Ofcom Second Consultation on assessment of future mobile competition and proposals for the award of 800 MHz and 2.6GHz and related issues

FCS response- March 2012

Introduction

The Federation of Communication Services, FCS, is the trade association for the communication services industry supporting 330 members that deliver products and services via copper, fibre and wireless to UK customers. For a list of our members please visit www.fcs.org.uk

General remarks

1 **Timing of auctions and other changes**- public statements by the large national wholesalers demonstrate the major differences in the opinions of the market players. Ofcom has sought to remedy withdrawal of earlier proposals by agreeing to vary the licence of Everything Everywhere to use its 1800 MHz spectrum for LTE. Needless to say other national operators have argued against this. To mitigate this constant disruption and conflict which is delaying UK access to faster services that LTE could provide nationally, Ofcom should consider making the EE licence variation and conducting the auction at the same time so there is no perceived gain for any of the dominant parties. Companies seeking to enter the mobile market have been waiting for almost a decade to access new spectrum, while Ofcom and disputing parties argue their cases.

2 **National roaming**-FCS wishes to reiterate that national roaming between operators would solve many of the coverage problems that today's customers face and encourages Ofcom to keep this remedy alive in its portfolio of licence criteria.

3 **Wholesale access** – Ofcom has set aside wholesale access obligations as a route to deliver 4g services, but we continue to encourage Ofcom to retain this as a potential licence criteria to ensure delivery of services.

Low power licences will benefit competition

FCS welcomes Ofcom's proposals for shared low power licences in the 2.6 GHz band for multiple licensees as a genuine move towards introducing competition into the UK mobile market to the benefit of consumers. Low power licences offer the opportunity to provide rural infill and not-spot coverage, better in-building coverage and more competition for consumers. We are sure that new entrants with new services can stimulate the incumbents to deliver their services faster in response to the pressure that disruptive competition provides.

Low power licences will enable use of small cell systems, delivering efficient spectrum use, since frequencies offer multiple reuse in the same area. Small cells will deliver substantial capacity that can complement high speed broadband backhaul connectivity and the latest LTE standards support multiple operators that can share infrastructure.

We believe that it is important to allocate adequate bandwidth for small cell systems as this will relate to the number of operators in any one area as well as the service speeds experienced by consumers. Adequate bandwidth will also enable available backhaul speeds to be fully exploited. For these reasons probably a bandwidth of 2x10 MHz is sub optimal. Ofcom's consideration of various options to increase this to 2x20MHz is welcomed. A compromise would be 2x15 MHz which we would prefer to the alternative of different bandwidths in urban and rural locations.

FCS agrees with Ofcom's intention to manage sharing between low power licensees by means of an engineering co-ordination code of practice. This mechanism worked well with the DECT guard band licensees who share low power spectrum at 1781.7-1785 and 1876.7-1880 MHz

FCS has experience in successfully developing and implementing such a code.

Despite comments by national operators reported by Ofcom in the consultation, several DECT guard band licensees are delivering services effectively to customers today. They manage interference potential through their engineering code of practice, agreed by the 11 non national licensees operating as an FCS group. This is despite significant barriers to market entry experienced by these licensees since 2006, when their licences were issued. They sought to enter a GSM market where the rules of engagement had been designed for the national wholesalers, who did not have incentives to co-operate with new entrants.

Mobile number portability was a significant example, where the industry process was owned and operated by the national operators. It took a significant effort on behalf of the licensees, working with FCS and Ofcom, to change the MNP Operators Steering Group constitution to permit new entrants and ensure all parties could comply with GC18. Subsequent delays arose from the difficulty in establishing bilateral technical and porting agreements followed by termination rate disputes. For new entrants there was an elapsed time of 2-4 years before services could be provided to customers.

The history of the DECT guard band licensees seeking to enter the mobile market demonstrates the need to have different low power licensees to the national wholesalers. We recommend that the current 4 national wholesalers are excluded from bidding for the new low power licences. Ofcom's concerns about the actions of the national wholesalers are well made in that they could outbid new entrants.

FCS does not support the concept of a high reserve price for the low power licences as this would set up yet another barrier to market entry. The low power licence parameters, leading to restricted coverage and the concurrent nature of the licence would make the low power licences proportionately less attractive. So a high reserve price would seem disproportionate.

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