

700 MHz and 3.6-3.8 GHz award  
Spectrum Group  
Ofcom  
Riverside House  
2A Southwark Bridge Road  
London SE1 9HA

**18 March 2019**

Dear Sir/Madam,

**RE: Award of the 700 MHz and 3.6-3.8 GHz spectrum bands – consultation**

FSB welcomes the opportunity to provide a response to the above consultation.

The Federation of Small Businesses (FSB) is the UK's leading business organisation. Established over 40 years ago to help our members succeed in business, we are a non-profit making and non-party political organisation that's led by our members, for our members. Our mission is to help smaller businesses achieve their ambitions. FSB is also the UK's leading business campaigner, focused on delivering change which supports smaller businesses to grow and succeed.

**Question 1: (Section 4) Do you agree with our proposals on the coverage obligations as set out in this section? Please give reasons supported by evidence for your views.**

FSB does not agree with the proposals on the coverage obligations as set out. We believe that they are not ambitious enough to improve rural connectivity (the 700 MHz spectrum bands); and do not fairly distribute the benefits provided by the future use of the spectrum for 5G services (the 3.6-3.8 GHz spectrum bands) across different parts of the UK.

FSB responded to a previous Ofcom consultation on '[Improving mobile coverage: Proposals for coverage obligations in the award of the 700 MHz spectrum band](#)' (2018). In it we emphasised that too many small business owners continue to struggle with poor voice and data coverage, which, as Ofcom recognises, can hinder businesses' day-to-day operations, growth potential, access to markets and the ability to leverage digital services. As Ofcom's coverage data shows this problem is more acute in Scotland, Wales and Northern Ireland – though firms in rural areas in all parts of the UK continue to highlight poor mobile services.

It is clear from this consultation, and it is outlined early on (page 6) that the 700 MHz bands are 'particularly well suited for improving mobile coverage in rural areas, and we have cleared it with this purpose in mind.' Therefore, FSB would regard it as a missed opportunity to improve rural connectivity if the new proposed coverage obligations were not changed back to the more comprehensive coverage obligations consulted on in 2018 (as referenced above). Therefore, we would ask Ofcom to consider whether the proposed targets are as ambitious as they could be. Similarly, to ensure that the provision of 5G services is not just concentrated in the places that are already best-connected by 4G

services FSB asks Ofcom to be more ambitious for the 3.6-3.8 GHz bands coverage obligations.

FSB also reiterates our call to establish interim targets for improving coverage, to help incentivise coverage improvements as soon as possible (particularly for the 700 MHz spectrum bands). In addition, FSB believes that setting out targets for improving coverage after the coverage obligations expire, even if not legally binding, would help establish a direction of travel for continuing to improve coverage in underserved areas.

The government's [Future Telecoms Infrastructure Review](#) made a commitment to an 'outside-in' strategy that means no areas should be systematically left behind for fibre optic connectivity. This should be the same for mobile infrastructure, particularly for those parts of the country where mobile is the only viable option to deliver gigabit speed connectivity.

In general, setting these targets would also enable consumers and other interested stakeholders to monitor coverage improvements and ensure that the benefits generated by improving mobile coverage are delivered as quickly as possible.

**Question 5: (Section 7) Do you agree with our proposal to use a CCA design for this award?**

**Question 6: (Section 7) Do you have any comments on the proposed detailed rules for our CCA design?**

From the consultation, Ofcom sets out its main objectives for these awards (page 2) as 'improving mobile coverage; ensuring efficient allocation of spectrum; sustaining strong competition in mobile markets; and ensuring the timely availability of spectrum.'

FSB believes that improving mobile coverage is rightly one of the main objectives, and therefore should be an integral part of the auction of the spectrum. Therefore we do not agree with the proposal to auction the coverage obligations as unbundled lots to the spectrum lots.

From the consultation document, it seems as though Ofcom, in the way the auction design is currently proposed, is primarily concerned about ensuring that the spectrum is made available in a timely manner in order to achieve benefits for consumers and small businesses. In isolation this objective is sound – however, if it compromises the more important objective of improving mobile coverage, it would represent an unacceptable missed opportunity.

Hampering the aim of better connectivity would undo a lot of the good work that Ofcom has done over several years to clear the 700 MHz spectrum, precisely to improve mobile coverage for the areas which need it the most (rural being the obvious example). It would also undermine efforts to ensure that small businesses across the UK can benefit from the 3.6-3.8 GHz spectrum for the use of 5G networks, which are necessary to support industrial applications, encourage investment in new technologies, and stimulate innovation. Encouraging new entrants into the market should also be possible under this approach, with a more flexible approach to licensing and conditions for different regions.

As a result, FSB strongly calls on Ofcom to pre-attach coverage obligations to the spectrum lots to mitigate against the very real concern of not selling the coverage obligations.

The NAO published [4G radio spectrum auction: lessons learned](#) in 2014, and its findings remain relevant to help inform the design of this auction. On page 20, the following finding is revealed, 'Ofcom imposed a 98 per cent national coverage obligation on one package of 800 MHz spectrum, which was won by O2. The obligation was higher than the existing 3G coverage levels and had to be achieved by 2017. Both O2 and Vodafone, who have formed a joint venture to manage their networks of transmission masts, have announced that they expect to offer the required level of national coverage by 2015, two years earlier than the obligation.' This shows that imposing coverage obligations is not only highly desirable for consumers, but is also eminently achievable by the telecommunications firms who bid for the spectrum, and more reliably meets Ofcom's objectives for the auction than hoping that firms bid for separate coverage obligations.

If Ofcom is concerned that this increases costs on firms to meet those obligations, another [NAO report \(2001\)](#) which reviewed the 3G licenses auction suggested that assuming bidders would pass on any increases in costs directly to consumers is not evident because (page 9), 'Mobile telephone services in the UK are habitually priced according to market conditions, as opposed to simply passing on costs. Bidders and our advisers consider that licensees would tend to average their licence costs across each of the markets in which they operate.'

This takes into account the reality that the firms which will be bidding in the 700 MHz and 3.6-3.8 GHz auctions are operating in many markets across the world. They therefore make more holistic decisions when bidding for spectrum than solely concentrating on the price of individual licenses (for example, they might make considerations about their market share across several countries, or footholds in particular parts of a market).

Yours faithfully,



Anthony Impey

Chairman of FSB Digital Policy

Federation of Small Businesses