

The Rt Hon Nicky Morgan
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Dear Nicky,

Thank you for your letter confirming that the UK Government has agreed, in principle, to support and partially fund a proposal from the mobile operators to improve 4G mobile coverage for consumers through a Shared Rural Network (SRN).

One of Ofcom's top priorities is to deliver better broadband and mobile coverage for people, wherever they are. As you know, we had proposed to improve coverage through our spectrum auction next year. We consulted last year on a proposal that two mobile operators could receive discounts on the spectrum if they made commitments to improve their coverage.

We proposed to make these commitments binding by including enforceable 'coverage obligations' in the relevant operators' spectrum licences. Following this, the operators worked together to present the Government with their own proposal to improve coverage, which they have described as an alternative to Ofcom's coverage obligations.

We were pleased to see this industry cooperation. By sharing infrastructure, the four operators can deliver much greater improvements in coverage, at less cost, than they could do individually. They plan to share existing infrastructure to fill gaps in coverage, as well as building new shared masts. We believe this is an efficient way of improving coverage, which should provide a better experience for consumers than other alternatives like rural roaming. As the details of this proposal became clear, it was apparent to us that, if it could be agreed, it would provide very significant benefits to consumers. Ofcom has been pleased to provide technical advice and input during the negotiations.

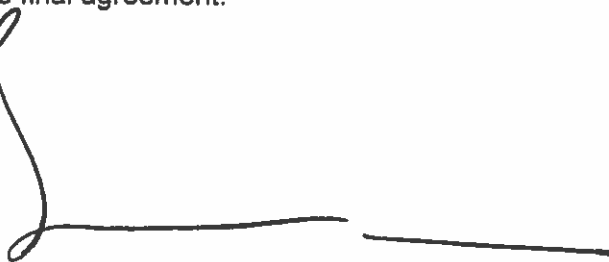
Under the SRN proposal, each operator will deliver good 4G coverage to at least 92% of the UK landmass within six years, and *all* consumers in the UK should see an improvement in coverage from their mobile network operator. We are also pleased that the SRN will deliver individual improvements in coverage to each UK nation, particularly in Scotland and Wales where coverage is poorest.

The mobile operators have all agreed that their licences can be varied to include binding coverage obligations, giving effect to the SRN proposal. In light of this, we no longer propose to use our auction to improve coverage, since improvements to coverage will be delivered in another way. We will therefore consult very shortly on an alternative auction design, without coverage obligations. We will take final decisions on the auction following this consultation.

I would like to thank you and your department for the sustained efforts that have been required over the past several months to reach this point. I am pleased that Ofcom has been able to play a constructive role in the development of the SRN programme and we will continue to support work between your department and the operators in the coming months, as you move towards final agreement.

Yours sincerely,

Sharon White

A handwritten signature in black ink, starting with a large loop and ending with a horizontal line.