



Federation of Small Businesses
The UK's Leading Business Organisation



**FSB response
to the second
consultation
on assessment
of future
mobile
competition
and proposals
for the award
of 800MHz and
2.6GHz
spectrum and
related issues**

13th March 2012



The forthcoming 4G spectrum auction offers a significant opportunity to extend and improve the UK's broadband provision. Increasingly consumers and business are using mobile broadband and the start of 4G mobile technology with its higher speeds will undoubtedly mean evermore business is conducted on mobile devices.

The auction also offers the opportunity to improve mobile coverage in rural communities, making available new low frequency spectrum. This is excellent news for small businesses in rural locations. Until now low frequency spectrum has been concentrated in the hands of only two mobile service providers. In FSB's response to Ofcom's previous consultation on the auction we supported Ofcom's objective of maintaining a four player wholesale market. The FSB now notes with concern that Ofcom no longer believes all four networks require access to low frequency spectrum. As it is only low frequency spectrum that has the ability to deliver wide geographic coverage small businesses across the UK will not be able to benefit from competition in the market if this is concentrated in the hands of only two network operators.

Small, especially rural, businesses are facing a daily struggle on inadequate fixed broadband connections and many see broadband delivered over a mobile network as a viable alternative to their fixed broadband. Half of small businesses (48 per cent) have said that they are already using mobile broadband or that they *would* use mobile broadband if it was available in their area. The FSB is therefore concerned that Ofcom appears uncertain as to how prevalent hard to serve areas are: *"We do not have specific evidence on the prevalence of locations that are particularly 'deep' indoors or difficult to serve"*¹.

Many of FSB's members are based in rural or semi rural areas and we strongly believe the 4G spectrum auction should widen the choice available to these small businesses by ensuring that all operators have access to low frequency spectrum. We therefore ask Ofcom to revisit its Minimum Spectrum Portfolios and ensure that low frequency spectrum is included in each portfolio.

It is over a year since the House of Commons directed Ofcom to proceed with the auction and it is vital that there should not be any further delay, but it is equally important that this auction delivers a competitive mobile market. The last auction in 2000 was carefully structured so that no one operator gained an unfair advantage from the amount of spectrum it held and drove competition by reserving a licence for a new entrant. Business and consumers have enjoyed a competitive 3G market as a result and *"Three in four small businesses say that they believe competition between providers is crucial to driving the expansion of the UK's broadband infrastructure"*².

We note and welcome Ofcom's revised proposal to attach a 98% coverage obligation to one of the licenses or to require coverage to match the existing voice coverage and then use the Government funded mobile infrastructure to extend coverage further.

There is more than enough low frequency spectrum to go round all four national operators. There is already 35MHz of 900MHz spectrum allocated to Vodafone and O2, the auction will release a further 30MHz of 800MHz spectrum, meaning 65MHz of low frequency spectrum will be available. This is more spectrum

¹ Section 4.80 of the consultation document

² FSB report: Small business and infrastructure: Broadband July 2011



than was split five ways in the last auction in 2000 where 60MHz of 2100MHz spectrum was auctioned as five licences.

The critical role for Government and the regulator is to get spectrum allocation right. Get it wrong and there will be consequences, operators who lack the premium spectrum, in particular the low frequency spectrum will need more masts in order to carry their signal, and more masts mean higher costs which means they will not be able to compete.

The way that the broadband market is developing towards smart phones and tablets will see data services more in demand than voice services, besides a mobile service provider offering data coverage will be offering voice coverage too this makes the distribution of spectrum in this auction extremely important.

Considering that internationally we are already talking about 5G services where mobile devices can communicate with digital systems in the home to for example switch the heating on while you are on the way home from work, it is depressing that the UK is still years away from launching 4G services on a broader front.

A competitive mobile market will enable small businesses to be at the forefront of digital and technological development they stand a much better chance of growing and diversifying giving the British economy on the whole a much better chance of recovery.

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