Chapter IX

Mobile Services in the UK

Introduction

On New Year’s Day 1985, Ernie Wise made Britain’s first cellphone call. Now, less than two decades later, most people in this country have a mobile and every sixth person in the world owns one. They have launched revolutions, saved lives, destroyed relationships and, of course, spawned a whole new genre of utterly pointless communication. (The Guardian, November 11, 2002)

The UK mobile market is one of the most advanced — if not the most advanced — mobile market in Europe. This is understandable when keeping in mind the long tradition of wireless communications in the country already in the analog era of mobile telephony. The UK was also among the first countries in Europe to open up the competition for mobile services, and to implement mobile
number portability, which was introduced in early 1999 (Oftel, 2001). Mobile telephony services are also widely adopted in the UK. According to official statistics, more than 70 percent of the population used mobile phones in 2002. However, according to more recent estimates, mobile phone penetration is almost 100 percent in the UK (M-Commerce Chasm, Sept 27, 2004, p. 1). The competition in the UK is extremely intense as the five mobile operators (Vodafone, Orange, T-Mobile, mmO2, and the 3G-only operator Hutchison Whampoa) are trying to attract both new customers and to entice customers away from their current operators (Olla and Patel, 2002). Even Oftel, the regulatory authority in the UK, decided to remove the last remaining mobile telecom sector specific regulation in fall 2003, as there was no longer a need for regulation to promote competition in the mobile market: Consumers (due to the intensifying competition) got increasingly better deals and none of the five mobile network operators had significant market power in the UK market. Therefore, Oftel removed the restrictions that were imposed on Vodafone and O2 to provide interconnection services (http://www.cellular.co.za, October 15, 2003).

Mobile Services Market in the UK

According to Olla and Patel (2002), traditionally the UK market was based on a “single-tier model” for the provision of all mobile telephony services to end users. In this model, consumers acquired their mobile services from a single network operator and their choice was simply about choosing between alternative mobile operators. This model was very similar to the vertically integrated industry structure dominating the Japanese mobile market, as discussed in Chapter VI.

Later, this model became two tiers along with the introduction of wholesales and retails tiers by the British regulatory authority Oftel (2001). In this model, retail offerings are delivered via tied service providers (i.e., network operators’ own retail operations) and independent services providers (ISPs). Services are also provided via mobile virtual network operators (MVNOs) that do not have a licence to use radio spectrum or own a physical network. Instead, MVNOs have access to the radio networks of one or more of the existing mobile operators, and are thereby able to offer services to customers using that spectrum (Olla & Patel, 2002).
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