCP rather than setting up a new body). Nevertheless, we support the sentiment of the question. There is scope for the CCP to interact more with other bodies in the field of consumer advocacy so that there is a cross-fertilisation of good ideas and insights.

**Q2a - Do you agree that Option 1 should be the preferred option**

28. Mobile UK supports Option 2.
29. The Government has not presented compelling evidence that another, new organisation could do a better job than the Ofcom Consumer Panel, which, over many years, has built up a detailed knowledge of a complex sector, has demonstrated its ability to act independently of industry and to be a ‘critical friend’ of Ofcom.
30. With more resources, the CCP could enhance its strategic advocacy role, building up a deeper institutional understanding of the very diverse perspectives of the communications sector customer base.

**Q2b - Do you have views on other options we should consider, including for the period before new legislation is introduced and the new advocate is fully established?**

31. No comments (presumably 2b does not apply if Option 2 is the outcome.)

**Q3 - What are your views on the processes by which the funding of the enhanced consumer advocate would be raised and provided to the advocate on a year to year basis?**

32. Under Option 2, we would like to see the money continue to be raised through the industry levy, with an appropriate portion being ring-fenced for the CCP for its advocacy work.

**Q4a - Do you agree with our analysis of the likely scale of funding for the new advocate?**

33. It would be reasonable for the funding to be in proportion to other sectors. It is not entirely clear from the consultation what level of funding is being proposed (for example, the work of the EHU for energy is not included in the table provided).

**Q4b - Are you aware of any other reasons that would make telecoms advocacy more or less costly than in other sectors?**

34. As stated above, the telecoms industry is certainly more dynamic and even unpredictable than utilities markets. This might make it relatively more expensive for an entirely new body to assume to the role of consumer advocate, but it would not necessarily hold true if the task were allocated to the existing CCP, particularly if it avoided duplication of effort and benefited from retaining the long institutional knowledge and expertise of the CCP.