

Consumer Focus Scotland's response to the second Ofcom consultation on assessment of future mobile competition and proposals for the award of 800MHz and 2.6GHz spectrum and related issues

About Consumer Focus Scotland

Consumer Focus Scotland is the independent consumer champion for Scotland. We are rooted in over 30 years of work promoting the interests of consumers, particularly those who experience disadvantage in society.

Part of Consumer Focus, our structure reflects the devolved nature of the UK. Consumer Focus Scotland works on issues that affect consumers in Scotland, while at the same time feeding into and drawing on work done at a GB, UK and European level.

We work to secure a fair deal for consumers in different aspects of their lives by promoting fairer markets, greater value for money, improved customer service and more responsive public services. We represent consumers of all kinds: tenants, householders, patients, parents, energy users, solicitors' clients, postal service users or shoppers.

We aim to influence change and shape policy to reflect the needs of consumers. We do this in an informed way based on the evidence we gather through research and our unique knowledge of consumer issues.

Introduction

Consumer Focus Scotland welcomes the opportunity to respond to Ofcom's second consultation on the award of 800MHz and 2.6GHz spectrum. As with our submission to the initial consultation document in 2011, we have not addressed every question detailed in the consultation document. Rather we will focus your attention to some key issues of importance to consumers in Scotland.

The main objective of the 800MHz and 2.6GHz spectrum auction must be to help bridge the digital divide that currently exists in the UK rather than to maximise the level of funds that can be raised.

Since the previous consultation in 2011, the Scottish Government has detailed its Infrastructure Action Plan, with ambitious aims to bring broadband to all by 2020. By 2015 the Scottish Government hopes to have established world class infrastructure, delivering broadband speeds of between 40-80 Mbps for 85-90 percent of premises in Scotland and the best possible speeds for those where delivery of 40-80 Mbps is not possible.

We support the aims of the Scottish Government and believe that ambitious policy solutions are necessary to bridge the digital divide that currently exists for consumers living in rural and remote parts of Scotland. We know the benefits that broadband technologies can bring for consumers including; access to an increasing range of private and public services; greater financial savings; more choice of service providers and new ways of socialising and interacting with others.

However, because of Scotland's unique geography and topography, the Scottish Government's plans will only be achievable through a combination of fixed and mobile technologies. Therefore, the way in which Ofcom proceeds with the spectrum auction, and specifically the mobile coverage obligations attached to one or more of the licences, has particular significance for consumers in Scotland. The needs and preferences of consumers in rural and remote Scotland should be one of the top priorities for Ofcom in designing and managing the release and auction of this spectrum.

Revised consultation proposals

The revised consultation contains two proposals that have the potential to improve mobile coverage for consumers in Scotland. The first is to increase the coverage obligation on one of the 800 MHz licences from 95 percent to 98 percent of the UK population. Alternatively, Ofcom proposes linking a licence requirement to the UK funded Mobile Infrastructure Programme (MIP), whereby the licensee would be required to provide 4G mobile coverage comparable to the existing 2G coverage, plus the extended mobile coverage achieved as a result of this investment. This latter option is Ofcom's preferred choice.

Additionally, Ofcom proposes to extend the coverage obligation so that 95 percent of the population is covered in each nation. These coverage obligations will be imposed upon one 800MHz licensee.

Mobile coverage obligation

We are pleased that Ofcom has increased the proposed coverage obligation to 98 percent. However, even with the proposed additional coverage obligation of 95 percent of the population in Scotland, we believe that further safeguards are required to ensure that consumers in rural areas of Scotland can benefit from 4G mobile broadband technologies. In theory, this 95 percent target could be achieved without addressing any of the coverage problems which exist in remote rural Scotland.

In our previous response we advocated for the use of a coverage requirement to ensure that a certain proportion of the population be covered in specific areas. We pointed to the access criteria that exist for the post office network. These were established to provide continued post office access for consumers across the UK, and include a local access criteria that specifies that 95 percent of the population of every postcode district must be within six miles of their nearest post office.

A similar local requirement attached to the 98 percent 4G coverage obligation is particularly important for consumers in rural parts of Scotland, and would ensure the spectrum was released in a fair and equitable way. The Scottish Government has also called for a requirement to be linked to each local authority area in Scotland. We believe this a minimum requirement that should be linked to the 800 MHz licence obligation. Without it, consumers in remote rural areas of Scotland are in danger of missing the benefits of 4G broadband services. These consumers are arguably those who are most in need of innovative solutions given the underdeveloped infrastructure and lack of choice that currently exists in these areas.

