



Regulatory Impact Assessment

Wireless Telegraphy (Limitation of Number of
Licences) Order 2012

Issued: 19 December 2012

Regulatory Impact Assessment

Introduction

- 1.1 The analysis set out in this document represents a Regulatory Impact Assessment (“RIA”) following Ofcom’s notice of proposals to make the Order¹, published on 13 November 2012 (the “Notice”).
- 1.2 RIAs provide a valuable way of assessing different options for regulation and showing why the preferred option was chosen. They form part of best practice policy-making and are commonly used by other regulators. In producing the RIA in this document, Ofcom has had regard to such general guidance as it considers appropriate, including related Cabinet Office guidance.

Proposal, purpose and intended effect

- 1.3 Following the statement published on 24 July 2012² (the “July Statement”) on the assessment of future mobile competition and award of 800 MHz and 2.6 GHz (the “Spectrum Bands”), Ofcom has decided to award licences by means of an auction.
- 1.4 The Limitation Order to which this RIA relates is intended to allow Ofcom to limit the number of users of the Spectrum Bands through the award of licences, as opposed to exempting from licensing the use of radio equipment in the Spectrum Bands and so allowing an unlimited number of users.
- 1.5 This will enable Ofcom to proceed with the award of this spectrum by auction. The way that Ofcom will award a limited number of licences for the Spectrum Band is set out in the Wireless Telegraphy (Licence Award) Regulations 2012.³

Costs to Ofcom and the public sector

- 1.6 The costs to Ofcom of limiting the number of licences in the Spectrum Bands relate mainly to the costs of carrying out the award process and clearance of the spectrum. Ofcom has made regulations to auction licences for the use of the Spectrum Bands. The administrative costs of the award will be small in relation to the benefit generated to the economy and the award process is unlikely to have a negative financial impact. There are significant costs of clearing the 800 MHz and 2.6 GHz bands and adjacent spectrum. However in comparison with the total reserve prices for the spectrum being auctioned, and in comparison with the likely consumer benefits of high speed mobile broadband services (which are the services most likely to be provided using this spectrum), we consider the costs of spectrum clearance are relatively small.
- 1.7 In comparison, licence exemption would mean that Ofcom would not incur auction costs. However, as discussed in the following section, the cost to business is likely to be relatively high under licence exemption because of the need to incur coordination

¹ Available at:

<http://stakeholders.ofcom.org.uk/binaries/consultations/notice-800mhz/summary/condoc.pdf>

² Available at:

<http://stakeholders.ofcom.org.uk/binaries/consultations/award-800mhz/statement/statement.pdf>

³ S.I. 2012/2817 amended by S.I. 2012/2970.

costs to limit interference with other users and this would be unlikely to lead to the most efficient use of spectrum.

- 1.8 Ofcom also notes that the administrative costs of holding the auction are likely to be small in relation to the benefit generated for the economy.

Cost to business, including small business and the voluntary sector.

- 1.9 The business sector most likely to be affected is the mobile communications service provision sector. The types of service most likely to be provided using this spectrum are high speed mobile broadband services.
- 1.10 Other business sectors are likely to benefit from a more efficient supply of communications services as a result of this proposal.
- 1.11 The decision to license the Spectrum Bands, as opposed to making its use licence exempt, imposes a relatively small administrative compliance cost on those businesses that would like to use the spectrum. However, if the use of the Spectrum Bands were licence exempt, it would not be possible to impose any constraint on the number of users or to ensure that these users co-ordinated with each other. Ofcom's technical research has shown that this would impose large costs due to interference between users. These costs would generally outweigh the benefit of licence exemption.
- 1.12 Ofcom considers that the relative costs imposed on business by limiting the number of licences in the Spectrum Bands are lower than the costs of making use of the spectrum licence exempt.
- 1.13 Ofcom does not consider that its decision to make this Order will have any material implications for the voluntary sector.

Conclusion

- 1.14 Ofcom has assessed the impact of limiting or not limiting the number of licences in the Spectrum Bands and has concluded that the better option is to limit the number of licences. This is primarily because the number of users that would be likely to use the spectrum under licence exemption is large and would lead to all users incurring substantial costs in terms of interference and co-ordination with other users.

Declaration

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Signed:

Ed Richards

Chief Executive of the Office of Communications

For and by authority of the Office of Communications

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