



Response to Ofcom's Application of spectrum liberalisation and trading to the mobile sector

29 November 2007

Tesco Mobile's Response to Application of spectrum liberalisation and trading to the mobile sector

Summary

Tesco Mobile agrees with Ofcom's contention that effective competition will lead to the maximum benefit to consumers.

However, Ofcom have not considered the full competitive impact of their spectrum liberalisation proposals. In particular, Ofcom have not taken into account the manner in which mobile virtual network operators (MVNOs) contribute to the competitive landscape or the impact of their proposals on MVNOs.

Critically, the position of more vulnerable members of society with their needs for basic voice and text communications has not been considered. Ofcom needs to consider its responsibilities for all citizens, not just the early adopters of new technologies and how its proposals impact existing sections of society with no interest in mobile broadband services.

Tesco Mobile believes that it may well face capacity constraints as the result of O2 being required to reduce the amount of 900MHz spectrum it uses for GSM services. Such constraint of capacity may well not just limit Tesco Mobile's growth opportunities but could have an impact on existing customers and their present usage levels.

Ofcom suggests that limits on GSM spectrum can be mitigated by moving customers to 3G. Such an approach will have a direct impact on customers who are interested primarily in simple talk and text services. Many of Tesco Mobile's customers do not wish for enhanced functionality 3G handsets and specifically do not want to pay to upgrade.

Customers who value good quality, basic services may have to migrate to one of the 1800MHz operators. Tesco Mobile, with its joint venture with O2, may have difficulty in remaining a viable force in the UK market as the services its customers currently enjoy can only be received on competitors' networks.

In Ofcom's analysis the present costs of the changes proposed have been underestimated with uncertain future benefits enhanced. Ofcom dismisses the dynamic effects of its proposals on competition in the near term in a few paragraphs, and focuses instead on a very static consequent analysis resulting from its intervention.

By its intervention Ofcom is picking market winners for certain parts of mobile services without considering the impacts on other parts of the market. The market should be allowed to decide how it will develop to the positive advantage of customers, of all types and not just the limited number (versus talk and text customers) with demand for mobile broadband services.

Consistent with its prior position, Ofcom should move to liberalise the use of spectrum and introduce spectrum trading. There will be winners and losers from this process but it is not possible to start with a clean slate before the competitive market is allowed to progress.

More competition across all aspects of the mobile space will have beneficial effects for consumers in ways that are not possible to predict from today's position.

Tesco Mobile

Tesco Mobile is a joint venture between Tesco Stores Ltd and O2 UK Ltd. Tesco Mobile is a mobile virtual network operator (MVNO) which uses O2's radio network and other infrastructure to provide services to its customers.

O2 charges Tesco Mobile for the use of its network. Tesco Mobile is dependent solely upon O2's network to deliver its services. There is no option to use another network in conjunction with O2 or as an alternative to O2.

Tesco Mobile has grown rapidly in the UK since September 2003 by offering good value calls and texts. Customers are attracted to a straightforward service with ease of access to handsets.

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Tesco Mobile's prices have been attractive compared to other prepaid prices in the marketplace, and indeed to other postpaid prices. This has created a competitive dynamic of its own.

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Tesco Mobile's prices compare well to the overall average numbers shown in Ofcom's market tables where the average for voice calls in 2007 Q1 was between 10.8p and 14.1p for the four large infrastructure operators. The infrastructure operator prices will be heavily influenced by postpay prices. Tesco Mobile is offering prepay customers, who typically pay more for calls per minute than postpay customers, very similar prices to postpay customers.

Similarly for SMS the average price for all the customers on the infrastructure operators was between 4.3p and 6.1p. Again Tesco Mobile's price for prepay customers is attractive given that they are paying no monthly upfront fees.

In particular, Tesco Mobile has appealed to customers who wish to make occasional use of a mobile phone. These customers are likely not to use mobile broadband services and may well be from the less advantaged members of society.

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Ofcom's survey of the Communications Market 2007 shows that 15% of C2DEs have mobile only connections i.e. they have no fixed telephony. (Figure 4.59) Ofcom published a further report on the Consumer Experience on 20 November which showed that the proportion of DEs who rely solely on mobile for telecommunications has now reached 21% in Q2 2007 (Para. 2.2.7). These customers are likely to be using mobile telephones predominantly for voice and text at a basic level.

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Tesco Mobile's customers primarily want 2G handsets. Both 2G and 3G handsets are available but customers have predominantly chosen 2G phones.

