



**Federation of Small Businesses**  
*The UK's Leading Business Organisation*

Mobile & Auctions team  
Ofcom  
Riverside House  
2A Southwark Bridge Road  
London SE1 9HA

**May 2011**

Dear Sir/Madam,

**RE: FSB response to the assessment of future mobile competition and proposals for the award of 800 Mhz and 2.6 GHz spectrum consultation**

The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the above named consultation.

The FSB is the UK's leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. The FSB is non-party political, and with 210,000 members, it is also the largest organisation representing small and medium sized businesses in the UK.

Small businesses make up 99.3 per cent of all businesses in the UK, and make a huge contribution to the UK economy. They contribute 51 per cent of the GDP and employ 58 per cent of the private sector workforce.

The importance of a fast, reliable broadband connection for small businesses should not be underestimated. The Government is relying on the small business sector to lead the way in UK's economic prosperity and growth. A fundamental part of a successful small business is that they have sufficient broadband access.

Only sufficient competition in the market and a fair auction will ensure adequate mobile broadband roll-out. Mobile broadband can play an important role in complementing a national reach of superfast broadband. Recent survey data collected by the FSB indicate that 6% of businesses still do not have access to current broadband services. Mobile networks can address the issue of access for those in locations where optic fibre and cable based infrastructure are difficult to roll out.

We trust that you will find our comments helpful and that they will be taken into consideration.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'N. Hoose', is written over a light blue horizontal line.

Professor Neil Hoose  
Chairman of the Infrastructure Policy Unit  
Federation of Small Businesses



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**FSB response to  
the assessment  
of future mobile  
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Half of small businesses (48 per cent) have said that they are already using mobile broadband or that they *would* use mobile broadband if it was available in their area.

A fast, reliable and guaranteed broadband service is crucial for small businesses as we look towards growth and prosperity in the private sector.

Despite the potential that online access promises, the reality is very different for small businesses as they struggle to access the broadband speeds they require, reducing their productivity as a result.

Small businesses have said that their priorities are access to broadband and a higher broadband speed. Broadband is not an added luxury to today's small businesses, but rather a vital utility to their business operations - similar to gas and electricity.

The FSB has taken the view that mobile broadband has an important role to play in filling the gap in the broadband market. Any comprehensive broadband strategy must include provisions for mobile broadband deployment. Where fibre optic solutions are not available, the FSB is urging the government to look at mobile solutions as a complement to fibre.

Broadband provision is particularly urgent in rural areas where service levels in some locations are still desperately poor. According to FSB's latest research, 6 per cent of small businesses have said that they are running their IT system on a dial-up connection, because they have no other option. This is unacceptable in 21<sup>st</sup> century Britain and hampers those businesses' ability to grow and prosper.

The delay in launching the spectrum auction has had the inevitable consequence that the UK is lagging behind when many European nations are speeding ahead with 4G mobile services.

Mobile operators in the UK have the ambition to deploy 4G services across the entire UK and it is very frustrating for small businesses up and down the country to see their European peers speeding ahead of them simply because of a delayed spectrum auction. This is a crucial time for the Government and for Ofcom, if the spectrum auction is delayed any further it will have serious implications for the ability of small businesses in Britain to compete on a level playing field.

There are even examples in Europe where Governments have given out spectrum licenses to mobile broadband providers to allow them to invest resources in 'hardware' such as erecting a sufficient number of transmission masts to allow mobile devices to communicate with each other. This 'hardware' comes at a considerable cost for service providers and no amount of spectrum in the world can provide the speeds and connectivity required if the infrastructure is not in place.



In the interest of competition it is fundamental that the forthcoming spectrum auction makes sure that the new spectrum licences maximise the number of wholesale providers in the mobile market. A significant 75 per cent of small businesses either agreed or strongly agreed that competition between providers was critical in driving the expansion of UK's broadband infrastructure. The FSB therefore supports Ofcom's policy of ensuring the auction support the creation of a minimum of four wholesale providers.

As mentioned earlier many small businesses currently rely on mobile broadband services. Small businesses access their regular broadband in a variety of ways. 45 per cent of small businesses said that they get broadband through a local wireless private network and 23 percent said they typically access broadband through their smart phone. A further 14 per cent said that they accessed it through USB dongle and 11 per cent stated a Wi-Fi public network as the typical way for their business to access broadband.<sup>1</sup>

Coverage and speed are important factors for small businesses. The FSB is therefore concerned to ensure the minimum spectrum portfolios, and the frequencies of spectrum held by all four wholesale providers, is sufficient to support the near universal coverage at 2mbps. We note that currently two mobile operators have 17.5MHz of sub 1GHz spectrum and that this enables them to provide 99% voice coverage. The FSB questions whether a minimum holding of only 2x5MHz of sub 1GHz will be sufficient for an operator to provide the speed and coverage small business require. The FSB therefore asks that Ofcom look again at minimum spectrum holdings for sub 1GHz spectrum Ofcom believes will support a near universal service.

With regard to coverage the FSB welcomes the requirement on one of the 800MHz licences, however we believe small businesses would benefit from a higher obligation. The FSB is also aware that by the end of 2011 Ofcom will be required to vary the existing 900MHz licences to permit them to carry LTE technologies, and would ask Ofcom to consider imposing a coverage obligation on these licences. Spectrum is a valuable public asset that Ofcom leases to commercial companies, and Ofcom and Government should therefore seek to leverage maximum public policy benefit from these licences. Arguably an opportunity to impose a coverage obligation was missed when the 900Mhz licences were varied earlier this year. The application of a coverage obligation on the two 900MHz licences alongside the one 800MHz licence would increase choice for small business in rural areas.

The demand for mobile broadband services is likely to continue to increase, particularly considering the length of time it takes to deploy fibreoptic broadband across the UK.

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<sup>1</sup> All the stats in this response are taken from the FSB Small Business Survey Panel February survey on Infrastructure. The survey had 1739 responses.



The urgent need for better broadband services is here and now and further delays in auctioning spectrum licences to a wider range of mobile broadband service providers will make the IT situation for Britain's small businesses worse.

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**For further information**

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