Ofcom's Communications Market Report published in 2011 contains evidence of the way in which consumers in rural and remote parts of Scotland miss the benefits of mobile and broadband services¹:

- 85 percent of Scottish households can receive 2G mobile coverage from one or more providers, compared to 96 percent in the UK
- 74 percent of Scottish households can access 2G mobile coverage from three or more providers, compared to 92 percent in the UK
- Only 49 percent of Scottish postcode districts have coverage from three or more 2G mobile operators, compared to 70 percent in the UK

The disparity that exists between Scotland and the rest of the UK is largely because large areas of the Highlands and Islands have no 2G coverage at all. Ofcom's geographic coverage map indicates that 23 percent of the Highlands has no reliable signal from any operator.

Mobile Infrastructure Programme (MIP)

Ofcom's preferred option is to link the 4G coverage obligation to the MIP, requiring that coverage is at least as good as 2G coverage as it exists now and when combined with improvements as a result of the additional investment. In

¹ The Communications Market Report – Scotland; Ofcom; 2011

theory, this would be a positive development for consumers, specifically targeting those areas where we know 2G coverage is poor, typically in rural parts of the UK.

However, there are many unanswered questions about the MIP and how the UK Government will allocate the funding which is available. Given Scotland's geography and higher proportion of 'not spots', it is essential that an appropriate share of that funding is targeted at remote rural parts of Scotland to bring tangible benefits for consumers in these areas. The recent Ofcom infrastructure report states that outdoor not-spots account for 15.5 percent of the landmass in Scotland².

Furthermore, the aim of the MIP is to improve 2G coverage levels to 99 percent across the UK. This target could be achieved without addressing the problems that exist in rural parts of Scotland – which as highlighted above currently has much lower 2G coverage levels than the UK generally. Much will also depend on the capacity of the 2G network equipment to support the necessary 4G technology.

While we are not against a link between 4G coverage obligation and improved 2G coverage as a result of the MIP, without further detail of the programme and its impact on 2G mobile coverage for consumers in Scotland, there is an inherent risk in linking this to the 800Mhz licence coverage requirement. An informed decision on whether to link a licence requirement to the 2G coverage levels can only be taken once firm details of the MIP are established.

In its advisory capacity to Broadband Delivery UK, Ofcom must influence the roll out of the MIP to ensure that it is closely aligned with the Scottish Government's digital infrastructure plan to bring real benefits to consumers in Scotland.

Mobile competition

Our position remains unchanged in some key aspects of the consultation. The primary focus must be on bridging the digital divide, and ensuring that rural and remote consumers in Scotland and other parts of the UK – who have been the last to receive digital services in the past – do not miss out once again.

Ofcom propose that only one provider is to be obliged to deliver a 4G mobile broadband service to 98 percent of the UK population. Should this be the eventual outcome of the spectrum auction, there must be clear quality of service measurements in place, to protect consumers in areas where there is no option of an alternative provider.

However, we believe that it is vital that this provider is required to give other suppliers access to their infrastructure, to allow consumers across Scotland to benefit from choice and competition in the 4G mobile broadband market.

The establishment of the MIP was necessary because mobile network providers have not delivered 2G coverage in areas where it is not commercially attractive for them to do so – typically rural areas of Scotland. It would therefore seem a fair assumption to make that this is unlikely to change with the advent of 4G mobile services. To ensure that consumers have choice and coverage, we believe Ofcom should impose an access obligation on the licensee with the 98 percent coverage obligation. Ofcom should also monitor the development of competition

² The Communications Infrastructure Report; Ofcom; 2011

in 4G mobile services, to ensure that consumers in remote rural areas of Scotland reap the benefits of a competitive mobile market.

Exceptions to new mobile solutions

Finally, we know that mobile not spots can be a particularly complex problem to resolve - especially in remote rural areas. If there are any households in Scotland that will not be able to receive next generation mobile solutions, we believe these should be defined by a clear and publically available set of exceptions criteria. These criteria should explain the specific circumstances in which a household may not be able to receive these services. Ofcom has indicated that it will continue to work on mobile broadband services throughout 2012-13 and are considering what additional information to provide to consumers on coverage issues. We believe a coverage exceptions list should form part of this work.

I hope that the points made in this submission are helpful. If you wish to discuss any aspect of this submission further then please do not hesitate to contact me, on trisha.mcauley@consumerfocus.org.uk or 0141 226 5261.

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