MVNOs tend to appeal to specific markets. Tesco Mobile and Virgin Mobile for instance appeal to distinct but different audiences. It is unfortunate that Ofcom's proposals impact substantially on that MVNO which will be attractive to many of the less fortunate members of our society who are totally reliant on mobile as a means of telecommunication.

There are only two references to MVNOs in Ofcom's consultation document (paras. 5.4 and 8.26). The first reference is merely descriptive and the second is a cursory mention of a possible option with regard to national roaming.

The impact on the competitive landscape that the two largest MVNOs, Virgin Media and Tesco Mobile, with circa 10% of the total UK prepay market, has been overlooked. There are of course other MVNOs and service providers who have also made a large difference to the development of mobile services in the UK.

Regulations

Spectrum Framework Review – Ofcom's Spectrum Vision

Ofcom produced its Strategic Framework Review (SFR) of spectrum policy in November 2004. This document laid out the principles which Ofcom stated should apply. At Paragraph 1.7 of the SFR dated 23 November 2004 Ofcom provided these principles.

1. Spectrum should be free of technology and usage constraints as far as possible. Policy constraints should only be used where they can be justified;
2. It should be simple and transparent for licence holders to change the ownership and use of spectrum; and
3. Rights of spectrum users should be clearly defined and users should feel comfortable that they will not be changed without good cause.

Ofcom's plan was that by 2010 71.5% of the spectrum market should be subject to market mechanisms.

Ofcom is now not consistent with its own principles. It is proposing to determine exactly how 900MHz spectrum should be utilised and precisely who should have access to it. This is clearly at variance with the principles established in 2004 above. If Ofcom's proposals were to be implemented, a level playing field is not going to be achieved.

Currently O2 and Vodafone each have 3.5 blocks of 900MHz spectrum and 1 block of 1800MHz, a total of 4.5 blocks of spectrum currently used for GSM services. Orange and T-Mobile have 6 blocks of 1800MHz spectrum. If Ofcom's proposals are implemented O2 and Vodafone will each have 3.5 blocks of 900MHz and 1800MHz spectrum combined. This is considerably less than T-Mobile and Orange's spectrum, before they acquire any further spectrum blocks as a result of the refarming auction process. Ofcom's proposals will have unintended consequences. Some operators will be seriously weakened in order to enhance others.

Ofcom is forcibly selecting both the technologies and players in the market place. This is not Ofcom's role or consistent with its principles or legal duties. Ofcom has failed to consider how its proposals will impact upon those with low incomes or how the proposals will impact on existing competition [Communications Act 2003 Section 3 (4)].

All networks knew about the physical characteristics of 3G spectrum when they participated in the auction in 2000. No commitments were given at that stage as to 900MHz being made available. Operators all made their decisions based on information known at the time. The business cases should have been self standing at that point and not need to rely on subsequent

regulatory intervention as being proposed. Prospective adjustment of the situation is uncalled for and will undermine investment.

Ofcom should not intervene in this market without clear evidence of market failure. It should allow market forces to determine the most appropriate structure of the industry.

Radio Spectrum Committee Decision

The Radio Spectrum Committee draft decision states at Recital (6) that ‘The current use of GSM in the 900MHz and 1800MHz bands should remain protected in the whole Community as long as there is a reasonable demand for the service.’

There is clearly a duty to ensure that GSM can continue to operate effectively within the two bands. Tesco Mobile does not believe that Ofcom’s proposals achieve this aim. Tesco Mobile’s customers currently make extensive use of GSM services delivered in the 900MHz and 1800MHz bands and we will require this to continue for some years to come given the simple services our customers use predominantly. Any activity which would have an impact on existing services needs to be considered very carefully, particularly given the customers who will be most impacted.

Article 3 (2) of the RSC Draft Decision provides that the current 2G spectrum shall be designated for other systems including 3G and subsequently made available for 3G. This article does not require the immediate movement of systems from 2G to 3G. The article could as well imply trading and liberalisation. It does not necessarily mean mandatory refarming of the spectrum.

Impact on existing competition

There are two main impacts that Ofcom’s proposals will have on Tesco Mobile and its customers. There will be a reduction in the radio capacity available for 2G customers. Such customers will be affected by the steps they will need to take to maintain service. Ofcom’s proposals will reduce competition in a manner which will particularly impact on more vulnerable customers.

Disruption from refarming

The refarming process is likely to have an adverse effect upon 2G services in the 900MHz band. As O2 and Vodafone remove their interleaving of spectrum and then remove one 5MHz block there is likely to be a change in the quality of existing services and this will impact not only O2 but also Tesco Mobile by the same measure.

