

Ofcom Advisory Committee for Wales (ACW)
Response to the Ofcom Digital Dividend Review (DDR) Consultation

Introduction

ACW Members were given a presentation on the DDR consultation at their meeting on 7 February in Cardiff. Members had also previously discussed issues relating to the proposed DDR consultation in previous meetings.

Key Issues and responses to the consultation questions

Question 1: This executive summary sets out Ofcom's proposals for the release of the digital dividend. Do you agree with these proposals?

Members are not convinced that a market-led approach is the only option for the efficient exploitation of the spectrum released at switch over. The economic conditions in many parts of Wales, particularly in the rural areas, suggest that regulatory intervention will be the only effective way to ensure full utilisation of released spectrum in a way that provides benefits for citizens and consumers in Wales.

Members are concerned that the packages proposed for the cleared spectrum would be auctioned exclusively on a UK wide basis. One possible consequence of this for Wales would be a version of spectrum hoarding, in which successful bidders would develop services in the more commercially attractive geographic areas of the UK but not in other more rural areas, including Wales.

Members suggest that the management of DDR can not be separated from debate about the future development of the Universal Service Order (USO) for the provision of telecommunications services in the UK. Members are keen to see the USO extended to cover a minimum level of universal broadband provision in future. Members regret that Ofcom suggests that a market led approach is the only option in relation to the DDR.

Question 2: Do you have any comments on our analysis of the essential constraints that will apply to the available UHF spectrum?

Question 3: Do you agree with the more detailed analysis and proposals regarding these technical constraints as set out in Annex 10?

Members note that proposals for the auctioning of the interleaved spectrum would be based on local areas and a range of packages could be made available which could be attractive to local service providers/operators in Wales.

Preliminary reports published by Ofcom's consultants on the project, L.S. Telecom, appear to have concluded that no interleaved spectrum is likely to be available at two of Wales' major transmitter sites, Wenvoe and Moel-y-Parc. Although Members recognise that there could be a shortage of useable interleaved frequencies in areas where there are a large number of high powered transmitters sited nearby, for example in the Bristol channel area, the initial analysis by the consultants appears to over state this issue. It would be very disappointing if no interleaved spectrum could be found in these areas. However, Members appreciate that the initial survey by L.S.

Telecom has been very high level and has only looked in outline at some possible transmission sites across the UK.

Question 5: Do you have any comments on our analysis of the choice between a market-led and an interventionist approach to the release of this spectrum? Do you agree with the analysis of different mechanisms for intervening to remedy potential market failures?

Members are concerned that Ofcom's consultation proposals for DDR are based exclusively on a market-led approach.

Question 9: Do you consider that it would be desirable to hold back some spectrum from award with a view to its potential use for future innovation? If so, please provide comments on how much spectrum should be held back, and for how long.

Members accept that it is not possible to predict with any certainty future market and technological developments nor the development of new services. For this reason they consider that the creation of an 'innovation reserve' of spectrum would enable greater regulatory flexibility for the future. In particular, new low power uses, for example, for the provision of wireless broadband services in hard to reach rural areas that are currently over 5km from the nearest exchange, could be developed.

Question 13: Do you consider that we have included in our analysis the most material risks in relation to market failure?

The ACW Members are particularly concerned, in relation to Wales, about the prospect of market failure in rural areas and about spectrum hoarding by successful bidders, which could well be large corporations not based in Wales. Members have noted that the proposed spectrum licences, obtained by auction, would not include 'use it or lose it' clauses. In their opinion, large companies could buy up and hold on to spectrum capacity, effectively stifling the market and potential spectrum trading. They note, however, that the issue of spectrum hoarding will be examined by Ofcom during the next phase of the DDR project.

Question 15: Do you agree with Ofcom's proposals as to the timing of any auction? If not, what alternative proposal would you make and why, and what evidence and analysis can you provide in support of your alternative proposal?

Although cleared spectrum would be auctioned on a UK wide basis, Members note that the spectrum would be released for use on a regional basis, following the DSO process as it rolls out across the UK. Presumably this could see Wales benefiting from new services, via DDR, as soon as 2009/2010, in line with the timing for DSO in Wales.