

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

Welsh Government Response

The Welsh Government is concerned that Welsh citizens and businesses are able to access mobile communication services:

when and where they need to (coverage); and
from their preferred provider at a price which is comparable to the most competitively priced parts of the UK (competition and choice).

The Welsh Government welcomes the opportunity to respond on these key issues. The Welsh Government recognises the need for improved mobile coverage, particularly in less populated areas where coverage today is not as comprehensive as it is in more populous, urban areas. The Welsh Government's Next Generation Broadband for Wales project will support the future delivery of improved mobile services through first class backhaul access to mobile base stations. The Welsh Government is also engaging closely with the UK Government on its Mobile Infrastructure Project which aims to address current network gaps.

The award of the 800MHz and 2.6GHz spectrum licences represents a critical milestone in the development of mobile communication in the UK and the auction will underpin the delivery of next generation mobile services. This auction provides a unique opportunity for Ofcom to shape the future of the mobile industry for the foreseeable future and to ensure that no citizens or businesses are left behind.

Whilst we welcome the recognition by Ofcom that a coverage obligation is required and that this needs to be greater than 95%; we are not convinced that an obligation for one operator to provide 98% coverage is adequate. Anything short of 100% coverage does not support full, unrestricted mobility and the ability to conduct business, make calls and perform transactions while on the move, away from the home or office. Furthermore, basing a coverage obligation on population rather than geography appears slightly incongruous in this context, because populations themselves are not fixed and have a tendency to move around.

We feel that a stronger coverage obligation is required to ensure widespread and equitable geographic coverage across the UK. We believe that this would be consistent with Ofcom's duty to further the interests of citizens in relation to communications matters. Furthermore, we believe that both indoor and outdoor mobile communication coverage are equally important to Welsh citizens and businesses.

Whilst we welcome the investment to date by mobile operators in Wales; historically, this investment has resulted in inequitable coverage across the UK. It is clear that a strong licence obligation is key to achieving widespread availability of future mobile services in Wales.

Proposals for an obligation to be placed on one operator to provide coverage to at least 98% of the UK population are a positive step forward, but this would mean that citizens in Wales are likely to face three main problems:

Any target or obligation based on UK population distribution risks disadvantaging those parts of the UK with relatively low population density. The obligation may be met by investment in more populous areas first outside Wales, achieving the UK target at the expense of rural populations. We are concerned that this approach may result in lower levels of coverage in Wales relative to other parts of the UK and may leave Welsh citizens short-changed. At the very least, therefore, we believe that it is imperative for coverage obligations to include a regional element that guarantees equitable coverage levels across the UK.

Restricting the obligation to one licence (and potentially, therefore, one provider) risks restricting choice in rural areas to a single provider. It may be perceived that Ofcom is proposing an increase in coverage in exchange for a reduction in choice. Ofcom's efforts to promote competition would be undermined in rural parts of the UK, unless this approach was also accompanied by a mechanism for allowing and promoting rural roaming from other service providers (as a means for allowing uninterrupted coverage), regardless of preferred network provider.

Placing a coverage obligation on one licence alone may result in a licence that is commercially unattractive and introduces a risk that no operator will bid for the licence. The impact of this is likely to be felt by consumers and businesses in rural areas that already face issues. We would welcome clarity from Ofcom on the incentives that are in place to make this an attractive commercial proposition for bidders.

We accept that providing universal coverage is a difficult challenge. Aside from the cost of constructing a new base station site, connecting the site to fixed-line backhaul networks and providing sufficient power, there is also an ongoing cost of maintaining the infrastructure. In a scenario involving 100% coverage there will, inevitably, be parts of the network that do not generate sufficient revenue to cover the ongoing maintenance costs. We believe, however, that it is more helpful to view the network as a whole rather than on a 'base station by base station' basis. Busier parts of the network must offset the costs associated with less busy parts of the network in the interest of providing blanket coverage to support economic and social evolution towards true digital mobility.

Ofcom maintains that the incremental cost of covering 99 or 100% of the UK population would be high and that the number of delivery addresses served by each base station would, in some cases, be in single figures. We maintain, however, that Ofcom's role in protecting the interest of consumers carries a responsibility to support social and economic inclusion in the digital age, regardless of where consumers reside. This interest should, therefore, override concerns raised by the industry regarding the cost of meeting a coverage obligation, provided there is sufficient profitability in the network as a whole.