Customers may choose to move to 1800MHz operators (i.e. not O2 or Vodafone) to receive enhanced quality of existing services. The competitive landscape between existing operators and MVNOs will be adversely affected. Ofcom is in danger of skewing the competitive marketplace in favour of one type of operator/MVNO as opposed to another. It is not Ofcom’s role to choose winners in this manner.

Limited spectrum in future

Tesco Mobile is wholly reliant upon the mobile service provided by O2. O2’s 2G spectrum blocks will under Ofcom’s proposals reduce from 4.5 to 3.5. In addition, O2 may well want to refarm its own 900 MHz spectrum to meet the demand for mobile services or go all out for

3G capability in meeting its own shareholder value creation interests, which would reduce 2G spectrum to only 2.5 blocks. Quality of service will be severely degraded with possible gaps in coverage and we are not clear whether it would be possible for O2 to provide a nationwide 2G service incorporating Tesco Mobile with only 2.5 spectrum blocks.

With such a limited amount of spectrum, O2 may wish to ration Tesco Mobile's growth in new customers on 2G services preferring to maximise shareholder value from attracting a more affluent base (higher ARPU) of O2's customers than Tesco Mobile's. Regulatory policy will flow through to a direct imposition on customers' choice as to which service they are able to use and limit Tesco Mobile's ability to serve customers and hence to generate shareholder value.

Ofcom briefed the Ofcom Consumer Panel with regard to its spectrum proposals on 18 September 2007. A question was raised about whether '2G services would continue to make use of most of the 900MHz and 1800MHz spectrum and that consumers would be able to continue to use their current handsets.'¹ The total spectrum currently available at 900MHz and 1800MHz for GSM is 21 blocks. With the release of one block each by O2 and Vodafone, the total will reduce to 19 blocks. O2 and Vodafone can be expected to utilise another block each for their own 3G purposes which will reduce the GSM available spectrum to 17 blocks.

A reduction from 21 blocks to 17 blocks is not overall a significant threat to the use of GSM but these headline numbers mask the effect on O2 and Vodafone, and thereby on Tesco Mobile. O2 currently has 4.5 blocks of GSM spectrum which would reduce to 2.5 blocks – a reduction of 44%. Customers on the O2 network, whether directly with O2 or one of its MVNOs or service providers, who wish to continue using GSM will probably have to consider moving to one of the 1800MHz providers who will still each have 6 blocks of GSM capacity.

Tesco Mobile does not agree that Ofcom is protecting the use of GSM in the 900MHz and 1800MHz bands as required by the RSC decision. The effect of customers moving operator will have a competitive effect which Ofcom have not directly considered. Moving between operators would have a direct impact on consumers who will either have to unlock their existing handsets or purchase a new handset from a new network operator.

Refarming may well require Tesco Mobile to increase its retail prices or to reduce them less quickly than otherwise might be the case as a result. The effect will be to reduce Tesco Mobile's competitiveness versus its competitors, particularly if the other operators are offering abnormally high SACs or lower call tariffs to attract them to mobile broadband services which will inevitably bundle talk and text services

Ofcom should consider the short term reduction in competitiveness in addition to the longer term gains it posits. Ofcom's Cournot model needs to take into account all competitive losses and gains, including MVNOs, not just those associated with infrastructure players.

Moving traffic to 3G

Ofcom proposes that operators should subsidise 3G handsets more heavily to encourage their take up. These costs will need to be recovered somewhere and are likely to go into higher call costs than would otherwise have been the case. It is also important to realise that these

¹ Ofcom Consumer Panel minutes 18 September 2007 Para 5.1 last bullet point

subscriber acquisition costs will continue to be higher for the long term duration as customers require more handsets which makes call costs unnecessarily more expensive for those who do not want or need the data services. Subsidies will need to be maintained at this higher level as customers churn out their handsets on a regular basis. Prepay customers with their use predominantly of voice and text will in effect subsidise more affluent customers.

The subsidisation of high end handsets is a particular problem for the prepay market because of customers purchasing handsets with no intention of using them on the network; known as box breaking in the industry. Large subsidies on 3G handsets will attract the wrong sort of purchasers. The costs for Tesco Mobile would increase substantially and are probably not bearable.

