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The role of MVNOs in evolving mobile markets

Report from WIK Consult

Information Notice

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1: Introduction

1.1 Background

1. In early 2020, ComReg commenced a project to help understand the role of Mobile Virtual Network Operators ('**MVNOs**') in evolving mobile markets. ComReg subsequently engaged WIK Consult to prepare a report (the '**WIK Report**') on the issue. In particular, the high-level objectives of the report were:
 - To inform ComReg's understanding of the evolving role that MVNOs play in mobile markets, particularly in the Irish mobile market;
 - To provide ComReg with insight into how MVNOs can affect the competitive dynamic of mobile markets; and
 - To describe the experience of MVNOs internationally.
2. As part of the project, WIK Consult was tasked with undertaking a review of key literature on the various MVNO business models and various developments that will likely impact the evolution of the mobile markets. In addition, a series of interviews with stakeholders in the Irish mobile market formed a central part of the analysis of the Irish market, including interviews with ComReg, Mobile Network Operators ('**MNOs**'), MVNOs and potential entrants. Furthermore, a series of detailed country studies was to be undertaken, engaging with key representatives in each country about the competitive dynamic of the country's mobile markets and the role played by MVNOs.
3. WIK Consult presented its report to ComReg in Q3 2021. The WIK Report is set out in Annex 1 of this IN.

1.2 Report by WIK Consult

4. The WIK Report sets out an analysis of the Irish mobile market, making particular reference to the role played by MVNOs to date and going forward. The WIK Report outlines the various MVNO models, each with varying degrees of control over the network assets.
5. The WIK Report notes the evolution of the market and expansion of new mobile applications and services, including the Internet of Things ('**IoT**'). The WIK Report notes the role that 5G will play in the future as well as the migration of voice and messaging to all-IP platforms. The report notes that retail MVNOs may not benefit from the industrial and IoT use-cases supported by 5G, as they typically focus on

the consumer market segment. The WIK Report notes that 5G and IP-based calls and messaging may present more of a threat to MVNOs, as they are likely to necessitate investments in new platforms and may require a renegotiation of contract terms with a host MNO. As consumers migrate to 5G services and all-IP voice and messaging, high-volume data offers will likely become the norm in the consumer segment, placing further pressure on MVNO revenues and costs.

6. The WIK Report notes the 2014 merger of Hutchison 3G UK Holdings Limited's acquisition of Telefónica Ireland Limited, and the reservations put forward by ComReg at the time regarding the proposed merger and the proposed commitments, noting the behavioural commitments which were noted as being insufficient to address the structural competition deficit identified. Subsequent MVNO agreements were later reached with Virgin Media and iD Mobile. WIK notes that ComReg's concerns about the merger and the commitments were substantiated by the exit of iD Mobile from the Irish market in 2018. In addition, a 2018 BEREC report¹ found that evidence that retail prices for some consumer segments increased due to the merger compared to the counterfactual, where the merger had not occurred.
7. The WIK Report also notes the positive role played by sub-brands (such as GoMo, Clear Mobile and 48 Mobile) in offering unlimited calls, texts and data. These sub-brands operate largely as online-only brands, with a slimmed-down online customer support and no retail stores. On this basis, the WIK Report notes that "*as far as retail competition is concerned, the market appears currently to be serving customer needs, especially in data-oriented offers*".
8. The WIK Report notes that while the Irish mobile market appears to be delivering positive outcomes for consumers today, this dynamic cannot be guaranteed in the future and that the role played by MVNOs and sub-brands today will change as the market evolves. These medium-term risks should be assessed and if necessary, then addressed by ComReg. The WIK Report details the various regulatory tools available to ComReg to introduce additional sources of competition and their potential effectiveness, considering international experience, as set out in a number of case studies.
9. Finally, the WIK Report makes a series of conclusions and recommendations on the Irish mobile market regarding the competitiveness of the market and the need to support competition in the IoT segment. The WIK Report notes that the Irish

¹ BEREC Report – Post-Merger Market Developments – Price Effects of Mobile Mergers in Austria, Ireland and Germany, June 2018, BoR (18) 119

mobile market appears to be competitively served, and there does not seem to be an immediate need for intervention in the market by ComReg.

10. However, the WIK Report points out that competition in the three-player market in Ireland may be unstable and that ComReg may want to closely monitor the market. The WIK Report highlights two concerns where monitoring may be warranted:
 - Where future competition in the high data volume bundles part of the market is not sustained, in particular as 5G services expand; and
 - Where there is evidence that MNOs collectively are unwilling to agree to terms and conditions for MVNO access that allows MVNOs to compete in the high data volume bundles part of the market.
11. In addition, the WIK Report makes a recommendation around the IoT and machine-to-machine ('**M2M**') segment at a pan-EU level and the need for standardisation. WIK notes there is a need for revisions to the Roaming Regulations to address concerns over access to upcoming technologies and quality of service ('**QoS**') guarantees or other inputs required to support innovation.

1.3 ComReg consideration of findings and Next Steps

12. ComReg notes the conclusions and recommendations set out in the WIK Report. In line with its statutory functions, ComReg will take account of these findings in its various regulatory decisions, where appropriate.
13. Over the coming period, ComReg will continue to monitor the competitive dynamics in the Irish mobile market, in keeping with its statutory functions and objectives.

Annex 1: Report from WIK Consult

A 1.1 The Report from WIK Consult can be found under document 21/101a