



Vodafone's response to Ofcom's consultation

**"Variation of 28GHz Broadband Fixed Wireless Access
Licences", December 2012**

January 2013

This response is non-confidential

Summary and conclusions

Vodafone welcomes the opportunity to respond to this consultation. Following Vodafone's recent acquisition of Cable & Wireless Worldwide it is the UK's leading integrated communications provider.

Vodafone fundamentally agrees with Ofcom's preferred option to vary as soon as possible the licence conditions for the two specific licensees under consideration and in due course also for all other relevant 28GHz licences.

Clearly there is little clarity at this stage as to how spectrum fees for the 28GHz band will actually be calculated for the period from 2016. We take note however of Ofcom's observation as to how the value of bid offers for 28GHz spectrum has changed significantly between 2000 and 2008 and agree that neither of the two awards is particularly suited for the purpose of setting of the long run spectrum fee from 2016 for a potentially extended period, given Ofcom's policy and practice in relation to setting AIP spectrum fees as laid out in its statement on "The revised Framework for Spectrum Pricing", December 2010.

We respond to each of Ofcom's individual consultation questions below.

Responses to specific Ofcom questions

Q1 Do you agree that Ofcom should grant Urban Wimax's and Cable & Wireless's requests to vary their licences as soon as practicable?

Vodafone response

Yes, we agree that Urban Wimax's and Cable & Wireless's BFWA (IR 2043) licences should be varied with respect to both the technical specification of the spectrum access licence to bring them in line with IR 2048 licences and to the licence term being set to indefinite. As Ofcom proposes, these changes could be made towards the end of Q1 2013.

We agree that it is essential for Ofcom to release a statement as a matter of some urgency in order to minimise the current uncertainty for existing BFWA licence holders of spectrum availability beyond 2015. It is unlikely that any current BFWA licence holder will commit any meaningful investment in network technology until it is clear as to how Ofcom will resolve the issue of the current expiration of the BFWA licences in 2015. It is in our view important therefore for Ofcom to confirm plans for these licences as soon as possible to guarantee continued investment and avoid stagnation.

We agree that re-auctioning the licences is impractical in terms of timescales, costs, network investment and ensuring benefit to end user. Therefore we are happy with the proposal to extend indefinitely (subject to 5 years notice) the existing BFWA licences (complete with the variation to the technology specific requirements of IR2048 from those of IR2043).

This change will bring these licences into line with other Ofcom auctioned spectrum and eliminate the uncertainty about the usage rights post-2015.

Q2 Do you agree with our proposal to align the technical conditions of the licences with those awarded in 2008 in these and adjacent spectrum bands?

Vodafone response

Yes we agree that all the BFWA (IR 2043) licences should be aligned to the more liberal Wireless Access licence (IR 2048). This is, in our view a sensible decision to encourage both greater transmission capacity and more efficient utilisation of the spectrum.

Q3 Do you agree with Ofcom's proposals to set an AIP fee level in context with the review of fees within bands used for fixed links?

Vodafone response

In terms of the future application of spectrum fees from 2016 for the licences under consideration, we agree in principle that the proposed fees review contemplated for the “fixed link bands” in the coming year could be extended to consider also the issue of fee setting for the 28GHz band. However what this might actually mean for the particular 28GHz licences currently in question in terms of the most appropriate fee setting methodology to adopt (for example whether a cost based or an AIP based fee should be applied) and the resulting spectrum fee charge will obviously remain to be determined.

There are clearly differences between the “fixed link bands”, and the 28GHz licences, not only in frequency and available bandwidth, but also in licencing method. Some other bands are managed and co-ordinated by Ofcom with each link individually licenced – clearly the 28GHz band is not. A one size fits all methodology for spectrum fees may not be appropriate therefore for all bands given that Ofcom notes in the SRSP review that “AIP’s role in securing optimal use is in providing long-term signals of the opportunity cost of spectrum”¹. Whether therefore it is appropriate to consider the 28GHz band at the same time as the fixed link bands is primarily an administrative matter for Ofcom to determine, although we note that setting a method and perhaps a fee for the 28GHz band in 2013 is not necessarily an optimum approach for a long-run fee intended to apply from 2016.

In this context, Ofcom has made the point that the bid price for the 28GHz lots that it has offered changed significantly between 2000 and 2008. Furthermore the Ofcom review of the point to point fixed links, 13th December 2012, highlighted the uncertainty of the demand for such links in the context of 4G, for which fibre backhaul may become the method of choice, except perhaps for small cells, which may require a short range high bandwidth link in a high frequency band. The level of future demand for point to point links in general and specifically in the 28GHz band beyond 2015 is thus somewhat unclear.

Q4 Do you agree that Ofcom should offer this variation to other BFWA licence holders?

Vodafone response

Yes we agree. The variation should, for consistency, be extended to all BFWA licence holders.

Vodafone Ltd
January 2013

¹ Ofcom AIP principle 1 in SRSP: The revised Framework for Spectrum Pricing, Our policy and practice of setting AIP spectrum fees, December 2010