Uncertainty of future

Ofcom's approach is to compare the short term costs with uncertain long term benefits. The initial costs of disruption are likely to be understated. Ofcom has not considered all of the costs to the 2G operators or to the MVNOs that are resident on these operators. More importantly, Ofcom have not sufficiently considered the impact on medium term competition which will lessen the competitive pressure on prices nor the impact on specific customer segments. It is unfortunate that the customers most likely to be adversely affected are those who are more reliant on this form of telecommunications and with lower disposable income.

The future benefits are inherently uncertain. In this technological fast moving world it is not possible to be precise. We do not know which technologies will be used in five years time let alone twenty. No one in the late 1980s would have predicted that mobile penetration is what it now is or that the internet and e-commerce would have the impact on society that we are experiencing. Other unknown technologies will come to the fore and have large impacts on the competitive analysis that Ofcom attempts to use to state what the benefits are.

In a world where the costs are certain and the benefits are unclear, Ofcom should be cautious in proposing a particular solution. The markets have the advantage of being able to flex to actual conditions that will occur rather than the centrally planned approach being suggested.

Mobile broadband

Ofcom puts forward low, medium and high positions in its consultation document. If the low scenario unfolds then refarming is not required. Whilst weighting of outcomes is used, we are unclear as to the methodology which has been used to arrive at this and the thoroughness with which this has been applied.

Ofcom effectively develop a self-serving argument which posits that the high penetration scenario will only take place if refarming is enforced by Ofcom. We would also respectfully argue that there are many other factors (usability, handsets etc) that will encourage customers to take up mobile broadband beyond spectrum availability at 900MHz. Rounded services with compelling propositions which attract customers are key to take up, not the radio frequency over which the services are delivered.

Fixed internet services developed rapidly with low bandwidth delivery which then stimulated a requirement for enhanced bandwidth. The same mechanism may well apply in the mobile space.

According to Ofcom's market research, Para 5.14 in Ofcom's consultation document, data accounts for only 5.7% of existing mobile service revenue. Such data usage will be primarily driven by business users e.g. Blackberry devices and 3G data cards. It is important to ensure

that policy is not driven by a minor activity with uncertain demand in the consumer segment which is already served by several different alternatives (see below).

It is implausible that Tesco Mobile's customers are heavy users of 3G data cards and Blackberry or PDA devices. Ofcom's proposals to encourage customers to move towards 3G data services will have an adverse impact on these more vulnerable members of our society. Ofcom should have considered how its responsibilities to citizens extended to all classes of society, not just to the corporate segment or affluent consumer early adopters.

Ofcom uses quality only in the sense of additional high end services. But quality for most customers is related to voice calls and text services. Ofcom have not factored this element of quality into their analysis.

Other technologies

3G can provide mobile broadband but there are other technologies which are, or will be, available to consumers as well. Wi-Fi and WiMax all have additional potential to provide individuals to the internet whilst on the move

At Para 5.24 of the spectrum liberalisation consultation document, Ofcom's research shows the top four places for use of mobile internet are public transport, hotels, stations/airports, workplace. All of these situations are increasingly covered by WiFi networks. 3G is not the only means to satisfy this demand.

Ofcom has not considered this competitive dimension between mobile and other wireless offerings which is to be welcomed and encouraged. Mobile devices will increasingly have both 2G or 3G with WiFi. Already we can see this with the Apple iPhone and many Nokia high end phones.

Is enormous disruption of existing services which can not be easily delivered by WiFi today required in order to allow services which are already available from more than one delivery mechanism?

Auction design

We are unclear what is being proposed or the free market mechanism which is being proposed. As the spectrum blocks on their own cannot sustain national coverage and O2 and Vodafone are excluded, the only possible applicants are T-Mobile, Orange and 3. The auction therefore appears to be a procession with a designed outcome.

The Ofcom Consumer Panel on 18 September 2007 asked the question about whether 'if some spectrum had to be released by existing users, did this raise the possibility of market entry? Philip Rutnam said that this option could allow two or three additional operators access to 900MHz via a transparent award process.' What Ofcom do not appear to have made clear in this response is that the two or three additional operators are most likely to be existing mobile operators in other spectrum bands. There is most unlikely to new entrants who are currently not participating in the mobile market.

Alternative proposals

Liberalisation and trading

As stated above Ofcom needs to be consistent with its previously stated principles. The markets should be allowed to discover the best approach.

In a fast moving technological world it is not possible to decide on the 'right' approach on *a priori* basis. Central planning will not deliver the optimum position which is the course that Ofcom is pursuing.

