



By email: ALF@ofcom.org.uk



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Scottish Government Response to Ofcom Consultation: Annual Licence Fees for 900 MHz and 1800 MHz Spectrum

*Scotland's Digital Future: Infrastructure Action Plan*¹ outlines the Scottish Government's commitment to a future-proofed infrastructure that will deliver world-class digital connectivity across the whole of Scotland by 2020. This underpins an ambition for Scotland to become a world-class digital nation and requires that people living, working and visiting Scotland can communicate and connect instantly using any device, anywhere, anytime – which will be dependent on future-proofed fixed and mobile networks. Our 2020 vision for digital connectivity is set out in high level terms at www.scotlandsdigitaldialogue.org.

The Scottish Government has no comment on the consultation questions themselves which are largely technical in nature – relating to derivation of market values and the implementation process. Instead, we wish to offer some high-level comments reflecting our concerns about potential negative impacts and unintended consequences of the proposed fee increases, which we note to be significantly higher than the current fees.

We are concerned that increased licence fees could serve as a further barrier to investment in rural areas. The Scottish Government's digital policy is focused on exploring how to remove or lessen barriers to investment where these exist and we are making progress in this area. For example, we have committed to revising the Scottish planning system to make it easier for operators to deploy telecoms infrastructure under permitted development rights, and we will consult on this issue shortly.

Increased fees could potentially cause Mobile Network Operators (MNOs) to re-consider expenditure in other areas of their business, such as planned investment in rural areas. Given that the business case for investment in these areas is already challenging, we are concerned that this could delay or prevent investment in rural areas. Furthermore, we do not believe that any measure which could inhibit industry investment reconciles with the UK Government's wider ambitions of delivering superfast broadband to final 10% – which is likely to require the use of mobile and wireless technologies.

¹ <http://www.scotland.gov.uk/Publications/2012/01/1487/0>

We are also concerned about the potential adverse effect of increased fees on the rollout of 4G in Scotland. We are pleased that the holder of the 800 MHz license carrying the coverage obligation has stated its intention to fulfil the obligation sooner than the licence condition dictates. And we are also pleased that, as Ofcom predicted, the coverage obligation on one licence has incentivised the other MNOs to announce their own equally ambitious coverage targets. However, following publication of this consultation, one MNO has indicated to the Scottish Government that its deployment schedules for 4G across the UK are likely to be delayed as a result of the proposed fee increases. Any delay to 4G roll-out across Scotland could undermine some of the benefits that resulted from Ofcom's overall approach to last year's spectrum auction.

A particular concern, insofar as increased fees do impact adversely on MNO investment and 4G rollout, is the potential detrimental impact on the viability of UK and Scottish Government planning – via the Emergency Services Mobile Communications Programme and the Scottish Future Communications Programme – for the procurement of telecommunications capability to succeed the current Airwave system.

Finally, from a consumer perspective, we also have concerns that fee increases may be passed back to customers by MNOs through price increases.

We would be interested to have sight of any impact assessments Ofcom has conducted on these issues and to understand how these issues are being considered.

The Scottish Government therefore strongly urges Ofcom to fully consider all potential adverse effects of the proposed licence fee increases, including how they will affect coverage, the Government's wider connectivity targets and the consumer.

I hope this response is useful and I would welcome the opportunity to discuss this matter with Ofcom in further detail.

Yours sincerely



NICOLA STURGEON