

Ofcom Advisory Committee for Northern Ireland

Response to Ofcom consultation

“Assessment of future mobile competition and proposals for combined award of 800 MHz and 2.6 GHz spectrum”

Introduction

On 22 March 2011, Ofcom issued a consultation paper setting out its proposals for the largest ever single award in the UK of internationally harmonised spectrum in the 800 MHz and 2.6 GHz bands. This spectrum is expected to be used to deliver the next generation of mobile broadband services, using fourth-generation (4G) mobile technologies such as LTE and WiMAX. These services are expected to provide speeds approaching those of today's fixed broadband services, with coverage significantly better than today's 3G (data) coverage and closer to that of today's 2G (voice) coverage.

The Ofcom Advisory Committee for Northern Ireland (ACNI) agrees that the award of this spectrum is vital to the UK's economic and social growth. The higher frequency part of the spectrum – the 2.6 GHz band - will enable mobile operators to meet the significant growth in demand for mobile data, while the lower part of the spectrum – the 800 MHz band – can contribute to greatly improving the coverage of next generation mobile broadband services, since it is more economic to roll out such services in less densely populated areas at a lower frequency. ACNI therefore welcomes this consultation, and in particular the fact that it sets out proposals for how Ofcom might ensure that 4G services are available throughout the UK for the benefit of citizens and consumers. We note that consumers include businesses as well as individuals, and that the SME sector plays a particularly important role in Northern Ireland's economy.

While welcoming Ofcom's proposals in general, ACNI believes that further measures are needed to address two major concerns for Northern Ireland: coverage and competition. Each is addressed in turn below.

Coverage

ACNI notes Ofcom's conclusions, from its assessment of future mobile competition, that outcomes are likely to be better for consumers and citizens if there are at least four national wholesale competitors. We agree that where a competitive market is possible, it offers the best outcome for citizens and consumers. However, we are concerned that such a market may not develop in Northern Ireland. At present, 3G mobile coverage in Northern Ireland stands at 40% - the lowest in the UK. According to Ofcom's latest 3G coverage map (see below), most areas in Northern Ireland have no coverage, a few areas have service from a single operator, and only the Belfast area has competing operators.



Source: Ofcom Communications Market Report for Northern Ireland, 2010

In order to ensure the availability of future mobile broadband services across the UK, Ofcom proposed to include a coverage obligation in one 800 MHz licence. The operator concerned would have to provide a minimum 2Mb/s downlink service covering 95% of the UK population, including to 90% of indoor locations, by the end of 2017. However, the ACNI does not consider that this is enough to meet its concerns regarding the availability of services in Northern Ireland, since the obligation could be met without providing any coverage whatsoever here.

ACNI proposes that Ofcom should consider:

- imposing a coverage obligation broken down by nation/region, so that the operator concerned must cover 95% of postcodes in each of England, Wales, Scotland and Northern Ireland;
- increasing the coverage requirement over time as technology improves and investment costs fall, in the same way as the Government has recently increased the 3G coverage requirement from 80% to 90%;
- extending the coverage obligation to more than one licensee, so that the geographic availability of the service becomes a dimension of competition;
- (as proposed) retaining the power to partially revoke licences in specific circumstances when needed to meet specific public policy goals. ACNI would like to see this proposal developed to allow for a partial revocation of the geographical scope of licences, in circumstances where there is no coverage obligation applicable specifically to Northern Ireland and where it is clear that the licensee has not rolled out services and has no plans to do so. It would be wasteful to allow this valuable spectrum to remain fallow. While it could be argued that Northern Ireland is unlikely to be any more attractive to network investment as a stand-alone entity than as part of a wider UK licence, it is possible that an operator in the Republic of Ireland might choose to acquire that portion of the licence in order to extend its operations into Northern Ireland and create an all-Island entity.

ACNI appreciates that the inclusion of coverage and rollout conditions may diminish the commercial value of the licences and hence the amount raised at auction; however, we understand that the maximisation of revenues is not an objective of Ofcom's in carrying out its function of managing the radio frequency spectrum.

Competition

ACNI notes Ofcom's desire to maintain four national wholesale competitors in the mobile broadband market and agree that, where this is feasible, it will work well for consumers. However, we would question the applicability of this model to Northern Ireland, where most of the population has no 3G coverage, and many of those who do have access to one operator only. Competition is unlikely to drive network coverage and rollout in Northern Ireland. It could be argued that, where 3G coverage is available, consumers are protected to some degree from monopolistic pricing by the fact that operators generally use national tariff

plans, so that prices in Northern Ireland reflect those in the more competitive, broader UK market; however, they are under no obligation to do so. In any case, consumers would benefit from access to a broader range of competitive offerings than they would get from a single provider.

Ideally, ACNI would prefer to see Northern Irish citizens and consumers benefit from genuine, infrastructure-based network competition between operators. If this is not possible, however, we would encourage Ofcom to investigate a range of ways in which, as a second-best alternative, service-based competition would be encouraged. We recognise the importance of balancing the short-term promotion of competition versus long-term network investment, but recommend that some or all of the following options should be explored:

- Imposing Northern Ireland-specific coverage and rollout obligations on more than one operator, to ensure the availability of competing infrastructures;
- Imposing Northern Ireland-specific coverage and rollout obligations on a single operator only, but:
 - o Encouraging passive network sharing with other operators, especially in rural areas;
 - o Encouraging active network sharing with other operators, especially in rural areas. This might involve permitting a degree of sharing beyond what would be considered acceptable in more competitive areas;
 - o Including a wholesale obligation in the licence containing the coverage and rollout obligations.

We understand that regulators and competition authorities are not normally in favour of complete network sharing, to the point of permitting operators to use a common Radio Access Network (RAN), as this impacts on the level of network-based competition. However, where it appears unlikely that such competition will develop, we feel that it is important that investment should be encouraged as far as possible, and that sharing the costs of network rollout among operators might be a way to achieve this.

Conclusions

Ofcom has proposed (Paragraph 1.26 of the Executive Summary of the consultation document) to include a coverage obligation in one licence for the 800 MHz spectrum to deploy an electronic communications network that is capable of providing mobile telecommunications services with a sustained downlink speed of not less than 2Mbps with a

90% probability of indoor reception to an area within which at least 95% of the UK population lives. ACNI agrees with this proposal but regards it as an absolute minimum. The possibilities of imposing a coverage obligation on more than one licensee, and of increasing the coverage obligation over time, should also be explored.

Ofcom has also (Paragraph 1.26) asked for stakeholders' views on how best to specify such an obligation, particularly as regards coverage in more rural areas. ACNI considers that there should be a stand-alone coverage obligation applying to Northern Ireland and requiring 95% population coverage by 2017.

Ofcom is also consulting on the possibility of retaining the power to partially revoke licences to meet specific public policy goals, such as the provision of broadband in rural areas. ACNI agrees with this proposal and considers that it could be effective in ensuring that this valuable spectrum is exploited in Northern Ireland.

In addition, ACNI considers that a simple requirement for (monopoly) coverage is insufficient to meet the needs of consumers (both businesses and individuals) in Northern Ireland, and recommends that the options set out under "Competition", above, should be explored.

Submitted by Ofcom's Advisory Committee for Northern Ireland. The views expressed are endorsed by the Northern Ireland representative on the Communications Consumer Panel, Maureen Edmondson.

13 May 2011