National roaming

Ofcom states that Option B – regulated roaming 'is an intrusive intervention with significant practical challenges to implement effectively.' This summary ignores the successful application of national roaming conditions to O2 and Vodafone at the time of the 3G auction. O2 provided GSM national roaming to Three without any recourse to regulatory intervention. Subsequently, Orange agreed to provide national roaming to Three without any regulatory requirement to do so.

National roaming has been shown to work effectively in the UK marketplace. Ofcom need to explain why this experience is not relevant in the new environment of 3G roaming on 900MHz.

Paying for refarming costs

O2 and Vodafone will have significant costs as highlighted by Ofcom. Indeed the costs may actually be higher. This cost burden will in itself penalise the existing two 900MHz operators and their MVNOs.

A way to alleviate this burden would be to use the receipts from the auctions to compensate the two operators with their significant implementation costs. O2 and Vodafone would only be compensated on the basis of actual costs incurred and would have to demonstrate these costs to Ofcom. This approach would help to deliver a more neutral outcome.

Ofcom questions

Question 1.1 Do you have any other comments on this consultation document in addition to those made in response to the questions set out below?

Yes. Please see Tesco Mobile's comments in the opening section of its response.

Question 3.1 Do you have any comments on Ofcom's interpretation of its obligations under the forthcoming RSC Decision?

Ofcom is not required to intervene actively in the market by refarming. The RSC Decision only requires Member States to designate 2G spectrum for UMTS systems

Ofcom needs to ensure that its actions are consistent with the requirement 'to ensure that such systems can co-exist with GSM systems.' Tesco Mobile does not believe that Ofcom has adequately considered how 2G systems can co-exist with 3G systems on the same spectrum.

Question 5.1 Do you agree that the 900 MHz spectrum is likely to provide a cost advantage over higher frequencies for the provision of mobile broadband services? If so, do you believe that Ofcom's estimates of the size of that cost advantage are representative of what would be realised in practice?

The specific costs associated with the utilisation of spectrum using different technologies is not Tesco Mobile's area of competence but there may well be such an effect. We are though unconvinced that the case study using an extrapolation to give cost advantages is a rigorous methodology.

Question 5.2 Do you agree that the 1800 MHz spectrum is unlikely in practice to provide a cost advantage over higher frequencies for the provision of mobile broadband services?

Tesco Mobile does not have a comment.

Question 6.1 Do you agree that if the existing distribution of the 900 MHz spectrum continued post liberalisation, this would be unlikely to promote competition for the provision of mobile broadband services?

The existing distribution of 900MHz spectrum may have an impact on mobile broadband services but addressing this problem will have impacts on existing services used by existing customers. Ofcom's question is drawn too narrowly as it needs to address both existing and new services

Ofcom need to consider both the impact of the existing distribution on new services and the impact of Ofcom's proposal on existing customers.

Just looking at mobile broadband is to ignore the profound impact on existing competition to the detriment of today's customers

Question 6.2 Do you agree that if the existing distribution of the 900 MHz spectrum continued post liberalisation, this would be unlikely to secure optimal use of the radio spectrum?

Optimal use of the radio spectrum is difficult to ascertain given that market conditions and demand for both existing and new products in the future are unknown.

Question 6.3 Do you agree that if the existing distribution of the 1800 MHz spectrum continued post liberalisation, this would be likely to promote competition for the provision of mobile broadband services?

Tesco Mobile's response to Question 6.1 applies here as well.

Question 6.4 Do you agree that if the existing distribution of the 1800 MHz spectrum continued post liberalisation, this would be likely to secure optimal use of the radio spectrum?

Tesco Mobile's response to Question 6.2 applies here as well.

Question 8.1 Do you agree with Ofcom's assessment of the merits of Option A (Liberalisation in the hands of the incumbents) for the implementation of the RSC Decision in respect of the 900 MHz spectrum?

No. Liberalisation and trading should be considered as a real option not dismissed out of hand.

Question 8.2 Do you agree with Ofcom's assessment of the merits of Option A (Liberalisation in the hands of the incumbents) for the implementation of the RSC Decision in respect of the 1800 MHz spectrum?

No. Liberalisation and trading should be considered as a real option not dismissed out of hand.

Question 9.1 Do you agree with Ofcom's assessment of the merits of Option B (Liberalisation in the hands of the incumbents subject to a roaming condition) for the implementation of the RSC Decision in respect of the 900 MHz spectrum?

National roaming has worked well for Three and has not required regulatory intervention to agree prices. Indeed there is now competition for Three's national roaming traffic.

