

**Broadband
Access
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Group**

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Dear Mr Green

Independent Spectrum Review

We congratulate Professor Cave and his team on the excellent report he has produced on the future use and regulation of radio spectrum here in the UK. The recommendations contained in the report, if implemented by the Government, will go a long way towards putting the UK in the forefront of the efficient management of this extremely valuable resource.

We are, however, concerned about the conclusion that in the case of conflict between RLANs and FWA systems in the licence-exempt bands priority should be given to RLANs. The argument leading to this conclusion is contained in the blue box, entitled, "Deregulation of licence-exempt spectrum", on page 131 of the report.

The economic analysis on this issue appears to have been taken directly from Mason Communication's report, "Spectrum Management Strategies for Licence-exempt Spectrum". It is argued that RLANs should be preferred to FWA on the grounds that RLANs produce a greater consumer surplus on the basis that they meet new consumer demand whereas FWA is considered to be a replacement service.

RLANs will be an alternative to 3G services soon to be rolled-out by the mobile operators. This has recently been demonstrated by the reaction of the markets to the announcement that BT will soon be offering RLAN services in 'hotspots'. In the wake of this announcement MM02, the erstwhile mobile arm of BT, suffered an immediate and lasting drop in share price.

Outside metropolitan areas served by a combination of ADSL and cable broadband services there is almost no broadband access provision. The e-Envoy has reported that in some regions of the country broadband access could be as low as 55% of the population. In those areas not served by the main broadband technologies FWA in the licence-exempt bands can provide a cost-effective solution. The USA provides one significant example of the successful development FWA service provision in rural areas using the licence-exempt bands; often by small ISPs or the communities themselves.

The argument therefore that FWA is in economic terms a replacement service is only true in the metropolitan areas. The greatest economic potential for FWA is outside these areas; in areas classified as rural it may be the only viable broadband access service. There are several initiatives to improve the prospects of rural areas (rural renaissance), including those targeted at market and coastal towns.

These initiatives begin to recognise that the traditional treatment of population density in rural areas of the country does not address the higher concentration of population in the towns dispersed throughout these areas. It is all too easy to see an area as 70-150 people per sq km (or more, or less) and not as a small town of, say, 7,000 supporting 300 businesses and a rural "hinterland".

Consequently we believe that contrary to the conclusion presented in the report, FWA should be given priority over RLANs; at least outside metropolitan areas.

Yours sincerely

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