
Telensa Communications

**Response to the RA
consultation on 28 GHz
licencing - Nov 2002**

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1 Introduction

Telensa Ltd. is a new telecoms operator, formed recently by the original founders of Radiant Networks plc, which is the company that introduced and developed the mesh network architecture for broadband fixed wireless access (BFWA). When compared to conventional point to multi-point systems the mesh approach is now recognised as the most viable technology platform for BFWA. This is because it significantly improves coverage and performance especially when using high frequency spectrum bands, whilst at the same time reducing the total amount of capital required for network deployment and improving the timing profile of this capital.

Telensa intends to apply the advantages of mesh in conjunction with other wireless platforms by deploying BFWA networks to meet increasing demand for broadband connectivity and services in all parts of the domestic economy, including the public sector and the wider rural economy.

2 Response to Question 1.

Q1.: Do you agree that the “purpose of use” clause should be removed from existing and future 28 GHz licences?”

Yes.

It is clear that the original intention of use of 28 GHz spectrum, namely to stimulate the telecoms access market using a new class of wireless technology, has to all intents and purposes not been fulfilled. Given that some of the original licences were sold but have been largely unused, the lack of widescale network deployments at 28 GHz for access is mainly attributable to the relative high cost and low performance of available technology (over the early stages of licences) and the general deterioration in appetite for new telecoms network capital expenditure. This lack of success to date is unfortunate, particularly given that the mesh approach with its inherent advantages, described above, has become available during this period. Nevertheless, it is understandable that the specific terms for use of this spectrum should be loosened to accommodate other uses. As suggested in the Cave Review it is likely that the most efficient use of spectrum should be left to the market to determine and Telensa broadly supports this view. It is likely that interest in this spectrum will now include operators of existing and next generation mobile networks for use in their backhaul networks. It will be unfortunate, however, if this turns out to be the case to the extent that this spectrum effectively becomes precluded from use for local, end user, access purposes. Telensa believes, however, that the distinction between backhaul and access is a somewhat artificial one and that the spectrum available should be able to accommodate both uses, provided it continues to be available to serve the access market.

3 Response to Question 2

Q2.: Do you agree that the “use it or lose it” clause should be removed from existing and future 28 GHz licences?”

Yes.

It has been seen before that, while intended to serve market interests, “use it or lose it” clauses (especially for developing wireless local access markets) impose considerable financial pressure on operators. In some cases this has ultimately undermined the original intention by financially paralysing or even breaking the operator and hence has removed a potential competitive market player. In the current and recent telecoms financial climate the “use it or lose” clause looks even less appropriate than in previous years. Again, this is effectively saying that the market should be left to determine the timing of network deployments and this is a view that Telensa broadly supports.

There is a significant chance, however, that the removal of this clause will allow the existing licensees simply to ‘sit’ on the license and wait for improvement of the telecoms market before deciding what to do. While maintaining, as above, that too strong an obligation can, and potentially already has had the opposite effect to that intended, Telensa believes that if this results in the spectrum not being used for a significant time period then this would also not be achieving the best result for the economy. In addition and particularly if spectrum trading becomes possible, it will also be important that the licenses are not obtained for purely anti-competitive reasons (as a result of being acquired but deliberately not being used). Telensa thus recommends that although we support the removal of the ‘use it or lose it clause’, there may be a case for replacing this with some, possibly softer, requirement to ensure that spectrum gets used in the short and medium term.

4 Response to Question 3

Q3.: Do you agree that the minimum path length policy should apply where a licensee provides point-to-point links to other operators?

No.

Although Telensa understands the logic for trying to encourage the use of higher frequency bands for shorter links, we believe that this constraint is incompatible with the relaxation of the use provisions and with the nature of the license allocation. The regional nature of the license (as opposed to the case by case nature for conventional point to point licenses) means that a license holder who wants to use the spectrum for backhaul should

be able to undertake all backhaul on a wide area basis. This could be attractive to both provider and customer. This proposed clause would mean that this could be done except in a small number of isolated instances and for these cases alternative technology/infrastructure and licenses would need to be used. Indeed, it is quite possible that this provision far from preserving spectrum would actually mean that higher frequency spectrum was used up while the lower frequency spectrum went unused.

A further point here is that integrated networks, certainly of the type envisaged by Telensa, would use a single infrastructure to serve all customer types and that in such a network the nature of the customer, whether a telecoms operator or other user should not have a bearing on whether the customer can be served or not.

5 Response to Question 4

Q4.: Should the government consider making any other changes to the licences and, if so, for what reasons?

Yes. Reduce the reserves for the unsold licences.

Telensa feel that the proposed strategy for award of future licenses is flawed. The RA has indicated that it believes in increasing the role of the market in the allocation of licenses for radio spectrum and yet is proposing to leave the reserve prices in the next round of auctions unaltered. The RA has conducted two auctions at these prices: the first, at almost the height of telecoms boom produced a weak response and the second none at all. During this period the value of the telecoms market has collapsed with many operators ceasing to trade and the value of others falling drastically. Rigidly maintaining the reserves at previous levels is a clear indication of not being market orientated and directly contradicts the market led motivations for the main proposed policy changes as discussed in responses to Q1. and Q2. above.

It may be considered that the changes that the government are proposing to the terms of the licenses will make them more attractive and thus more valuable. If one considers, however, that the value of even the more successful operators has fallen over the period by a significant factor (and for others by a factor of ten or even a hundred), it is difficult to see how the proposed license changes can make up for valuation changes of this scale. In current capital markets for telecoms projects, the size of the reserve prices together with the requirement for mainly up-front weighted payment will represent major barriers to entry for new competitive operators.

Surely the market orientated answer to this is to let the market decide how much the licenses are worth? Would it not be better to start with much more modest aspirations? If it is true that the proposed changes will add so significantly to the value of the licenses

(even in current market conditions), a genuine auction, even starting from a negligible reserve, will push the prices to those higher anticipated levels. If, however, as seems to Telensa more likely, what the previous two processes have revealed to be the market's view on value (and taking into account the current telecoms climate), then appropriate values will be reached, meaning that the licenses will actually get allocated and used to the benefit of the economy. Telensa believes it is important that all these licences are allocated, rather than being priced out of the market, so that operators can approach sectors of the market, such as the public sector, where demand is more than likely to originate in all geographic regions simultaneously.