Ofcom could have considered more seriously whether roaming should be required once the existing operators decided to implement refarming for their own benefits. Commercial drivers would need to drive the decisions.

Question 9.2 Do you agree with Ofcom's assessment of the merits of Option B (Liberalisation in the hands of the incumbents subject to a roaming condition) for the implementation of the RSC Decision in respect of the 1800 MHz spectrum?

The same principles should apply as for 900MHz i.e. if and when the 1800 MHz operators decide to refarm they should be required to provide national roaming.

Three have presumably found 2G at 1800MHz to be acceptable for their 2G service now that they are roaming on Orange.

Question 10.1 Do you agree that in principle some form of mandatory release of 900 MHz spectrum is appropriate in order to implement the RSC Decision?

No. The RSC Decision only enables the 900MHz and 1800MHz bands to be used for 3G systems in addition to 2G systems. There is no requirement on Ofcom to force mandatory release on existing users of the spectrum.

Ofcom is deciding to mandate release for its own purposes, not because the Decision requires it to be done. Ofcom's proposal on 1800MHz demonstrates that mandatory release is not required.

Question 10.2 Do you agree that in principle some form of mandatory release of 1800 MHz spectrum is unlikely to be appropriate and that Option A is likely to be the most appropriate means to implement the RSC Decision in respect of the 1800 MHz spectrum?

As per 10.1

Question 11.1 Do you agree with Ofcom's assessment that the version of Option C in which there is the simultaneous release of three 2 x 5 MHz blocks of 900 MHz spectrum in 2010 is likely to be the most appropriate means to implement the RSC Decision in respect of the 900 MHz spectrum?

No. Tesco Mobile does not believe that implementation of this form is required by the RSC Decision.

Question 12.1 Do you agree with Ofcom's proposal for the mechanism of release and the terms and condition for the released 900 MHz spectrum?

No. The auction process is weighted too much in favour of existing incumbents. Ofcom have in mind an outcome that they want to achieve. The market should be allowed to decide with full liberalisation and trading allowed.

Question 12.2 Do you agree with Ofcom's proposal for the terms and conditions for the retained 900 MHz spectrum?

All spectrum used by the mobile companies should be made tradeable and liberalised, not just the retained spectrum.

The question of the transition of all spectrum from the existing administered incentive trading (AIP) to tradeable rights should be considered in the round, and not just in this context.

Question 13.1 Do you agree with Ofcom's assessment of the merits of Option D (Full Mandatory spectrum Release) for the implementation of the RSC Decision in respect of the 900 MHz spectrum?

Tesco Mobile agrees with Ofcom's conclusion that full mandatory spectrum release would not be helpful. Such action would have a large deleterious impact on the existing customers using 2G spectrum.

Question 14.1 Do you agree with Ofcom's proposals for the implementation of the RSC Decision in relation to the 900 MHz spectrum?

Tesco Mobile does not agree with Ofcom's proposals. We do not agree that the RSC Decision requires the action that Ofcom proposes to take. Ofcom's approach would have large adverse effects on existing customers which Ofcom has not quantified.

Ofcom has not properly considered how to meet Recital (6) which requires that 'The current use of GSM in the 900MHz and 1800MHz bands should remain protected in the whole Community as long as there is a reasonable demand for the service.' Tesco Mobile believes that reasonable demand exists for GSM to remain at 900MHz. The amount of 900MHz spectrum available should be not reduced by regulatory diktat.

Question 14.2 Do you agree with Ofcom's proposals for the implementation of the RSC Decision in relation to the 1800 MHz spectrum?

Tesco Mobile does agree that the current operators using the 1800 MHz spectrum should not be required to release some of this spectrum on a mandatory basis.

Question 15.1 Do you think that Ofcom should make the 900 and 1800 MHz spectrum available for systems other than GSM and UMTS? If so, for what systems, on what timescale and by what mechanism?

Liberalisation of the spectrum should be allowed for all relevant technologies provided that the interference questions are adequately addressed.

Question 15.2: Do you believe that licences for the 900 and 1800 MHz spectrum should be made tradable? If so, on what timescale and should trading be subject to any competition restrictions ?

Ofcom should move to trading the 900MHz and 1800MHz licences as soon as possible.

Question 16.1 Do you believe that the licences for 2.1 GHz should be liberalised and if so on what timescale?

Yes. As soon as is feasible.

Question 16.2 Do you believe that the licences for 2.1 GHz should be made tradable and if so on what timescale?

Yes. As soon as is feasible.